



Speech by

Dr DAVID WATSON

MEMBER FOR MOGGILL

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APPROPRIATION BILL (No. 2); APPROPRIATION (PARLIAMENT) BILL (No. 2)

Dr WATSON (Moggill—LP) (Leader of the Liberal Party) (10.49 p.m.): These Appropriation Bills do not really change anything in Queensland. Labor's fiscal management of Queensland was summed up quite succinctly by the respected economist at the University of Queensland, John Stanford, when he made some comments at the time of the last Budget. He said of the last Budget that it had no idea of the future, that it had no ideas and no vision. He went on to say—

"You really begin to wonder whether the Government does in fact understand the important kinds of forces which drive growth in this State. This is really bad news for those who are looking for jobs because growth at that rate in this State is not going to create enough jobs for all those who are coming into the work force."

Labor's core promise at the last election was jobs, jobs, jobs, but of course in job creation we have virtually seen nothing, nothing, nothing. Clearly this Government does not understand what drives a State. I thought it was interesting this week that the ANZ job advertising figures for October showed a continuation of a trend that was established not too long after this Government came to power. In October the ANZ job series showed that over the past year the fall in the number of job advertisements has been some 24%. The change in trend, which is obviously the thing that is often used by this Government, has been nearly 19%. In terms of the number of jobs, I will use as a comparison figures from October 1998, which was a few months after this Government came to power. In raw terms the number of jobs advertised per week in October of 1998 was 3,154 or, seasonally adjusted, 2,790. In the past month the number of jobs advertised per week was 2,708 or, seasonally adjusted, 2,386.

That is a substantial reduction in the number of jobs being advertised every week in Queensland. It is a reduction which is due to the policies that are adopted by this Government. Unfortunately, the kinds of things that we see in the ANZ job figures are probably going to be reflected tomorrow when the unemployment figures come out for Queensland and Australia. The sad fact of the matter is that unemployment is flatlining in this State. It is flatlining around the 7.6% to 8% level not only because of the historical situation, but because it reflects what the Treasurer has indicated is expected in the Budget.

Since this Government has been in office, the trend in terms of the creation of new jobs in Queensland, in terms of the advertisements, has been down. If there is any doubt about that, one has only to refer to Michael Knox's economic strategy, which he published earlier this year. It showed quite clearly and unequivocally that the employment growth in Queensland had fallen from an annual rate of 65,000 in May of 1998 to just over 28,000 earlier this year. If honourable members look at the percentage growth, they will see that the growth in employment had dropped from 4.2% in May of 1998 to 1.7%.

What has happened in Queensland is that relative to the rest of Australia we are falling behind. When we take the critical measures that the Premier said he and his Government were to be judged on, the question of jobs, jobs, jobs, they are gone, gone, gone. The fact of the matter is that it does not matter what we look at, whether it is things like the ANZ advertisement figures, the ABS figures or an analysis like the one Michael Knox has done, uniformly those figures and those analyses are saying that Queensland's rate of job creation is falling relative to the rest of Australia. If Queensland is getting any jobs growth at the moment, it is because of the policies that have been adopted by the Federal

Government and the fact that the Australian economy as a whole is still charging along, but the Queensland economy in comparison with other State economies is starting to fall behind.

Mr Lucas: Tell us about the building industry; you wrecked that.

Dr WATSON: It does not matter what area you look at, compared with the rest of Australia Queensland is falling behind.

The Federal Government policies are actually saving this Government at the moment. Once upon a time Queensland used to lead Australia. We were above the national averages. Irrespective of what the Federal Government was doing, Queensland used to charge along. But now we are not charging ahead of the rest of Australia, we are being pulled along by the rest of Australia; we are being pulled along by the Federal Government. Clearly this Government does not understand what actually drives the economy in this State, and quite clearly the Government does not understand the very simple equation that business investment drives job creation and that investment in public infrastructure drives business investment.

As I travel the State, people tell me there is virtually nothing coming down the pipeline in Government projects. Why is there nothing coming down the pipeline? We have only to look at the gross fixed capital formation figures that were contained in the last Budget. Honourable members can see quite clearly that, over the period of this Government, the gross fixed capital formation has fallen from \$4.5 billion, which was the legacy left to them by the coalition Government, to this year, which is down to \$3.8 billion. If they look at the forward estimates they will see it is going to fall to \$1.9 billion over the next three years. That is causing a fundamental problem in terms of Queensland's public infrastructure.

It was interesting that the Government tried to pin its hopes on a slightly different measure, the Capital Works Program. When we did an analysis of that Capital Works Program, we could see the kinds of problems that the Government was running into. Of the \$5.3 billion that was trumpeted across the headlines of this State, only \$500m of that was new capital works. The vast majority of the capital works were works that had been carried over, things that had already been started, things that were already in the pipeline. That is why when we talk to businesses around the State, when we talk to construction companies, they tell us that they cannot see anything coming down the pipeline. That of course induces a lot of uncertainty into business planning. It certainly reduces the amount that people are going to invest. When the amount that people are going to invest is reduced, the number of jobs that are going to be created is reduced.

The fact of the matter is that, when we look at the forecasting assumptions that were contained in the Budget, we already had an idea back then that things were not going to go well for Queensland. In areas of business investment, for example, they are forecast to fall some 4.5% in this financial year. When we look at investment in other buildings and structures, it is to fall by 0.75%. When we look at investment in machinery and equipment, it is falling by 8.75%. Each of those figures that were forecast in this year's State Budget compare unfavourably with the forecast for similar kinds of statistics or measures nationally. Again, if we look nationally and we look at investment in things like machinery and plant, we will see an investment which is going to rise by some 9%.

The Budget papers outlined it. But unfortunately the forecast seems to be coming through in other information published by Treasury or in other publications. It was interesting to note in the latest Queensland Economic Review of the third quarter of this year that Queensland Treasury sums up quite clearly what is happening to business investment in this State. This is a Treasury document. It states—

"Business investment continued its downward trend in March quarter 2000, falling 2.0% in trend terms following declines of 3.5% and 4.1% in the previous two quarters respectively (rest of Australia, up 0.5% in the March quarter)."

It goes on to say—

"The outlook for business investment in Queensland remains subdued. In particular, forward indicators point to a further deterioration of investment in other building and structures in the short term."

The fact of the matter is that it is the Treasury documents which are confirming that Queensland is falling behind in business investment. It is the Treasury documents under this Government that confirm that we are falling behind in private investment. It is Treasury documents which indicate that we are flatlining in terms of job creation, and they have concerns about how job creation is going to go in the future in Queensland.

These are not the only statistics to have come out recently. These are not the only statistics which confirm the deterioration in the relative performance of the Queensland economy. A poll survey put out by the Queensland Chamber of Commerce and Industry also supported the fact that the Queensland economy and confidence in this State were deteriorating. They are deteriorating because of the policies of this Government. The assessment of State and Territory Government policies and the attitudes of Queensland business to State Government policies received the following responses. The

net balance of those who believe that the policies are supportive versus those who believe that the policies are working against them was a negative 12%. In other words, more Queensland firms believe that the attitudes of this State Government work against them than work for them.

Not only that, that trend has been continuing for a considerable period. In August 1999, the net balance was a negative 6%. In November 1999, it was a negative 9%. There was a recovery in February when it rose to a negative 2%. In May it was a negative 4%. In August of this year, it was a negative 12%. Quite consistently over the past 12 to 14 months the consensus of businesses in Queensland is that the policies being applied by this State Government are working against them. More firms believe that the policies of this State Government work against them than work for them. It is no wonder there is a crisis of confidence. It is no wonder businesses are not willing to invest when they do not believe that the Government is working for them. It is no wonder we are not seeing the job creation that ought to be occurring in this State when we do not encourage businesses to invest.

Mr Lester: Investment creates jobs, Dr Watson, doesn't it?

Dr WATSON: The member for Keppel is so right. It is business investment which drives job creation. No business investment means no job creation, and that is the problem. When one examines the kinds of policies that this Government is implementing, one can understand why businesses do not believe the Government is there for them. In relation to simple things such as payroll tax, this Government has increased the effective rate of payroll tax on businesses by including superannuation in the base for the calculation of tax.

Mr Lester: It's an anti-employment tax.

Dr WATSON: Yes, it is an anti-employment tax.

In relation to workers compensation, the effective rate of workers compensation has been increased. Not only has the effective rate for workers compensation been increased; the kinds of policies that this Government is adopting will lead to a blow-out in workers compensation problems in the future and therefore a blow-out in costs. We heard the other day that the number of prosecutions has fallen by 60%. No-one believes that behaviour has changed; what has changed is the willingness of this Government to prosecute those who are trying to rot the system. Businesses know that in the longer term that will increase the costs of having workers compensation.

Mr Lester: And that will mean more computers and less people employed.

Dr WATSON: Eventually, of course, as the member for Keppel says, increased costs to business mean that businesses have to get their returns somehow. It usually means reducing employment.

Mr Lucas interjected.

Dr WATSON: The member for Lytton must have forgotten his economics. He knows that that follows. The fact of the matter is that this Government does not know how to run the economy of this State. It does not even know how to run its own business. Not only is it not putting money into gross fixed capital formation; it cannot put the money into it because it is simply not running its day-to-day operations in an efficient fashion.

An issue that the Commission of Audit warned the coalition Government about was that the policies of the Goss Government were leading to a blow-out in the operating costs of Government. One of the challenges that the coalition Government had when it came to power was to try to bring those in line. It was successful in doing that. The Minister only has to look at the Budget review contained in the Budget papers in relation to the way service was provided under the coalition Government—

Government members interjected.

Mr DEPUTY SPEAKER (Mr Kaiser): Order! Members on my right are distracting the member for Moggill.

Dr WATSON: One only has to look at the figures contained in the Government's own Budget papers to see that when the Goss Government was in power the costs of running the Government in terms of total expenditure rose substantially. When we came to power, we controlled that. The interesting thing to note is that the coalition reduced the costs of running the Government, but most importantly it increased the amount of money going into two key areas—health and education. Yet, under this Government, the amount of money relative to the rest of the country in those two areas is falling. While the costs of Government are going up—these figures are in the Treasury papers; members can look at them—the two areas in which this Government claims some kind of moral superiority, that is, health and education, indicate that funding is falling.

They were the general figures contained in the Budget papers. Since we got the Budget papers, we have some further information in relation to education which definitely confirms that trend. It is interesting to note the per capita expenditure for State schools in Queensland from 1991 to 1998-99 and to compare it with the amount of money spent per student in Queensland versus the rest of

Australia. From 1991 through to 1995-96, the period of the Goss Labor Government, in every one of those years the per capita expenditure for State schools in Queensland was less than the per capita expenditure in State schools in other parts of Australia. In other words, we were below the national average.

In 1996-97 and 1997-98, the period in which the coalition was in Government, spending per student in Queensland was higher than spending per student in Australia as a whole. To be precise, the amount spent per student in 1996-97 was \$5,420 in Queensland and \$5,365 across Australia. In 1997-98 spending per student was \$5,747 in Queensland and \$5,615 across Australia.

What happened in the first year of the Beattie Labor Government, in the first year of the supposed commitment to a Smart State? The Beattie Labor Government reverted to the policies of the old Goss Labor Government. In the first year of the Beattie Labor Government, Queensland again lagged the rest of Australia in State school spending. Queensland spent \$5,885 per student, while the average for Australia was \$5,960 per student.

Let us look at the decade of the 1990s. For all bar two years and four months Queensland was governed by Labor Party Governments. In every year in which the Labor Party was in power, spending per student in State schools was lower than the Australian average. The only two years in which more than the Australian average was put into State schools were those in which the coalition was in power.

It is interesting to see that in 1998-99 Queensland's spending per student was \$5,885. The national average for that year was \$5,960. Per student, Tasmania spent \$6,364, Western Australia spent \$6,306 and South Australia spent \$6,187. In other words, the two coalition Governments in Australia both spent considerably more per student than did this Labor Government. The New South Wales Labor Government spent \$5,910—more than Queensland. The only State outspent by Queensland was Victoria, with the Labor Government there spending \$5,640 per student.

So much for a commitment to a Smart State. So much for a commitment to State education by a Labor Government. The only Government committed to a Smart State—the only Government committed to educating our students through a financial commitment greater than that made by the rest of Australia—was a coalition Government. I think that reflects precisely the reality of what goes on under this Government. The rhetoric is there, but the reality is that it was the coalition that had a commitment to education.

These figures show that it was the coalition that had a commitment to the health of Queenslanders. The coalition Government controlled expenditure such that we actually had money to put into capital formation, which led to greater public infrastructure and therefore greater private investment and therefore more jobs. The coalition Government had that commitment. Along with that commitment came a commitment to the social objectives of Government, which are an important reason we get elected to Parliament. We had a social commitment to health and to the education of the children of this State.

There is nothing in the Appropriation Bills being considered by this Parliament that changes that fundamental picture—the fundamental picture of a Government that does not know how to drive the economy of this State, a Government that is committed to rhetoric but not to action in important areas, a Government that is not committed to substantial investment in public infrastructure and therefore is not committed to making sure that business invests the maximum amount. Without a commitment to public infrastructure, to controlling our expenses and, in the process of controlling those expenses, putting money into the areas that are going to be important to the future of this State, and to business investment, then in the final analysis there can be no commitment to job creation.

Mr Hegarty: Do you know that the Roads Implementation Program has now slipped years behind what it was during the coalition years?

Dr WATSON: I would not be surprised at all. I can tell the member for Redlands that, from looking at my own area, the proposals for expanding the major State roads in my area have slipped years behind. The only time in the near future they will get done is when the coalition gets back into power.

Mr Kaiser: Moggill is your priority for road funding.

Dr WATSON: I was just reflecting what the member for Redlands said. I agree with him. I can see it and I can tell that is the case even in my own area. If the member visits Woodridge every now and again, unlike his predecessor, he may find that conditions are deteriorating there as well. I suggest that the member goes and visits the electorate and does not try to do the same thing his predecessor did.

The commitment of this Government—commitment to business investment, public infrastructure, jobs, schools and health—is not there. Nothing in the Appropriation Bills changes those basic facts. Nothing in the last Budget changes those basic facts. Nothing will change in this State until the Government changes.