



Speech by

Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

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1999 STATE BUDGET

Hon. P. D. BEATTIE (Brisbane Central— ALP) (Premier) (4.45 p.m.), in reply: This is not just a Smart Budget; it is going to drive Queensland into the next century. All I have heard from the members opposite are the usual whinges and moans and groans. Talk about a negative lot! The previous Government was sending this State bankrupt. It was spending beyond its means.

Dr Watson: That's not what the economic gurus Standard and Poor's said.

Mr BEATTIE: Members opposite talk about Standard and Poor's. What did Standard and Poor's say? Members opposite were the first lot in the history of this State to have an underlying deficit. Not once during their time in Government did they fund their expenses out of their income. They had one-off payments—Suncorp-Metway. They stole money out of the electricity industry—\$850m— and put it into recurrent expenditure. Let Queenslanders clearly understand, and let the record show, that if the Borbidge/Sheldon Government had been re-elected, the AAA rating of this State would have been absolutely destroyed.

This Budget saves Queensland financially. It is a sober, responsible Budget. This is the Budget that Queensland needed to repair the incompetence and damage of the coalition Government. At the outset, I should say that the Opposition seems to be confused—

Opposition members interjected.

Mr BEATTIE: Hear them whine and whinge and apologise! And so they should. They owe an apology to all Queenslanders for their financial ineptitude and incompetence.

At the outset, I should say that Opposition members seem to be confused in relation to their statements on this Budget. In an article in the Courier-Mail this morning, Mr Borbidge compared us—unkindly and untruly, of course—to big-spending former Labor Governments in other States. In the same article, he also claimed that my Government was taking an economic rationalist approach to issues. This is just another example of BST—Borbidge slippery with the truth. This Budget will have produced the most accurate statement about Mr Borbidge in the time that he has been in this House: BST—Borbidge slippery with the truth.

This Budget sets new standards for fiscal management in Queensland. Opposition members cannot have it both ways. On the one hand they say that we are big spenders and, on the other hand, they say that we have cut expenditure. What sort of logic is that? That is the sort of logic that we expect from an Opposition that is bereft of any intelligence. Let me come back to the point.

This Budget sets new standards for fiscal management in Queensland. We have produced a surplus in the operating account, and it is clear for everyone to see. We have in this Budget adopted a zero-based budgeting exercise from which we have identified—

Dr Watson interjected.

Mr BEATTIE: The member ought to interject, too, because he was there when he set a wreckers course. He is one of the wreckers—he and his mates Joan Sheldon and Rob Borbidge. They were out there wrecking the Queensland economy. He is one of the wreckers.

We have in this Budget adopted a zero-based budgeting exercise from which we have identified some \$568m of savings. That is lazy money which we have been able to redirect to key service areas—to servicing the community. In this Budget, total expenditure has grown by only 1.3%. This is in contrast to the real per capita increases of 18% per annum experienced under the Borbidge Government. Members opposite cannot have it both ways. The average during the Goss years was 2%. We had 1.3%. They had 18%. We cannot have those per capita increases without sending the State broke. That is what they were doing.

This Budget saves Queensland from the wreckers in the coalition. And the record will show that this Budget saved Queensland from the wreckers—the wreckers in the coalition Government. This modest increase is hardly the action of an irresponsible or spendthrift Government. What we have done is identify waste and inefficiency and put that money to better use. The end result is that we have delivered more services with less money. Surely this has to be the best outcome for the taxpayers of Queensland.

I would like to turn to some of the nonsense and the specific issues raised by the whingeing, moaning, groaning Opposition. Those opposite have nothing positive to say about anything. A wide range of interest groups have come out in support of my Budget. Let us look at this first. The QCCI described it as a "positive budget for Queensland business". What an accurate statement! The QCCI's press release said—

"Overall, QCCI regards this as a good budget, with positive attention to job creation, innovation, capital expenditure and a focus on regional development."

The QCCI supports us. So they should. It is a responsible Budget. The Australian Industry Group described it as "a very good budget which exceeds industry's expectations ... the Government is listening to our concerns." The business community supports us because it knows that we are repairing the damage caused by the coalition.

The ACTU gave the Budget seven out of 10, as did the Queensland Farmers Federation. The Tourism Task Force welcomed the \$6m injection of additional funds to promote Queensland. The task force said—

"The Government's heightened promotional Budget is an example of sound strategic management ... to protect regional tourism jobs in Queensland."

These peak representative bodies recognise that this is a solid Budget which meets our commitments of sound financial management while making good progress on the key priorities.

There has been some debate about the so-called deficit. There has been some speculation about the meaning of the balance of cash flows reported in some background tables in the Budget papers—particularly Budget Paper No. 2. The Leader of the Opposition—Borbidge slippery with the truth—true to form, thought nothing of the issue until a newspaper mentioned it. In a bizarre Budget reply, the Leader of the Opposition accused me of spending and taxing to excess, and constraining revenue and expenditure at the same time. I have to say that that is a contortionist act that even I am not able to perform, although the Leader of the Opposition has no difficulty doing it every day in question time.

Dr Watson interjected.

Mr BEATTIE: You can't have it both ways. It is a nonsense to suggest otherwise. It is not even a half truth; it is an inversion of the truth. How can we be blowing out the Budget while at the same time be constraining expenditure? The only way we could do that would be to provide massive tax cuts.

Well, we have provided \$27m in tax concessions, but that is not enough to disturb the balance of the Budget. Standard and Poor's did point to a negative figure on the cash flow for this year. What has received less coverage is what else Standard and Poor's said. It is about time that this received some coverage, so we should look at what they said about the Budget: firstly, they recognised Queensland's strong balance sheet showing net worth of \$58 billion; secondly, the financial position of the Queensland Budget is improving into the Forward Estimates, which this Budget is designed to do—provide a strong future for Queensland, and that is what the strategy is all about; and thirdly, Queensland's AAA rating will continue.

Our direction is to an improved position. The direction left by the Opposition when it was in Government was an increase in unemployment and the wrecking of the sound financial base of the economy.

Unfortunately, Standard and Poor's chose to restrict its analysis of this year's Budget position to cash flow. That particular figure is of questionable analytical value, however. This cash flow table cannot be compared with the previously reported cash position of the Consolidated Fund. It excludes a number of revenue items.

The Treasury papers clearly show that the figures presented are not comparable with ABS figures, or previous Budget papers. That is what it says on page 86. It says—

"Cash flow statement data has been derived from accrual source data in the following tables for each sector of Government. The cash surplus data in the following tables is not comparable with GFS surplus data published by the ABS and in previous Budget papers."

That is what the Treasury document says right next door to the \$350m figure. Why did the Australian not run that? The Australian did not run it because it was more interested in a beat-up story. Talk about politicians and Governments being sensitive to criticism! For petulance and sensitivity we cannot beat what we saw in the Australian this week. People like this like to hand it out but they cannot take it when they are criticised. Talk about eggshell egos and sensitivity! They remind me of my petulant two year old many years ago.

Dr WATSON: I rise to a point of order. I remind the Premier about his criticism of the Courier-Mail a few weeks ago. Now he is changing around—

Mr SPEAKER: Order! There is no point of order.

Mr BEATTIE: The wreckers are at it again. All I expect is some fair balance from the Australian. I do not mind criticism. I simply expect that when I respond and explain where they are wrong, they will not carry on with the most petulant two year old behaviour imaginable. The Leader of the Liberal Party knows that. The Australian did not want to give even balance. Nowhere did the Australian deal with the item on page 86. There was no sense of balance. However, that is the Australian's problem. No-one reads it here, anyway. It does not worry me.

Moving right along—the cash flow tables cannot be compared with the previously reported cash position of the Consolidated Fund. It excludes a number of revenue items. The Treasury papers clearly show that the figures presented are not comparable with ABS figures, or previous Budget papers. I read the relevant extract. If they were comparable, they would show previous Budgets in substantial underlying deficit, as Standard and Poor's indicated in March in relation to the coalition's Budget.

Furthermore, the \$350m negative cash flow figure for this year includes a \$400m payment to Queensland Rail and the electricity corporations for community service obligations for services provided last year and the year before. I wonder who was in office then. Was it the coalition? The whole point that is being made by the Australian and the Opposition relates to community service obligations paid under the coalition Government.

That is the problem with cash accounting. One does not get the liability in the year when it was incurred; one gets it with the cash. Accrual accounting would have put those community service obligations in the last year and a half of the coalition Government.

So why do we have a problem? We have a problem because of the payments made by the coalition Government to Queensland Rail and the electricity industry. Whose fault is it? It is the Opposition's fault. Let us get to the bottom of this. If we take these catch-up payments out and focus on the services being delivered this year, we have a \$50m surplus.

This is the problem with analysing cash flows—they do not necessarily relate to the actual services delivered in the Budget year. It is not just me who says that. The coalition's own Commission of Audit made it clear that the cash Budget result had very limited usefulness as an indicator of State Government performance and fiscal responsibility. Page 86, Volume 1 of Dr Fitzgerald's report highlighted it as a key point—

"The best measure of financial result for the State is the operating result, not the budget result, the Government finance statistics result or the current account result.

The operating result allows an assessment of whether a Government is living within its means and maintaining net worth."

This was one of the few findings of the Audit Commission with which Labor agreed at the time.

Dr WATSON: I rise to a point of order. Again the Premier is trying to mislead the House. The coalition's Budgets were in surplus, both in cash and accrual terms.

Mr SPEAKER: Order! There is no point of order. You will have the opportunity to debate this in the Estimates. There will be no more frivolous interjections.

Mr BEATTIE: I rise to a point of order. I draw the Speaker's attention to the Standing Orders regarding frivolous points of order. Let us deal with this matter. The coalition not only had an underlying deficit but it was wrecking the economy. The community service obligation carryovers created the issue that has been referred to. That was the coalition's fault. We have rectified the coalition's mistake. We have put Queensland back on the tradition of sound financial management.

Let us come back to the point. The operating result allows an assessment of whether the Government is living within its means and maintaining net worth. This is one of the few findings of the Audit Commission with which Labor agreed at the time. It is plain commonsense. A business does not

measure its performance by looking at its bank balance on a particular day; it measures its performance on the outcome of the profit and loss—or operating—statement, and on improvements on its balance sheet. That is the benefit of moving to a system of accrual accounting. It sets out the real cost of running the Government this year. That is why, in accrual terms, we are in surplus—not last year, or the year before when we incurred the previous Government's community service obligation payments, but this year. I refer again to the Commission of Audit—

"By using accrual accounting methods to measure revenues earned and expenses incurred and the differences between them, rather than cash receipts and payments, it brings to account all resources derived and used in a particular year—regardless of when cash is received or paid."

So by the standards of Government performance and fiscal responsibility initiated and set by the Borbidge Government, this Budget hits the mark.

The operating account result for this year is a \$21m surplus and the net assets of the State will increase from \$57.7 billion to \$58 billion, a \$350m increase. That is a very sound performance. This Budget will go down in the history of this State as one of the State's best. That means that we are meeting the costs of running the Government without selling assets to prop up the bottom line, something the previous Government could never do. That is worth emphasising, because it is at the heart of the difference between my Budget and the Budget of the previous coalition Government. It means that we are adding \$350m of value to our net worth by building up the assets of Queensland. I say to all of those members who are infatuated with a cash flow result: move on, keep up with the times and focus on the real performance of the Government which, by the critical measure, is a sound and responsible financial result.

Opposition members have criticised the Budget for its negative economic outlook. I cannot understand how they can do this. The Queensland economy is forecast to continue to grow strongly in 1999-2000, with a forecast growth of 3.75%. That percentage is above the national average—including Queensland—as forecast by the Commonwealth Government. It is a full one percentage point above the growth rate of the rest of Australia, excluding Queensland. The anticipated easing in growth in 1999-2000 reflects cyclical factors affecting the whole of Australia rather than Queensland specific factors. If the Opposition had any brains, it would know that. In particular, the expansion of household credit over the past two years has been rapid, encouraged by a low interest rate environment. That growth is unlikely to be sustained in 1999-2000. The more modest growth forecast in household consumption, following very rapid growth in recent years, is responsible for much of the slowdown. That is the bottom line, and I said so in the Budget papers and in my Budget Speech.

In 1999-2000, business investment in Queensland is forecast to grow by a further 4.5% following remarkable growth of over 10% in 1998-99. That is in sharp contrast with the rest of Australia, where business investment fell by nearly 7% in 1998-99 and is forecast to fall by a further 3% in 1999-2000. Obviously, investors have greater confidence in the Queensland economy, and this is backed up by a range of business confidence surveys. The amount of money business is investing in Queensland is now more than double its level of 1991-92.

The strong growth in business investment under my Government should be contrasted with the 5% decline in investment that occurred under the coalition Government in 1997-98, and that is in sharp contrast to its strong recovery over the past two years under the Beattie Government. The slower forecast growth in public final demand, that is Government expenditure, follows substantial increases over the past two years that could not be sustained. Although the outlook for Queensland's overseas trading partners is forecast to improve in 1999-2000, economic growth in the rest of Australia is forecast to fall from 4.25% in 1998-99 to 2.75% in 1999-2000. The economies of Queensland and the rest of Australia are inextricably linked, with around one third of total Queensland exports destined for interstate. Such a slowdown in growth in the rest of Australia will inevitably have an impact on Queensland's rate of economic growth.

I turn now to spending on basic services. The Opposition has criticised the level of spending increases in the Budget, noting the growth of 3.7% in Health and 3.6% in Education as being, in its view, relatively low. The fact is that higher spending increases in those major portfolios would result in a deterioration in the fiscal position that could not be supported. Nevertheless, it is a significant increase in expenditure, because it is an increase on previous significant increases. Mr Borbidge and Mrs Sheldon sent us on this path to financial ruin and I have repaired the State's fiscal position. This is a return to sound economic management, which was lost under the coalition Government. They were the wreckers, they were the people who went down the road of Victoria and South Australia.

In this Budget, through good management and the elimination of waste, we have delivered more services with less money. Indeed, that is our responsibility to the people of Queensland and all members should support me on that issue. The Opposition also points to declines in allocations in some portfolios, which are explained fully in the Budget papers. For example, the reduced funding for

the Department of Public Works reflects the transfer of maintenance allocations to agency budgets. It is really pretty simple why it happened: they have gone to different agencies to do the work. The lower outlays for the Department of Mines and Energy reflects reduced CSO payments to electricity GOCs due to lower electricity pool prices. That is also pretty simple to understand. Lower outlays for the Department of Main Roads reflect the reducing expenditure on the Pacific Motorway project. Every one of those things is logical and explainable to anyone with half a brain, which leaves out the Opposition. The Opposition is saying that the expenditure on the Pacific Motorway is recurrent. How dumb can it get. They think that it is recurrent expenditure, yet they say that they funded it through one-off asset sales in their Infrastructure Rejuvenation program. They cannot have it both ways. That is further proof that the coalition supports the funding of recurrent expenditure through one-off revenues, which is how they were wrecking the economy.

The budget of the Department of the Premier and Cabinet has increased largely as a result of new Government programs. This is why my department has increased. I say to the members opposite that I will be out campaigning against them for suggesting that we should not fund these things. The budget for the department has increased for the following reasons. There will be funding for the Cultural Heritage Trails Network grant. Is there something wrong with that? No! There will be funding for the Centenary of Federation grant program. Is there something wrong with that? No! There will be funding for Access Queensland and ongoing capital works at South Bank, both of which are good things.

Similarly, it should be stressed that the increase in the budget for the Department of State Development is not for bureaucracy but for important investment initiatives for the State designed to support whole-of-Government priorities. In particular, the increase in the 1999-2000 budget for the Department of State Development comprises important new initiatives to drive jobs growth in Queensland, including funding for—and the members opposite should listen to this—the Queensland Bioindustries Strategy; the Queensland Meat Processing Development initiative to support value-adding activities in the meat processing industry; Vision Airlie, which will significantly enhance tourism infrastructure in the Whitsunday region; the Queensland Investment Incentives Scheme; and continued support for Cooperative Research Centre activities in Queensland and technology diffusion to manufacturing through the Queensland Manufacturing Institute. Are the members opposite saying that we should not fund those initiatives? What a nonsense!

Each of these expenditures will stimulate new sources of investment in Queensland. Is the Opposition opposed to new investment? According to the negativism and criticism of the Opposition, one would think so. Which new projects would the Opposition propose to cancel? They should spell that out so that Queensland knows.

In relation to transport infrastructure, Vaughan Johnson raised some issues. In excess of 50% of the Government's current record \$5.3 billion Roads Implementation Plan will be spent in areas other than south-east Queensland. That appears at page 7 of Budget Paper No. 1. The decrease in roads capital funding sources of \$174m—which appears on page 46 of Budget Paper No. 4—from 1998-99 to 1999-2000 is due mainly to the progressive completion of the Pacific Motorway project. This includes the impact of some \$70m in funding allocated previously in 1999-2000, which was advanced into 1998-99 as a result of completion of works ahead of schedule.

Although this is an achievement that the Opposition should applaud, it detracts from comparisons of spending between the two years. An amount of \$259m in roads maintenance is excluded from the 1999-2000 capital works document—and roads maintenance was included in the 1998-99 document—due to a change in the definition of "capital works". A comparison of capital works between the two documents needs to take that into account. In that regard, I refer members to Appendix A to Budget Paper No. 5. More generally, it should be emphasised that the per capita capital works expenditure is highest in the regions, specifically the central-west, Fitzroy, north-west and south-west statistical divisions. Within the Transport portfolio, the estimated decline in capital works expenditure in 1999-2000 in regional statistical divisions is due mainly to the completion or near completion of works. That is why. Nothing more, nothing less!

Let us look at increases in taxes, fees and fines. The inclusion of superannuation in the payroll tax base as a base protection measure will be balanced by cuts in the payroll tax rate. The rate of payroll tax is to be reduced from 5% to 4.9% from 1 July 2000, with a further reduction to 4.8% from 1 July 2001. I have already stated that we will review the revenue impact of this measure in future Budgets and reduce the payroll tax rate if necessary. I have also indicated how well we compare with other States. The Government has also provided for an increase in the general rebate for land tax from 5% to 15% and a stamp duty exemption for shares of Queensland incorporated companies traded on prescribed foreign stock exchanges to non-residents. Overall, the Government has delivered tax cuts worth \$27.7m in 1999-2000.

The Opposition alleges that Queensland has lost its low tax State status to Tasmania. The Budget papers present three complementary measures of tax competitiveness. Per capita comparisons

provide only a partial measure of tax competitiveness since low per capita taxation can reflect limited revenue capacity rather than a policy intent to maintain low rates of taxation.

Tasmania's per capita measure is more a reflection of that State's relatively low revenue capacity, as demonstrated by comparing the Commonwealth Grants Commission's assessment of revenue effort. This is clearly spelled out on page 30 of Budget Paper No. 3. The Opposition has misrepresented the facts and has clearly not bothered to read the Budget papers. Perhaps honourable members opposite do not understand them. The Opposition should refer to Chapter 2 of Budget Paper No. 3 to develop a better understanding of the concept of tax competitiveness and tax effort. Upon having done so, they will be better people. On the independent analysis of the Commonwealth Grants Commission, Queensland clearly retains its position as the lowest taxing State.

A far greater threat to Queensland's tax competitiveness than Tasmania is the Commonwealth's goods and services tax, which will be introduced uniformly across all States. The GST, at a uniform rate, will replace a number of taxes, such as bed taxes and financial institutions duty—taxes which Queensland does not levy. Queenslanders are paying to abolish taxes in other States. This is the coalition's contribution to Queensland's tax competitiveness.

In relation to superannuation's inclusion in the payroll tax base, the Opposition has claimed that more than 3,000 small businesses will be liable for payroll tax as a result of including superannuation in the tax base. These comments appear to be based on a 1997-98 statement from Budget Paper No. 2 that raising the payroll tax threshold from \$800,000 to \$850,000 would result in reduced tax for more than 3,000 payroll tax payers. Including superannuation in the base will result in some employers with payrolls just below the \$850,000 threshold commencing to pay payroll tax. The figure of 3,000 firms quoted by the Opposition was the total number of firms with payrolls between \$800,000 and \$3.4m. There is no basis, therefore, for claims that 3,000 firms will become payroll tax payers. At the most it is 30 to 40, and it will be a tiny amount. We have indicated that we will review it in the future.

In relation to equity return, contrary to claims by the Opposition, full funding for the equity return is included in all Forward Estimate years for all agencies and will have no impact on their future funding requirements or service delivery. The equity return will not retard capital investment, as claimed by the Opposition. It actually provides a strong incentive for departments to better utilise capital, especially lazy assets, so that more resources can be devoted to the highest priority areas of service delivery, that is, schools, hospitals, police and so on.

I have noted the concerns from members about this matter, particularly the member for Gladstone. The fact is that her understanding of the matter is incorrect. I am happy to provide further briefings to the member for Gladstone on the equity return if she so wishes. I can guarantee that the intent of this policy is not to reduce Government services but rather to free up capital assets so we can provide new infrastructure and services. The Opposition abused the trust I conferred upon it by exploiting information provided in a pre-Budget briefing for base political purposes—a briefing that was not provided by its Federal Treasurer, Peter Costello. However, I did the right thing and was treated with contempt as a result.

We have nothing to hide in this Budget. That is why we gave a pre-Budget briefing. There are no secret taxes. It is not a tax, it is a bonus. We will fully fund the cost of capital for all assets held by departments. It is then up to the departments as to whether they reduce the equity they have to return to the Treasury at the end of the year by off-loading surplus, or lazy, assets. This is about putting capital to work for the people of Queensland. If they do reduce that equity return, they can keep that money to invest back into services, and that continues every year.

I will not allow Treasury to abuse this mechanism as a means of trapping departments into selling off assets needed to provide services. That is not the policy of this Government. We will keep a very careful eye on it to ensure that future plans for schools and hospitals remain in place.

In relation to regional centres, some members have criticised the Government for limiting our new Regional Centres initiative to local government areas with a population in excess of 15,000. However, smaller local governments have access to funds under the Rural Living Infrastructure program, which was an initiative of the Goss Government in 1994.

In relation to the Ministerial Portfolio Statements, the member for Gladstone raised concerns about the format and information contained in them. Obviously, my intention is not to reduce the quality of information provided in the Budget and I am happy to take on board the concerns of the member and pass them on to the Under Treasurer for review.

In relation to dividends, some members have expressed concern about the level of dividends paid by Government owned corporations. Similar to the situation under the previous Government, dividends are only paid from profits after tax. The Government will not implement a dividend payout ratio from GOCs that puts the company at financial risk. We will continue to negotiate with all GOCs each year, including the Gladstone Port Authority, about the appropriate dividend payout ratio.

In relation to Aboriginal wages, the member for Gladstone also raised concerns that funding provided for the previous underpayment of Aboriginal wages was being used for an education campaign. I confirm for the member that \$25.4m over four years will be provided as compensation for the underpayment of award wages for Aboriginal workers. This money will not be used for an education campaign.

This is the best Budget Queensland has had this century. This will turn the corner and give us the bright future and the Smart State we need.
