



Speech by

Mr SANTO SANTORO

MEMBER FOR CLAYFIELD

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BUDGET SPEECH

Mr SANTORO (Clayfield—LP) (3.01 p.m.): Along with other speakers on this side of the Parliament, it is with little pleasure that I join in the debate on the Beattie Labor Government's second State Budget. I must admit that, listening to the member who has just spoken, I am wondering whether we are, indeed, debating the same document because I am about to say the total opposite about this Budget to what he has said.

Mr Nuttall interjected.

Mr DEPUTY SPEAKER (Mr Mickel): Order! The member for Sandgate!

Mr SANTORO: I intend to focus the bulk of my comments on the impact which the Budget will have on job creation—

Mr Schwarten interjected.

Mr DEPUTY SPEAKER: Order! The Minister will cease interjecting.

Mr SANTORO:—and indeed also on the job destruction that it will precipitate right throughout Queensland. Although I will make some quite specific references to the detail in the Budget relating to the Department of Employment, Training and Industrial Relations for which I have shadow ministerial responsibilities, I intend to make my detailed comments and questioning about the department during the meeting of Estimates Committee F, which meets on 13 October.

So, what sort of a State Budget are we really considering today? I would respectfully submit to all honourable members that it is a very miserable excuse for a Queensland Budget—a Budget for a leading State. I would suggest that it is really a very pessimistic document which has no vision. If it has vision about anything, including growth driven by IT developments and biotechnology development, it is extremely limited vision. It is a

Budget which presides over, foreshadows and details a massive decline in basic service delivery irrespective of what honourable members opposite have been saying about increases in service delivery, a Budget which will undermine business confidence and a Budget which is all about destroying the enormous job creation potential of this great State. It is against this last and most important criterion that this Budget must be measured. As far as members on this side of the House are concerned, it has been measured and it fails dismally against that criterion.

If, as other members have said, we look at the economic and financial indicators that are contained within this Budget—the very clever work, as we have just heard from the honourable member who has preceded me, of the Premier and the honourable member for Ipswich, the part-time Treasurer—the news is all bad. Economic growth is down from 4.75% to 3.75% on last year's Budget.

It needs to be stated here that the Budget that this Government has been operating on during the past 12 months was a coalition Budget, something that Government members have failed to admit constantly within this particular debate. Apart from the social engineering and some of the other more extreme decisions that were made within the department for which I have shadow ministerial responsibility, the Budget that we are operating under is a coalition Budget. A lot of the credit that honourable members have been taking for the achievements during the past 12 months rightly belong in bulk to the previous coalition Government and also the Federal Government that is, in fact, the engine room of this State by default because this particular State Government, especially through its major policy parameters, is

doing nothing to encourage business confidence and job creation.

So economic growth is down from 4.75% to 3.75%, compared with 5.7% under the last coalition Government Budget. Employment growth was 2.7% in last year's Budget and is down to 2.5%. Expected growth in business investment is down from 10% to 4.5%. Private investment is down from 5.2% to 4.25%. Dwelling investment is down from 12.9% in 1997-98 to 6.5% last year. Household consumption is down from 6.5% to 3.75% in this Budget. Public final demand is down from 7% to 2%. Gross State expenditure is down from 6.75% to 3.25%. What is the impact of those economic and financial indicators and forecasts? What particular boost in business confidence will result from those figures? None! Will they give business in Queensland the confidence to employ? Of course they will not!

If we have a look at the deficit, we find that this Budget is historic because it develops the first real deficit that the Queensland economy and the Queensland Budget have ever experienced. It is a disgraceful development—the advent of the first underlying Budget deficit in the history of Queensland. It is a \$375m GFS deficit, an outcome which has been ratified by the unbiased and expert assessment of Standard and Poor's. For the 1999-2000 year, the projected deficit will be \$1.2 billion, made up of a \$350m cash deficit in the general Government sector and an \$885m deficit in the accounts of public trading enterprises. This is the real shame of this Beattie Labor Budget—admitted by the once proud Queensland Treasury and ratified by the independent and expert Standard and Poor's, an organisation relied upon very heavily previously by the acting Treasurer to back up his own assessment of coalition achievements.

It is worth quoting directly from Standard and Poor's assessment of the Beattie Government Budget. It said—

"The fiscal forecasts in the Beattie Labor government's second budget brought down yesterday is for the underlying finances of the Queensland government to weaken in fiscal 2000 before recovering in subsequent years.

...

In contrast to recent years, the general government sector is expected to slip into the red in fiscal 2000 ... a general government underlying cash deficit of A\$0.4 billion is forecast compared with a small surplus in fiscal 1999.

...

For the state sector as a whole, a cash deficit of more than A\$1.2 billion is forecast in fiscal 2000 after recording a cash deficit of A\$0.4 billion in fiscal 1999."

There you have it. Will these economic indicators—the indicator of that huge deficit—boost business confidence? Will they give

business in Queensland the confidence to invest and to generate jobs? Again I would respectfully suggest that the answer to those two questions is a resounding no.

If one looks at the BST, the Beattie stealth tax, one sees that it is promoted as an efficiency tax—a concept which was roundly condemned as a concept and as a practice by the Beattie Government when in Opposition. It is now embraced as the gospel truth by those members opposite who are running out of money which is generated out of economic growth. That is a very important point to make and to observe—that growth in revenues under the previous coalition Government Budgets was, in fact, generated by real economic growth.

How are efficiencies to be achieved by the Beattie stealth tax? We need to ask a key question here, a question that I have not yet heard anybody ask during this debate. That question is: will the unions allow this level of efficiencies to be achieved? Will they allow the Government to sell assets? Will they allow staff to be sacked? Will they allow staff to be cajoled, to be asked by Government to work more efficiently?

As somebody who, when in Government, sought to get union cooperation to achieve efficiencies, particularly within the TAFE system, I can give this House an absolute guarantee that those efficiencies will not be achieved. If the BST is meant to be genuinely implemented, what will be the result? There will have to be massive cuts in capital expenditure and recurrent expenditure. If there are no cuts in recurrent expenditure, staff numbers and capital gains, what will we have? A greater underlying Budget deficit! The Budget will go into the red if the Labor Party does not want to sack people, if it does not want them to work harder or smarter and if it does not want to embrace reform.

If we look at the discontent in the Public Service or the public sector unions, or if we look at what will happen to the underlying soundness of the Budget, the Opposition is laughing all the way. However, we think that the Budget is really bad for government, it is really bad for Queensland and it is bad for individual departments. Health will lose \$36.5m if the efficiency dividend is not realised. Transport will lose \$132.3m. Housing will lose \$14.5m. The Department of Primary Industries will lose \$8.8m. Conservation will lose \$5.6m. My former department will lose \$51.2m. Education will lose \$18m. Law and order will lose \$22.3m. Mines and Energy will lose \$49.9m. General services will lose \$15.7m and economic services will lose \$2.3m.

The Beattie Labor Government is either setting up those departments to absorb the efficiency measures—and I have just outlined the real difficulties that will be involved there—or it is going to forget about them and run a deficit? If it does not run a deficit, what is the answer? There

is a third option. I thought that honourable members may have interjected to give me that option, thus showing some economic rationale. The other answer is to increase taxes. What happens when one increases taxes? One puts enormous pressure on the job creating potential of the private sector.

Apart from being financially and fiscally irresponsible, as I have outlined, the Budget will reduce service delivery. Queensland is meant to be the go-ahead State, the Smart State, the growth State. The Budget documents show that Queensland's population for the next 12 months is expected to increase by 1.75% on the figure for the past 12 months. That is significant growth. However, the Budget signals to the ordinary punter who is interested in service delivery and the maintenance of living standards that the Budget is not going to deliver as much as it should, particularly given the growth figure.

After the BST, the Health budget will grow by \$138m, or 3.7%, the Education budget by 3.6%, the Police Service budget by 0.15% and the Corrective Services budget by 0.48%. The Primary Industries budget will decrease by 9.1%, the Environmental Protection Agency budget will decrease by 14.9%, the Mines and Energy budget will decrease by 30%, the Public Works budget will decrease by 33%, the Tourism, Sport and Racing budget will decrease by 29.2% and the Main Roads budget will decrease by 9.6%.

In those circumstances, what will happen to service delivery? For example, the department that is responsible for the administration of law and order in this State is expecting massive increases in committed and reported crime. I think the figures show that there will be 22,000 extra cases. What will happen as a result of those massive decreases in its funding? So much for service delivery!

Let us look at the major theme of the Budget. The theme of the Smart State is supposed to be the sizzle in the Budget. Let us look at what that sizzle represents.

Mr Horan: How smart do you have to be to run into deficit?

Mr SANTORO: That is right. How smart does one have to be to run the State into a deficit? The answer is very simple: as smart as members on the other side!

Let us look at the vision of this Budget. I have seen it reported in the paper that this Budget has a vision, which is biotechnology and information technology. A sum of \$270m has been allocated to biotechnology. It would have been good if that was provided in this year's Budget, but it is spread over 10 years. The provision of \$40m to IT in Education would have been good if it was in this year's Budget, but it is spread over four years. The provision of \$55m to IT in schools would have been good if it had been in this year's Budget, but it is spread possibly over

seven years. Across the whole range of portfolios, maybe—and I repeat "maybe"—the figure will amount to \$200m spent on IT and biotechnology. During the next 12 months, if that money is in fact spent, it will represent 1.5% of the total Budget outlay of almost \$17 billion. So much for the vision, the funding of the vision or properly resourcing the vision! As the shadow Treasurer, Dr David Watson said, if we assume that \$200m will be spent, that will be 1.5%. However, so much of it is old money that has been left lying around. The Government is using a lot of the money that the coalition Government put into IT. Therefore, maybe the figure will come down to about \$100m or three quarters of 1%. So much for the vision and so much for the sizzle in the Budget!

Let us look at gross fixed capital expenditure, which is down by 40% from \$2.3 billion to \$1.6 billion. What sort of signal does that send to the subbies, small businesses and people who rely on a fair dinkum, genuine and robust Capital Works Program? Let us take Education, which is a key area. Despite the Smart State theme, capital expenditure in Education is down from \$222m to \$182m, which is a decrease of 20%. So much for the Government's commitment to the objective of a Smart State.

I turn to the loss of Queensland's status as the low tax State. For many years, Governments of all political persuasions—coalition, National Party, Labor and coalition again—have all helped maintain Queensland's reputation of being Australia's lowest tax State. This reputation is again being shattered by the reality of the second Beattie Labor Government. Per capita tax collections in this year's Budget are shown as increasing from \$1,330 in 1997-98 to \$1,599. As a State, we are losing our competitive edge. Under the coalition, our per capita collections were \$718 less than New South Wales and \$527 less than Victoria. The gap has now closed to just \$653 and \$288 respectively.

Will these economic indicators boost confidence? Will they give business in Queensland the confidence to invest? Will they attract businesses to Queensland? I have to say that no such impetus will be generated by having a deficit, by Queensland losing its low-tax State reputation and by all our other economic indicators going south, to use a metaphor.

I do not know whether I am talking about the same Budget that honourable members opposite are talking about. We have to be patient over the next few years as all of the major macro-economic factors work their way through the system and combine with the other very bad policy parameters that have been put in place by the Government, such as bad industrial relations laws, bad unfair dismissal laws, bad workers compensation laws, and other taxes such as real payroll tax increases. Hopefully we will be in Government sooner rather than later so that we can fix up these major underlying problems in the

major policy parameters. Those problems will manifest themselves in a real destruction of the business confidence and the destruction of the incentive for business to invest and create jobs in Queensland. That is the legacy of this Budget.

It does not matter how often honourable members opposite look at their briefing notes from the relevant Ministers and say that things will go well because of the Budget. All I can say is that it is really bad news for the medium to long term. It is bad for Queensland and bad for the people we should be serving, but politically it is good for us, and the chickens will come home to roost. It is a bad Budget.

Labor budgeted \$818.5m in total funding for the Department of Employment, Training and Industrial Relations in 1998-89 and is now budgeting a total of \$810.36m for 1999-2000. This is a decrease of \$8m. The fact that the Minister and his minions are such poor financial managers that they actually spent \$73.1m less than the \$818.5m allocated is the only reason that they can now claim that they are increasing the budget.

When Opposition members speak about smoke and mirrors Budgets, that is the sort of thing we mean. A lot of this money is money that has been rolled over—whether it is underspent or unspent capital works funds or whether it is underspent or unspent recurrent expenditure. This is the sort of financial mismanagement that this particular Budget represents. That works together with the change in the reporting method that has also occurred. The people in the departments are not stupid. They know that this Budget is not what it seems to be.

Again I say to honourable members opposite: this Budget is bad for Queensland and bad for the people who are looking forward to service delivery, but it is good for us politically. It is a Budget which does absolute nothing for Queensland's unemployed. It robs Peter to pay Paul. In fact, Peter robs everyone while riding on the coat-tails of the highly successful Howard Federal Government, which has provided the best employment creation environment in Australia in decades. That is backed up by the very good job creation record of the previous State coalition Government.

For the reasons that I and others have stated, the 5% unemployment target is as far beyond the reach of this Government as it could be beyond the reach of any Government. I regret to say that, but the legacy this Government leaves Queensland is a promise it cannot fulfil, which leads to the disappointment of the many Queenslanders looking for jobs.

Time expired.
