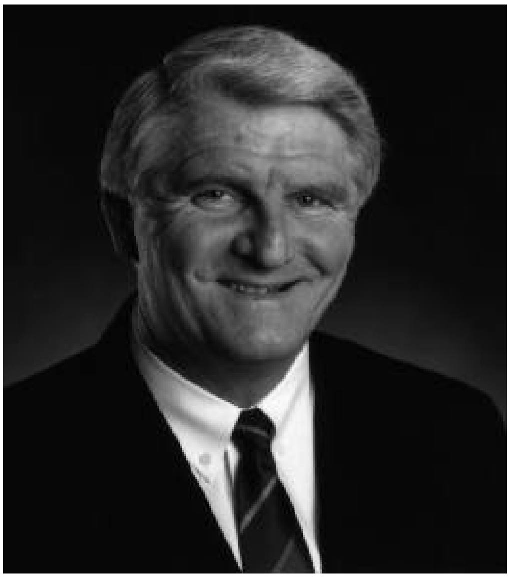

Speech by

Mr M. HORAN

MEMBER FOR TOOWOOMBA SOUTH

Hansard 17 September 1999

1999 STATE BUDGET

Mr HORAN (Toowoomba South—NPA) (3.33 p.m.): It was interesting to listen to the blase way in which the previous speaker in this debate approached the issue of the underlying cash deficit that the State is facing—the first such deficit in some 21 years. If that sort of attitude prevails, it will not be too long before we will be down the gurgler like other Labor-dominated States in the past, as happened in Victoria.

In addressing this Budget debate, one could almost call it the fudge-it debate. I believe that it has been very fortunate for the Beattie Government that accrual accounting has come in at this particular time, and so many of the Budget papers and their contents make for difficult reading because of the major transition from cash accounting to accrual accounting. But as time has gone by since the original publicity and hoo-ha that was given to it on Tuesday, and as people are starting to delve into it, they are starting to see this as a really fishy Budget which has some very serious financial problems deep within its depths.

I thought it was interesting that, despite all the fairy floss surrounding this Budget and the usual publicity, the Australian newspaper got it right in its comment. It went right to the nub of any Budget—as it should. It is one thing to look at what the Government might be doing and what it says it is doing with the money that it has, but it is another thing to look at it like people look at their own household finances to see how they are actually going: are they in front? Are they stepping ahead a bit? Or are they actually sliding backwards and starting to owe more money—and owing more money without the ability to pay off that particular debt?

The Australian newspaper, on the morning after the Budget, said—

> "The Beattie Government sent Queensland into the red yesterday for the first time in more than two decades"—

It was a 21st birthday present. I think it was 1978 when it last happened—

> "handing down a Budget deficit of $350 million as it targeted spending to the information technology and biotechnology sector.
>
> Under the new accrual accounting system there is a small surplus of $21 million, but on the traditional measurement of the Budget bottom line, Queensland has a deficit for the first time since 1977-78."

It then goes on to say—and I believe that this paragraph is important—

> "That $350 million figure for 1999-2000 would have been far worse if the Government had not factored in $568 million of what it called 'lazy money'"—

or hollow logs—

> "predicted underspending on its capital and recurrent accounts."

There was another column in that newspaper by Alan Wood, a respected commentator. He started off by saying—

> "Can you believe it? Queensland, financial paragon of the federation, brought to the verge of bankruptcy?

> That was the story Queensland Premier Peter Beattie was telling at his Budget lock-up yesterday."

He goes on to say—

> "Queensland is still in the black, with debt repayments exceeding borrowings again in 1998/99 and net financial assets of more than $14 billion."

He said that Beattie—

> "... has not made a great start on getting things under control, with his Budget delivering a meagre surplus of $27 million, after projecting one of about $400 million.
>
> In his second Budget, Beattie has the dubious distinction of bringing down the first effective deficit in Queensland for two decades."

I ask members to remember that the projected surplus of $400m is down to a surplus of $27m.

I thought it was interesting that in all the papers and books that we were given—books too high to jump over—when I got to page 93 of Budget Paper No. 2, which was about the 19th book that I looked at, it was very interesting to look at the table headed "Queensland Loan Council Allocation" and to see the Queensland Government Deficit (Surplus) predicted a surplus of $390m or, in round figures, $400m for 1998-99, but the actual result came down to only a $27m surplus. So the $390m predicted is down to $27m. The Budget for this financial year—the one that members are debating today—is predicted to show a deficit of $350m.

On the next line—the Public Trading Enterprise Deficit (Surplus)—the Budget for 1998-99 showed a potential deficit of $367m. That increased in the actual to a deficit of $402m. And the estimate in this Budget that members are debating here today is an $885m deficit.

Looking at the overall Non-PFE State Government Deficit (Surplus) for 1998-99, a surplus of $23m was predicted. The actual surplus was $375m. And for this Budget that members are debating here today—the 1999-2000 Budget—there is a surplus of $1.235 billion. I repeat: $1,235m.

If anything is going to ring alarm bells, that has to be it. The public of Queensland are starting to wake up. We always knew that about 12 months into its term the Beattie Government would have to stand on its own feet with regard to its finances. The Beattie Government inherited a good, sound financial system and structure from the previous coalition Government. It took only 12 months for the chickens to come home to roost. We now see this underlying cash deficit of $1,200m staring us in the face.

I said that this Budget is fishy. We have this deficit problem and we have the so-called hollow logs, or lazy money, that the Premier talked about. When we hear what is happening around the State we realise that there was nothing much in the hollow logs—if anything at all. Most of that had gone during the years of the Goss Government. We have seen a raid upon the recurrent budgets of the departments. People in department after department and section after section are talking about the cuts they are facing. They have had to slash 10% or 15% off the services that they deliver or the way in which they operate. This has occurred right across-the-board. This is starting to show us that the hollow logs were just another way of applying a cutback in services.

The daddy of them all has been the equity return. We all remember how, back in the early 1990s, Treasurer de Lacy imposed an efficiency dividend. Now we have another fancy way of screwing some more money out of the various Government departments. The money will come out of recurrent budgets. Treasurer de Lacy used to impose a 5% efficiency dividend on the non-labour component of the Health Department's budget. That was 5% on about 20% of the department's budget.

How is this 6% equity return going to work? I believe that the chief executive officers of the various departments are just starting to wake up to what is happening to them. The Government has said, "If we take a starting point at 1 July this financial year and work back from there, we can determine what are the assets of the various departments and charge the 6% equity return on that, but fund it in this particular Budget."

So, starting from 1 July and working back, the tax liability or the charge liability that various departments have with Queensland Treasury on existing assets—in other words, assets that were already in place pre-1 July 1999—is 6% and that equity return is paid and is then refunded. It comes into the department's budget and it goes out again. It is an in and out process.

From 1 July this financial year every single department that is undertaking capital works, or which is putting in place any new equipment, will put in place a tax liability of 6% as the net asset value of the department is increased. The liability that the departments are building up in this financial year will be due and payable on 1 July 2000. It is not a matter of whether the department has the ability to pay the money or not; Treasury will simply take it out of the department's recurrent budget. The department will not receive the money. If the CEO thinks he is receiving a budget of $1,000m, he will find that he will receive $1,000m less the equity return which results from the increase in assets which the department developed during this financial year.

We must bear in mind that this does not simply refer to capital works. It also applies to equipment. The Treasury definitions were handed out this week and we see that equity returns, assets and capital are all described. We will see that every department is going to pay 6% on the increase in its net assets. Departments will be paying 6% on new fire engines and ambulances, on handcuffs and police cars, on hospitals and schools and sandpits and slippery dips—anything that increases the net assets of the department. The only way that a department will be able to reduce the 6% tax on capital and equipment increases is by selling off and getting rid of an equivalent amount that the department had on its books pre-1 July 1999.

It is a great incentive for departments to close down small schools, small country hospitals and so forth. It is a great disincentive not to undertake capital works in this financial year. It is also a great disincentive not to install new equipment. It is an insidious tax. It will take a while before a lot of people wake up to what this tax means to each Government department.

I dare say that on 1 July 2000 there will be a lot of disappointed chief executive officers when they realise that the budget they are given for the new financial year will have this money extracted before the financial year even begins. It will be a compulsory acquisition by Treasury. It simply adds to all the different methods whereby the Labor Government is trying to fund the Budget. At the same time, the Labor Party has put us in this situation where we have an underlying cash deficit.

I would like to turn to the overall Budget as it relates to my shadow portfolio of Police and Corrective Services. If we look at this year's Budget and the actual figures we see an increased amount allocated to the Queensland Police Service—one of the most important services we have in this State. We have to take out the equity return, as the Budget papers state. It has to be taken out in order to give us a true and accurate comparison because the equity return is not new money—it is a plus and a minus. It is gone. It is not there. So, we are left with an increase, compared with last year, of $1.2m or 0.1%. That is all that the Beattie Labor Government considers that the Queensland Police Service is worth.

The Premier's speech consisted of some 21 pages, with each page containing hundreds of lines. We find that only three and a half lines in the entire 21 pages were devoted to the Queensland Police Service. This gives an indication of how the Queensland Police Service has gone right to the end of the queue as far as the Beattie Government is concerned.

Let us turn from Budget to actual and let us look at Budget to Budget. On Budget to Budget figures the Queensland Police Service has received a 4% increase. That 4% increase comes at a time when the Police Service is facing massive cost increases. It comes at a time when the service is facing increased costs for fuel. We have some 325 to 340 extra police this year as the coalition recruitment plan starts to bear fruit. All these officers have to be paid wages. We have the ever-increasing needs for fighting crime. However, we have only a 4% rise. Budget to actual, the increase is only 0.1%.

Let us look at Corrective Services. Budget to actual was $1.9m or 0.5%. Budget to Budget for Corrective Services was—8.5%. Corrective Services has increased staff numbers in order to cope with the increased number of prisoners in the new jails. How can that department handle an 8.5% Budget to Budget decrease? How could it even handle a Budget to actual increase of 0.5%?

This demonstrates that the Beattie Government puts Police and Corrective Services right at the end of the queue. This demonstrates that we have a weak Minister who has no influence. The Minister was unable to negotiate and have funds allocated to his department which would enable this core business of the State Government to carry out its task.

Let us now have a look at the Premier's Department. If the Queensland Police Service and the Department of Corrective Services have been put at the end of the queue, where is the Premier's Department? The Premier's Department received $58.7m—a 41.4% increase in its budget. This is an other example of how the core businesses of Police and Corrective Services have been passed over as the Premier feathers the nest in his own department.

It is important to have a look at capital works, because I believe that these figures will frighten a lot of people on the other side of the Chamber. The Queensland Police Service had a budgeted amount of $118m. However, only $98m was spent. That resulted in some $20m of capital works not being utilised. How many police stations, how many watch-houses, how many accommodation houses or barracks could have been built with that $20m?

The situation was worse with regard to the Department of Corrective Services. $180m was allocated to the department in the 1998-99 Budget. However, only $136m was spent. This meant that $43.7m was unspent. Altogether, we had $63.7m unspent on capital works in the areas of Police and Corrective Services. That is an absolute disgrace. We find that 21% of the total capital works budget was not spent. Does that not show the hypocrisy of the Premier's call for jobs, jobs, jobs? I wonder how many jobs could have been created if this money had been spent. This delays the provision of facilities and denies people genuine jobs. The member for Thuringowa said that he was promised a police station at Deeragun, in his electorate. He said that that $20m that was unspent would have come in handy in terms of constructing that police station.

In summary, we have seen the cutting of services to provide funds for this particular Budget. All the departments have experienced cuts. We will be examining the effect that has had on the departments as the year goes on. The Budget contains a 6% tax on the increase in asset value of each department—an insidious, hidden tax. The unspent capital works have been moved into this Budget, not to increase the capital works in the form of new money, but to help fund the capital works budgets which, last financial year, were deliberately underspent so that there would be some money for capital works this year. Despite all of that, we then have an underlying cash deficit. On top of that, we have the changes to the Public Service superannuation fund, which allows the Government to decrease its contribution to that fund by 2% and allows for further reductions. The Budget also contains a payroll tax grab where the Government has included compulsory employer superannuation contributions into the calculation. That means that, as a result of this Budget, most people who pay payroll tax will be paying increased payroll tax.

There is extra funding through the changes to superannuation, the payroll tax grab and extra money through cutting services and raiding hollow logs—the lazy money obtained through raiding the funds of each department—and the 6% tax on new assets, which has the potential to deliver up to about $300m to the Government each year, which amounts to the Government virtually pinching money from its own departments by giving them money in their recurrent budgets and taking out the equity return and unspent capital works. When one tries to reconcile all of those factors with the disastrous financial situation that the State is gradually—and for the first time in 21 years—sliding into, one finds that there is still an underlying cash deficit. That is why everybody is saying that there is something very, very fishy about this Budget. There is something fundamentally wrong with this Budget because, notwithstanding all the money that is being taken out of the departments, the money that the Government is making out of the changes to its superannuation contribution and the payroll tax grab, Queensland is still facing an underlying cash deficit. That comes back to how this Government is controlling the finances of this State.

There is no doubt whatsoever that we have a Budget that is going to cut services and destroy much of the great work that was done by the coalition Government. Despite the cuts, despite the equity return, despite the additional superannuation bonanza, despite the payroll tax, this Budget is going to create financial trouble for this State. That will mean that, when the TAB is sold, the proceeds will be spent, because there is an underlying cash deficit. When the remaining portion of the Bank of Queensland is sold off, Queensland will not be able to build one single thing with the proceeds, because they will be gone.

Time expired.