



Speech by

**Dr DAVID WATSON**

**MEMBER FOR MOGGILL**

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Hansard 21 June 2000

### **TREASURER'S PERFORMANCE**

**Dr WATSON** (Moggill—LP) (Leader of the Liberal Party) (6 p.m.): I move—

"That this House condemns the Treasurer for his mismanagement of the State's accounts, which has seen the erosion of the State's assets through unsustainable tax and dividend demands, increases in debt levels of Government owned corporations and the first Budget deficit in over 20 years, with a second consecutive Budget deficit expected in the upcoming Budget."

I think the words the other day in the Courier-Mail said it all: "Another fine mess". But to be fair to the Treasurer, this fine mess did not occur overnight. I was reminded that it did not occur overnight when I looked at the Consolidated Financial Report published in May this year and distributed to members just a few weeks ago. Of course, this is a financial report audited by the Auditor-General, and one can therefore place some reliance on the fact that the information contained in it has some validity.

It is useful to look at page 13 of that report, because it contains a consolidated operating statement for the year ended 30 June 1999. It is important to remember that that is the conclusion of the first year of the Beattie Labor Government and the first year of the Treasurer's stewardship of the finances of this State. What does that financial report show? It shows the following: firstly, between 1998 and 1999, total revenues increased by \$224m, from \$21.251 billion to \$21.475 billion. But it also shows that expenses during that period increased from \$20.275 billion to \$20.703 billion, or an increase of \$428m. So the operating surplus fell from \$976m to \$772m. That was for the financial year ended June 1999.

It is even more interesting when one looks at page 26 and the notes to the financial statements, because one can see where some of the issues are starting to arise. When one examines the disaggregated information contained on page 26, one sees the following: in the general Government sector—which is the sector relating to the core public services of health, police and education and the core public servants—revenues have gone from \$16.611 billion to \$17.123 billion, but expenses have gone from \$15.589 billion to \$17.311 billion. In the Government sector, the operating surplus has gone from a \$1,022m surplus to a deficit of \$188m. That captures the financial problems that have been generated by this Government. Those problems started to be generated in the first year of the financial management of this Treasurer and the Beattie Government. That is the driving force for the deterioration in the consolidated financial position of the State.

We knew there were problems before the last Budget, which was meant to be brought down by the Treasurer but was actually brought down, for some reason, by the Premier, who was the acting Treasurer at the time. I guess if you are bringing down three Budgets and you get two of them, two out of three ain't bad, according to some lyrics, and the Premier and other Government members are fond of quoting lyrics.

**A Government member:** You're a Meatloaf man.

**Dr WATSON:** Exactly right. But we knew there was a problem because we were getting information that the Treasurer and the Minister for Mines and Energy were putting the squeeze on the electricity corporations. We warned at the time that they could not continue to do that, because if they did so in the way they were doing it, they were going to run into financial problems. Of course, we

referred publicly to the letters from the Treasurer and the Minister for Mines and Energy to the electricity boards and the replies to them. They showed quite categorically that the financial impact of what the Treasurer was demanding would be detrimental to the ongoing dividend policy of 95% on after-tax profit and on the corporations' capacity to maintain cash capacity and to meet capital works and maintenance needs. That needed to be highlighted. So that information was going around.

The problems were confirmed when we actually saw the Budget. When we looked at the GFS format—which is the format used to compare State Budgets and the Federal Budget across the country—we saw that, in this Budget, the general Government sector had a deficit of \$350m and the public trading enterprises had a deficit of \$885m, giving a total deficit of \$1.235 billion. Not only that, the projection in Budget Paper No. 2, Table A3, is that next year the overall Government will have a deficit of \$275m. That, of course, is what triggered the Standard and Poor's concern, and it said that it would be watching closely what the Government was able to realise in its forward estimates.

The question before the House tonight is not only the poor financial management in the past and the deteriorating financial situation in this year's Budget but also what will happen in the forthcoming Budget. There is no doubt that this Government has a cash crisis. There is no doubt that this Government will be looking at many other areas to fill in the black hole that is developing. Let me outline some of the ways in which we believe this will be done.

Firstly, the Government will raid the ports corporations. It will look at the debt/equity position of the ports corporations. The Leader of the Opposition will detail that matter in a moment. Let us also look at a couple of the other things that are obviously on track. Firstly, a regulation was tabled in the last sitting of the Parliament under which the Government Owned Corporations Act is being used to corporatise State Water Projects. It is interesting to look at State Water Projects in the financial reports. At the moment, according to last year's financial statements, the net assets of State Water Projects are \$2.086 billion. From that, of course, we can take out the recently privatised South East Queensland Water Board, and so there are net assets available of \$1.686 billion. If we put that as a GOC and we do a debt/equity swap—whether it be at 25% or 33% or whatever—the Government will be in a position, if it wants to, to take out \$300m or \$400m.

**Mr Hamill:** This is a bit of a leap of faith.

**Dr WATSON:** This is what I am saying is a possibility. There is concern. Some of my colleagues around the State are starting to talk about increases of up to 300% in water charges coming forward. The concern the people have and the concern that I have is that the Treasurer will be raiding that particular area.

There is another area which is before the House. I refer to the Housing Trust balances, which are being collapsed. There may be some administrative reasons for doing so, but more importantly, again, it will provide easy access for this Government to raid those Housing Trust balances. The Government has to change the debt/equity ratios by only very small amounts to be able to extract \$100m out of it. At the moment it is 1.44. If it goes to two the Government will extract over \$100m.

Let me also talk about superannuation. We warned people when the Government passed the legislation that it would drop the superannuation charge. In May this year, the amount—

**A Government member** interjected.

**Dr WATSON:** We warned the public servants that the Government would decrease the amount going into superannuation, and it has. The evidence was tabled in May this year. It has decreased to 12.75%. That will also provide the Government and the Treasurer with a cash fillip in this year's State Budget. The Treasurer knows that, and there are others to come.

Time expired.

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