



Speech by

**Hon. KEN HAYWARD**

**MEMBER FOR KALLANGUR**

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Hansard 16 September 1999

### **1999 STATE BUDGET**

**Hon. K. W. HAYWARD** (Kallangur—ALP) (9.08 p.m.): It is certainly a pleasure to speak in the debate on the Appropriation Bills. Queensland is the economic powerhouse of Australia, with gross State product increasing by 4.75% last financial year. That strength cannot be understated, because our traditional Asian trading partners have been in a very severe recession over that period. We all remember when those Asian trading partners were known as the tiger economies. With gross State product increasing by 4.75%, Queensland can now rightfully make the claim that we have a tiger economy.

Let us look at the Budget papers. The gross State product is boosted by local demand for goods and services and, of course, a declining rate of unemployment during this year to 8.3%. Imagine if our Asian trading partners were not in recession. The Budget papers say that net exports took 2.5% from growth figures during this year. So if—and it is only if—the recession in Asia had not occurred, we would have been talking about a gross State product of over 7%, which would have been an amazing situation. As I said, the Budget papers state that net exports took 2.5% from growth figures. What is important is that, despite that massive growth, all of this occurred in an inflation environment of 1%.

In 1999-2000 we are going to have more of the same, with the growth rate slightly down—but still substantially high—at 3.75%. Net exports are expected to add 0.25% as our trading partners, particularly in Asia, recover. It is said that this figure will be slightly down because there will be an easing in the growth of domestic demand and, very importantly, unemployment will trend further down to 7.75%. This situation is interesting, because it is estimated that, during the next year, inflation will rise by 1.75%.

So the challenge that is always there for policy makers is to reduce unemployment further while keeping inflation under control. It seems logical that, as the rate of employment drops, the rate of inflation increases. This is a challenge not just for the Queensland Government but for all Governments right around the world and, particularly in the context of the Queensland Budget, for the Australian Government.

The key, of course, is to increase the skills level of the current work force and increase the skills level of underemployed and unemployed people. Through that, we develop a work force that has the skills and the willingness to exploit employment opportunities. We need to focus on improving the quality and the relevance of education and training. By focusing on improving the quality and the relevance of education and training, we can ensure that a skilled work force is available in this State.

What does that mean we have to do? I believe that we need to develop within the State of Queensland a culture of skills improvement—a culture of opportunity—so that people know that when they obtain more work skills they will be able to use those skills and, therefore, seek employment and improve their position within the workplace. I believe that Queensland is well on the way towards achieving that culture. I do not believe that it is as difficult as it sounds to develop that culture. As members of Parliament, as we mix in our electorates and we see people, we know that Queensland as a State and individual Queenslanders have a "give it a go" attitude. They want to have a go at doing things, and that is what they do. I believe that this is particularly reflected in Queensland's small-business environment. We have an enormous number of small businesses in this State and people who want to work hard and work on their own.

The opportunity exists for the Government to harness that attitude towards skilling and getting people reskilled for employment so that we can improve employment prospects; so that we can develop that attitude of what people want to do. That is the focus of this Budget. It is about skilling Queensland to create the Smart State. It is about improving the quality of education and training through vocational training. It is about the provision of assistance to industry and Government to take advantage of the information age.

Budget Paper No. 2, titled the Budget Overview, contains references to some of the highlights, including funding of \$39.6m provided over five years for the Education for All program; funding of \$24m provided over four years, including \$6m next year, for the Safeguarding TAFE initiative; funding of \$40m provided over four years, including \$5m next year, to the Networked Learning Community initiative; funding of \$22.5m over four years, including \$5m next year, to continue the Government's commitment to provide additional behaviour management support services at schools; and funding of \$24.5m over four years, including \$5m next year, to continue improvements in literacy and numeracy outcomes in primary schools. So basically, the focus of this Budget is about skilling Queensland or creating a culture in Queensland whereby people seek skills improvement. I congratulate the Premier on his determination to do that through this Budget.

There are many problems and challenges to be faced as Queensland moves towards the new millennium. The first is the development of that culture of skills improvement and creating an atmosphere in which that circumstance—the circumstance of improving skills—becomes the right thing to do and the thing that people want to do. The next problem is developing that relationship, which I talked about before—the relationship between unemployment and inflation—in the context of a growing economy. Historically, as everybody knows, as unemployment goes down inflation goes up. So we need to concentrate on and address that as an issue, because the task that then faces the Government is to reduce unemployment, maintain a low level of inflation and continue that growth.

So how can the rate of unemployment be dramatically reduced below the 5% level—which I would regard as a serious reduction of unemployment—despite the best efforts of a caring, sincere Beattie State Government, when people are trapped in unemployment? As the situation now stands, there are positive disincentives to gaining employment. The first and obvious one is the loss of the unemployment benefit. There are other things that flow from that: the loss of a health benefit card and the loss of various concessional benefits that flow directly through being unemployed, for instance, public transport concessions and so on.

Unemployed and underemployed people are then placed in a poverty trap. Many are faced with a low-paid job even if they gain employment. So if they move into a low-paid job, they wonder why they did it, because the benefits that they were receiving while they were unemployed are lost. What is so good or right about a system that condemns a proportion of the population to permanent poverty, when the logical option is to remain unemployed and not to seek work and not to learn or gain new skills? This is a serious problem that all Governments must address. The problem, of course, is that gaining new skills may not necessarily reflect immediately in an increase in income or other benefits. So even if a person does work to gain those new skills, they may not get an immediate or direct benefit as an increase in income. So the pressure is there to ask why they would do that in the first place. I believe that the system needs to change to provide a positive benefit to individuals for increasing their skills level. That is the issue that Governments and legislators must address. How that needs to be done involves all levels of government, but especially the Commonwealth Government because, in the end, it has the major levers and it is in a position to use those major levers.

Perhaps it is time to link direct income tax incentives to increasing skill levels; in other words, to link a rise in the income tax exemption level to an increase in work skills. I have not thought through how one would do that, but we must do something like that if one cannot see an immediate gain from improving one's level of skills. I am suggesting that we shift the emphasis so that the direct benefit goes to a currently unemployed person when that individual finds work. At the moment, there is a positive disincentive to commence work because of income tax payments. Once a person starts work, he is immediately paying income tax and his income is reduced. A person usually starts work in a job on a low rate of income. By starting that job the person loses his supplementary benefits.

We need to shift the emphasis so that the benefit accrues when the individual finds work. We need to look at changing the system. We need to reward a person for obtaining new work skills. It is important that the person is rewarded immediately. He is rewarded by receiving a reduced rate of income tax, even though the increased skills may not be reflected in his wage.

As we approach the new millennium we are presented with a unique opportunity because that window is available. The tax debate is currently occurring at the Commonwealth level. We can talk about these issues now because economic activity in Queensland and Australia is strong. If we do not address the issue of increasing skill levels at a time when economic activity is increasing and the rate of unemployment is marginally improving, we will end up with an increase in inflation. This Budget addresses that issue by focusing on the culture of Queensland as a Smart State.

I now wish to turn my attention to the electorate of Kallangur, an electorate which includes some of the fastest growing areas of Caboolture Shire and Pine Rivers Shire. The Budget provides specific initiatives which impact on the people of the Kallangur electorate. These initiatives are aimed at improving the lifestyle and the level of services in the area.

The Budget allocates an amount of \$200,000 for the purchase of land by the Queensland Fire and Rescue Authority at Pitt Road, Burpengary. The purpose of the purchase is to develop a fire station which will be able to service the fast-growing areas of Narangba and Burpengary. Currently the fire service is provided from Deception Bay, which is land-locked by the ocean on one side. The new station will provide a service to most parts of this growing area.

The Budget allocates \$6.295m to allow Energex to boost the supply of power to Morayfield. One of the challenges that I have faced as a local member over the last few years has been in relation to improving the reliability of power supply to the area. This allocation provides us with the opportunity to do that. As the area continues to grow, people will have a reliable power supply.

The Budget provides funds for the new Narangba Valley State High School. Construction of the school has already commenced and it will open with Year 8 students at the beginning of school year 2000. The principal has already been appointed. Construction will continue until the school opens next year.

The Budget allocates an amount of \$8.799m for the completion of the Caboolture Hospital development. Moneys have all been allocated for mental health services within the Caboolture area. An amount of \$372,000 has been set aside for the Redcliffe/Caboolture psychogeriatric unit. An amount of \$391,000 has been allocated for a rehabilitation/diagnostic unit. The total cost of that unit will be some \$3m.

The Government has announced its involvement in a joint project with the Caboolture Shire Council in the development of an aquatic centre at Morayfield. An important aspect of this development is that it demonstrates a degree of cooperation between two levels of Government. Progress is continuing on construction of the aquatic centre. I have had discussions with representatives of the Department of Main Roads. Morayfield Road will be altered to some extent to ensure that we have safe access to the aquatic centre.

As the member for Kurwongbah said, a matter of extreme importance is the installation of a third track on the Northgate-Petrie line. The sum of \$55m has been allocated in this year's Budget for that upgrade. The purpose of the upgrade is to provide greater rail services to the outlying areas of Pine Rivers Shire and Caboolture Shire. We have another \$7m allocated in the Budget to improve signalling on the railway line between Petrie and Caboolture. The total cost of that project is \$13m.

This is a great Budget because it delivers capital works initiatives which directly affect the Kallangur electorate. Importantly, the Budget focuses on the future of Queensland as a growth State through the development of the culture of the Smart State. This Budget delivers for the present through strong employment growth and economic growth in a low inflation environment.

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