



Speech by

**Hon. J. FOURAS**

**MEMBER FOR ASHGROVE**

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Hansard 16 September 1999

### 1999 BUDGET SPEECH

**Hon. J. FOURAS** (Ashgrove—ALP) (2.49 p.m.): I am pleased to take part in this debate on the Appropriation Bills. Today we have heard from both the Leader of the Opposition and the shadow Treasurer. There was a theme to Mr Borbidge's discussion on the Budget. On the one hand he was crying crocodile tears about how Government departments were grossly underfunded while on the other hand he referred to the Standard and Poor's newsletter which expressed concern about the underlying financial position of the Budget. That shows the classic contradiction of the Leader of the Opposition. He always lacks consistency.

I have been a member of this House long enough to know that when we hear concerns expressed by those in the Opposition, for example about child protection services, they are not fair dinkum. I was a member when a director of Children's Services presented to the Parliament a report which stated that his department could not meet its statutory obligations to protect children. What happened? He was sacked. He was removed from his position.

The study on homeless children, which I was involved with when I was on enforced sabbatical leave, received a submission from the State Government that the majority of children on the streets were or had been wards of the State. Following the Forde inquiry, members opposite are now concerned about the fact that we increased relevant funding by \$103m per year. They are saying that we should have done that but also that we should be very concerned about the underlying financial position. Dr Watson agreed with that proposition.

On Tuesday I was amused to see a letter to the editor in the Courier-Mail from Joan Sheldon. I will quote that letter. This morning Mr Borbidge tried to rewrite history by telling us how good he and Mrs Sheldon were as financial managers. I think it is important that we revisit that, because he should not be allowed to get away with this totally slippery position. The letter from Mrs Sheldon states—

"Peter Beattie displays a remarkable lack of understanding of the budgetary processes for a Premier and acting Treasurer, as well as being typically barefaced.

I made it crystal clear in successive Budgets that the major expansions of capital works programmes by the Coalition were based on one-off proceeds from the sale of assets and the restructuring of the power industry."

That is worth repeating: the expansions of programs in the coalition's Budgets were based on one-off proceeds of sales and money such as the \$850m taken from the power industry. The letter continues—

"To claim, as Mr Beattie does, that these monies went towards creating recurrent expenses, is profoundly contradicted by those Budgets, and was never contemplated."

Let us look at some of the facts. I think it is Mrs Sheldon who shows a remarkable lack of understanding of the budgetary process. On becoming Treasurer, Joan Sheldon used the discredited Commission of Audit report by Vince Fitzgerald to indicate that she had inherited an underlying deficit from the Goss Government.

**Dr Watson:** You're not calling Vince Fitzgerald a shonk, are you?

**Mr FOURAS:** I am saying that the report was totally discredited, as I will prove. The facts are that during the time of the Goss Labor Government net debt was improved by \$7 billion in six Budgets

with an underlying financial strength that was the envy of every Australian State. There was a \$7 billion reduction in Government net debt.

Today the member for Moggill said that the Goss Government paid Keating \$1 billion. That is a red herring. Somehow or other we magnanimously gave \$1 billion to Paul Keating because he was our mate! In fact, we retired net debt early. The outcome of that in budgetary terms was that we actually paid less interest. Our overall financial position was improved through that process.

In each year of the Goss Government there was an underlying surplus in GFS terms—that is, in uniform accounting terms—of more than \$1 billion. The surplus in 1992-93 was \$1.292 billion. In 1993-94 it was \$2.322 billion. In 1994-95 it was \$1.711 billion. In 1995-96, the last year of the Goss Government, it was \$1.466 billion. In her first Budget, in 1996-97, Joan Sheldon halved this \$1.466 billion underlying surplus to \$570m. That Budget was the beginning of what destroyed our underlying surplus in GFS terms. \$400m was generated from the sale of income producing assets, and that was included in that Budget.

In her next Budget, in 1997-98—thankfully that was the last Budget of Borbidge and Sheldon—we saw a further sharp decline to a \$99m deficit in GFS terms. Of course, this was accompanied by the famous raiding of the electricity industry to the tune of \$850m in order to balance the Budget. Then Under Treasurer Doug McTaggart, an academic, used fuzzy terms such as "lazy equity" and Joan Sheldon's oft-repeated phrase "one-off revenue".

I do not ever like being personal in this Chamber, but I will say this. We in this State have been well served by excellent Under Treasurers but, unfortunately, history will record that Doug McTaggart was the exception. I think that is a shame, but I think the facts prove that. As I have said here before, in two Budgets—

**Dr WATSON:** Madam Deputy Speaker, I rise to a point of order. The member for Ashgrove is attacking Doug McTaggart and —

**Madam DEPUTY SPEAKER** (Ms Nelson-Carr): Order! Is this a point of order?

**Dr WATSON:** The point of order is that this Government allowed Dr McTaggart to be appointed as chief executive of QIC and to be in charge of looking after all the superannuation funds of all the public servants, including his own.

**Madam DEPUTY SPEAKER:** Order! There is no point of order.

**Mr FOURAS:** I think the proof of the budgetary position of Queensland is in the eating. I think it is inexcusable to have expenditure not matched by revenue, which is a fundamental principle that was broken in both Sheldon Budgets. As I said before, Mrs Sheldon as Treasurer took an underlying Budget surplus of around \$1.5 billion to a deficit of \$99m over two Budgets.

When the coalition won Government, a report indicated that this was not the true position, that somehow it inherited an underlying deficit. Even if that had been so, it added \$1.4 billion in its first Budget. That is an increase of 11.9%. It is totally incomprehensible that those opposite could argue that they inherited this terrible financial position when in the next Budget they went ahead and increased spending by \$1.4 billion. I think it needs to be clearly understood that Mrs Sheldon did not understand that expenditure must be matched by revenue. It is totally incomprehensible for Mrs Sheldon to now try to justify selling asset producing resources and for her to do what she did in terms of propping up her Budget.

The Beattie Government's second Budget is tight. There is no doubt about that. There is a budgeted net operating surplus for the year 1999-2000 on a GFS basis of only \$13m. We need to talk about the fundamental principle of revenue matching expenditure. We had an increase in revenue of 1.3%, from \$16,627m to \$16,845m, and we had a similar increase in operating expenses. We are implementing the principle of expenditure being matched by revenue. I wonder where Mr Borbidge would find the extra \$90m in this year's Budget, for example, for one item: funding the Forde inquiry recommendations. He also complains about what Standard and Poor's said, to which I will refer later.

I am pleased that this Budget was prepared in accordance with the Charter of Social and Fiscal Responsibility. I hope that this charter will end the inane posturing of people such as Mr Borbidge about what is or is not transparent publicly and what is or is not accountable. The first fiscal principle in this Budget is that State taxes and charges are to remain competitive with other States. On that basis, great concern has been expressed by members opposite that because Tasmania has a lower tax base than Queensland, this is an indication of how badly this State has been run. In fact, the gap between the taxes and charges collected by Queensland and the average taxes and charges collected by other Australian States has not increased. In fact, it has declined marginally. So that is something that this Budget sustains.

The second fiscal principle is that sustainable service provisions be maintained by operating a GFS surplus. Again, this Budget does that, although I believe that the figure could be higher. The next fiscal principle is that borrowing for capital investments will be undertaken only when borrowings can be

serviced from an operating surplus. That is what these fiscal principles are all about: managing financial risk and building the State's net worth. I will talk about that later when I discuss the news release that Mr Borbidge so proudly tabled and spoke about. The Goss Government practised prudent financial management. However, the Leader of the Opposition is trying to pretend that his Government did that, too, but that is not the case. And he is trying to use that Standard and Poor's news release to prove his point.

There is no doubt in my mind that the fiscal principles that I am talking about do recognise that, broadly speaking, each generation should pay for the services that they consume. It is not fair for the present generation to leave a debt for services that they enjoy to be paid for by future generations. There is no question about that. We need to maintain a strong financial position for this State.

It is unacceptable for Joan Sheldon to be arguing in this week's Courier-Mail that it is prudent and justifiable to fund major expansions of capital works by the proceeds of one-off sales of revenue-producing assets. The Premier was critical of the fact that the underlying surplus was eaten away in two Budgets through deficits created by Joan Sheldon. He also expressed concern about our AAA credit rating. No amount of posturing by Mr Borbidge or Mrs Sheldon can rewrite history. Their lack of fiscal responsibility was inexcusable. It was as if the coalition Government was worried about being a one-term Government and was trying to buy its way into continuing in power. It is as simple as that. It inherited a set of books that was second to none and left behind books that left everything in doubt.

We have heard about the Cain Government and how it discovered that its chickens had come home to roost. Of course, chickens will always come home to roost. We were indeed fortunate, as Queenslanders, that we had only one term of Government by members opposite. If they were so good, why did they join the Moore Government from 1929 to 1932 as the only other one-term Government in the history of Queensland? Members opposite claim that they were great managers, providing services and running this State, but they were oncers.

I turn now to yesterday's news release from Standard and Poor's, of which Mr Borbidge made so much. It states—

"A general government underlying cash deficit of A\$0.4 billion is forecast compared with a small surplus in fiscal 1999."

Notwithstanding Standard and Poor's observations of the position in cash terms, I believe that there is an underlying cash deficit. We must understand that this is the first Queensland Budget that was done on an accrual accounting basis. We must also understand the deficiencies of cash accounting. We have a professor of commerce as the shadow Treasurer. He should understand the deficiencies of cash accounting. There is no better demonstration of this than in the fact that, on a cash basis, expenditure is recorded at the time of payment. So expenditures are actually recorded when they are made.

The Standard and Poor's press release states—

"An increase in subsidy payments, particularly community service obligation payments to Queensland Rail, contributed to a decline in the operating cash flows in fiscal 2000 compared with fiscal 1999."

That is true. So when we are looking at this on an accrual basis, these increases in subsidy payments are effecting a cash result this year while these subsidy payments accrue over a number of years. The Standard and Poor's news release also states that "the particularly strong Queensland government balance sheet will continue" and mentions "the forward estimates of an improving underlying financial position".

This Budget contains a GFS surplus of \$13m under the normal accounting process. The bottom line is what is happening with Queensland's net worth. Under the Beattie Labor Government, this State's net worth is expected to grow from \$55.3 billion as at 30 June 1998 to \$58 billion by 30 June 2000. As Standard and Poor's say, they—

"... will be watching closely that the government is able to realise the forward estimates of an improving underlying financial position."

They also say—

"However, the particularly strong Queensland government balance sheet will continue to underpin the state's 'AAA' local currency rating."

We have that. In two years, the State's net worth will increase from \$55.3 billion to \$58 billion—an increase of \$2.7 billion. Any business—any group of people—would be proud to have that in their balance sheet.

Undoubtedly, Queensland has a strong and growing balance sheet. This bodes well for the future. I predict that, in the future, the Beattie Government will make sure that we do fund recurrent expenditure in service delivery. I have a great passion—a great belief—in the provision of services,

particularly Government services, as a great equalising force in our society. We need more than just efficiency as a criterion. We must be concerned about equity issues, increasing funding for disability services, child protection and public housing. I am confident that the next two Budgets will show an improving situation.

This Government has behaved responsibly, unlike its predecessor, the last coalition Government. And for members opposite to come in here and try to rewrite the records is shameful. I am pleased to put on the record that the Goss Labor Government did keep to fundamental fiscal principles. We now have a charter of fiscal principles which will transparently indicate, through progressive reporting and Budget papers, that this Government will behave fiscally responsibly. And in the future, the public of Queensland will make sure that they get increased funding for school maintenance and the provision of services, together with capital works for job creation, buildings and infrastructure. I am proud to support this Budget today. I hope that we will have no more restating of history by members opposite.

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