Speech by

Hon. R. E. BORBIDGE

MEMBER FOR SURFERS PARADISE

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BUDGET 2000

Hon. R. E. BORBIDGE (Surfers Paradise—NPA) (Leader of the Opposition) (11.30 a.m.): In responding to the Budget, I want to congratulate the Government on one particular aspect, that is, its undying ability to stick to the script and to stick to the public relations strategy that was leaked from the office of the Deputy Premier one week before the Budget was handed down, to acknowledge that when the Budget is under scrutiny it should laugh off the criticism and "not let on what we know internally". This morning I was fascinated to hear the Premier again continue the spin, the deceit and the political dishonesty with regard to his comments and continued efforts when he said that he inherited low growth from the previous coalition Government.

The Budget papers—not my Budget papers, his Budget papers—show that he inherited 5.7% economic growth and now says that the best he can do is 3.75%. He inherited employment growth of 3.2% and now says that he can do no better than 2%. That is the low growth that he says he inherited from us. The truth does not come from the Premier's lips; the truth comes from the Budget papers. This Budget confirms that the fundamentals of the Queensland economy have been in steady decline since this Labor Government came to office.

Opposition members interjected.

Mr BORBIDGE: Laugh it off fellas, right on cue. The underlying cash deficit of the first Labor Budget in 1998-99 was said to be $375m, not the surplus of $23m that was budgeted for. That deficit was described as actual in last year's Budget. The new Budget has revised that figure massively upwards to $923m, virtually $1 billion out on the 1998-99 Budget forecast. The underlying cash deficit for 1999-2000, which was estimated last year to come in at $1.235 billion, blew out to $1.7 billion, reducing approximately half a billion dollars if we accept the notation that $1.1 billion was a transfer to superannuation reserves. The targeted underlying cash deficit for 2000-01 is $197m.

Given that a budgeted $23m underlying cash surplus in 1998-99 has been transformed over two Budgets from an initial, allegedly final, underlying deficit of $375m to a deficit approaching $1 billion, who knows how rubbery the projection is for a $197m deficit this financial year. Clearly, it could have a lot of bounce. In any event, we have had two opening, successive, very significant underlying cash deficits from this Government, and now we have a new Budget with the promise of a third underlying cash deficit. The accumulated underlying cash deficit under this Government is therefore at least $1.4 billion to date and heading for $1.6 billion, or almost $3 billion if we go by the raw numbers. Another job of revision could see it nudge $4 billion in one term.

Despite the spin, despite the laughing, despite the public relations effort on the part of this Government, this is chicanery and irresponsibility of John Cain, John Bannon and Paul Keating dimensions. It is little wonder there was a five-page memorandum from the Government in the lead-up to this Budget telling its marketers to laugh off suggestions of budgetary problems despite "what we know internally". Therefore, despite assurances to the contrary, it is no surprise to hear the deputy chair of the Gladstone Port Authority say this morning that it will be unable to meet its capital requirements as a result of this Government's proposals to raid its reserves.

Mr Hamill: Not true.

Mr BORBIDGE: The Treasurer had better talk to his own deputy chairman in Gladstone.

Mr Hamill: I did, last night.

Mr BORBIDGE: I bet he did. I bet he threatened him. We know how the Treasurer operates.

Mr HAMILL: I rise to a point of order. I find those remarks personally offensive. They are untrue. I threatened no-one. It is an offensive remark and I ask for it to be withdrawn.

Mr BORBIDGE: If the member finds it objectionable, I withdraw.

Mr Hamill: Offensive.

Mr BORBIDGE: If he finds it offensive, I withdraw. We find him offensive. The fact is that the deputy chair of the Gladstone Port Authority, as did the chair of the Cairns Port Authority, very publicly confirmed the dire warnings that the coalition has been giving as a result of this pickpocket Treasurer's efforts to raid its reserves to fill his own black hole in Brisbane. This Budget is riddled with rubbery numbers. It is a smoke and mirrors document from beginning to end, as that five-page memorandum explicitly warned us it would be. Despite the fact that the Treasurer said that the document was wrong, the fact is that the Deputy Premier and the Premier said it was right. The fact is that that leaked document of a week ago has proved to be almost totally—I would say absolutely—correct.

There is not a single area where the reality even remotely matches the marketing. This Budget is no less than an attempt to pull the wool over the eyes of the people of Queensland as this Government drags what has been for decades one of the great regional economies of the world back to the pack and towards vastly more negative outcomes. The job is almost done in this Budget. This Treasurer is doing to the Budget what he nearly achieved with regard to Queensland Rail when he was Transport Minister. If the numbers prove as rubbery as 1998-99 and 1999-2000, the job will have been done. If this Government gets another term, Queensland will not be in much better shape than Victoria was at the end of Cain or South Australia was at the end of Bannon or the Commonwealth was at the end of Keating. The massive growth in the underlying cash deficit is only one measure of the horrendous slide towards mediocrity, or worse, that is occurring under this Government.

Let us look at the key issue—the bellwether issue of jobs. It is another of those areas where, for the third year in a row under this Labor Government, as with the underlying deficit position, the fundamentals are slipping. In 1996-97 and again in 1997-98 under the coalition, Queensland was the jobs powerhouse of Australia. Employment growth in 1997-98 was 3.2%. In that coalition era, Queensland, with less than 20% of Australia's population, was generating 40% of Australia's new jobs. In 1998-99, Labor's first full year in office, jobs growth dropped half a percentage point to 2.7%. The rate of jobs growth slackened in that first year by 15%. Last year, Labor's second in office, it fell by another half a per cent to 2.2%.

The rate of jobs growth had slowed by 30% on the record established by the coalition under Mr "Jobs, jobs, jobs" Beattie. The growth projection for this financial year is 2%. The projection for next financial year is 2%. That represents a 60% drop on the rate of growth achieved under the coalition. That is the legacy of the man who promised an unemployment rate in Queensland of 5%. There is a 60% drop in jobs growth under Labor when compared with the National/Liberal coalition Government. The forward projection, out to 2003-04, is for growth of no more than 2.5%.

Jobs growth is down from the 60,000 that was being achieved under the coalition to 36,100 last year and a projected 31,000 this financial year. What a record! Inside a term, jobs growth in Queensland will have effectively halved under Labor—under Mr Beattie, under the man who promised that he would be obsessed with jobs, jobs, jobs.

I say to the people of Queensland: do not believe the spin, do not believe the public relations rhetoric, do not believe the laughter and do not believe the con job. Peter Beattie's record shows a decline in jobs growth in this State of 60% since his election as Premier of this State. What a record! Inside a term, jobs growth has been effectively halved. Inside a term, in relation to jobs creation we will have gone from leading Australia to lagging behind the rest of Australia.

This financial year the projection for growth nationally is 2.25%. This Government's forecast for Queensland is a flat 2%. Unemployment will be rusted on at 8%. Out to 2003-04, on the forward projections, we will do no better than 2.5% annual jobs growth. There is, self-confessedly, no prospect under Labor of a return to the scale of jobs growth that occurred under the National/Liberal coalition between 1996 and 1998. That began the real process of winding back unemployment from the heights of 11% plus that it had reached under Paul Keating and Wayne Goss, largely as a result of the recession we were told we had to have.

So on jobs we are already back with the pack under Labor, and this year, according to the Labor Government, we will actually slip behind the pack. That is on the Government's own figures, from its own Budget documents. Under Labor, in the space of three years we will have gone from first to last in the jobs generating stakes, and the best hope that is held out by Labor through the first half of the decade is that we somehow settle in at about the middle of the pack. So the State that has been at the front of the pack has gone to the back of the pack, and the vision of the man who promised 5% unemployment in the first decade of the new century is to get us somewhere around the middle of the pack. This is not good enough.

This is the man who promised an unemployment rate of 5% in five years. The performance of his Government now shows that statement to be nothing more than a cynical play on emotions. Three years on, in this Budget we see no policy shift to try to meet the target.

Hand in glove with this sad performance is the stalling of overall economic growth under Labor throughout its tenure, which is dramatically underlined and highlighted in this Budget. In 1997-98 under the National/Liberal coalition, at the height of the Asian economic crisis, economic growth was 5.7%. In Labor's first year in office, overall growth dropped to 4.75%. It came down effectively 17%. Last year it fell to 4.25%. On the 1997-98 performance Labor had dropped economic growth a quarter, and the projection for this year is another drop—the only way that Mr Beattie knows to go—to 3.75%. If that forecast holds true, over one-third of the rate of growth achieved under the National/Liberal coalition will have washed away under this Labor Government.

The Premier can blame the GST. It is always someone else's fault; that is the Beattie doctrine. But why is GST not a problem in New South Wales? Why is GST not a problem in Victoria? Why is GST not a problem in Western Australia? Why is GST not a problem in the Northern Territory? Why is it only a problem here in Queensland? The Premier can blame the falling Aussie dollar. We are an exporting State. That should be helping us, not hindering us. He will blame, as he does every day, everyone except himself. The Beattie doctrine is: it is always someone else's fault.

Last week the Premier was blaming the Asian economic crisis. We do not have an Asian economic crisis; we have an Asian economic recovery. The Asian economic crisis was during the period of the previous coalition Government, when we were posting 5.7% economic growth in this State, instead of the projected 3.75% that Mr Beattie has promised in this Budget.

The simple reality is that it is the private sector that generates most of the jobs in this State. If Governments cannot, or perhaps more to the point will not, deliver the settings which generate the confidence that generates the investment that creates the jobs, then they might as well pack up. This Budget affirms, as did the 1998-99 Budget and the 1999-2000 Budget, that this Government does not have the policies that generate the confidence which grows the jobs and which gets the private economy moving. It cannot blame the Commonwealth: the rest of Australia has been booming. It cannot blame the Asian economic downturn: Asia is rocketing out of the 1997-98 crisis, with 6% plus growth. It cannot blame the GST for its lack of performance over the past two years.

In context, the continuation of the downturn in 2000-01 under this Government has been established with the policy settings of the past two years. Other major indicators are in the same vein as the deficit, the record on jobs and the record on growth. Business investment declined by 4% last financial year after growth of 11.1% the previous year. Growth in investment in machinery and equipment was down 4.75% last year. Investment in other buildings and structures was down 5.9%. In each category the projection is down again in this Budget— downwards overall by 5.75%, with the biggest fall in machinery and equipment, which is down 8.25%. This is all at a time when the Australian economy is going through unprecedented growth. Historically, Queensland has been the economic engine room of Australia and it should be outperforming every other State.

Household consumption, another of the key indicators, has been slowing steadily since it hit a peak of 5.8%, again under the coalition in 1997-98. It fell to 5.4% in Labor's first full year in office. It fell again to 5% growth last year. It is expected to fall again to 4% this year. So all of these fundamentals are in decline again, typically—for the third successive year, in this third Budget and third year of this Labor Government.

Inevitably, when one oversees deficit spending, low jobs growth, low economic growth, low business investment, low household consumption, it gets difficult to meet one's social obligations and one's public administration obligations. That is another of the bitter rewards Queensland is earning from these past two and half years of poor government. Despite the rhetoric we had on Tuesday and the rubbery figures, the facts are that this Budget also underlines and highlights the continued decline in funding for the key social policy areas of health, education and law and order.

If jobs growth is the absolute bellwether, for most people, of the overall health of the State economy, then a Government's ability to maintain decent standards in the core service delivery areas of health, education and law and order are the bellwether of its social administrative abilities and of its ability to manage and direct taxpayers' funds. Let us look at the capital side of these crucial areas first. In Health, actual capital expenditure in 1998-99 was $630m. The Budget in 1999-2000 was $585m and the spending was $526m. The capital works budget for Health this year is $473m. Since 1998-99, under this Government, that is a drop of 25%.

Let us look at capital spending in Education. Actual expenditure in 1998-99 was $265m. The 1999-2000 budget was $328m, and $284m was spent. This Budget provides for capital works spending in Education this year of $228m—a drop of $100m or 30% on last year's Budget.

Let us look at Police, because clearly there is a developing trend here. In 1998-99 capital works spending was $99m. In 1999-2000, $96m was budgeted and $94m spent. This year the allocation is $83m—a 16% cut on 1998-99 actuals.

So here is the detail from three key areas on capital spending: Health—down 25% under Labor; Education—down 30% under Labor; Police—down 16% under Labor. The overall budgets in these key areas are not any better. Health is up 3.4% after a 3.7% increase last year—the two lowest increases in Health spending in this State in a decade.

The slowdown in the commitment to the health of Queenslanders under this Government could not have come at a worse time. From the late 1980s, through the Government of Wayne Goss, and through the period in office of the coalition, there was a clear recognition of the need to maintain strong spending in Health in both capital and recurrent terms in order to meet the increasing demands on the system and the increasing sophistication of the system. That cycle has now been broken by this Labor Government. The very significant danger of the slowdown we have now seen over the past two years, under the control of the member for Brisbane Central, is that it is going to create a massive problem for this State over the next few years, in arguably the most crucial arena for which it is largely responsible.

The hiatus in adequate funding of Health is going to have to be made up if we are going to provide to Queenslanders the standards of health services they deserve and expect from their Government. A loss for two straight years under the member for Brisbane Central of the momentum that was developed bipartisanly over the previous decade to ensure we could meet that commitment is going to present a massive financial challenge in the next and successive Budgets. One cannot simply fall off the pace in an area with the rate of growth in demand like Health and catch up readily. That very recognition was what drove the increases in Health spending from the late 1980s. The decline in spending under this Government is therefore quite irresponsible and a clear reflection of its overall incompetence in being unable to create the atmosphere in this State that would earn it the funds to meet the obligations it holds.

The situation in relation to Education is, if anything, worse in the budgetary sense. The overall increase for Education is 0.08 of 1%— $27m in a $3.3 billion Budget. And again, that incredibly meagre increase followed a mere 3.6% increase last year. As with Health, the last two budgets from this Government in relation to Education are the lowest in a decade. Clearly, in the expectation of Queenslanders, there is no more basic requirement in relation to good government from a State Government than its having due regard for the process of education.

The failure to maintain adequate spending in Education is, again, a reflection of the wider failure to generate a situation in Queensland in the middle of a national economic boom that would allow it to maintain Education spending at viable levels. Again, as with Health, as soon as you slip off the pace of maintaining the base commitments, then the very scale of the commitment makes it difficult in the future to catch up.

I turn to Police. Surprise, surprise: same story. Last year the increase in the Police budget, once the capital charge was isolated, was barely $1m: .015 of one lousy per cent. The Police budget in fact went backwards last year by the time inflation was taken into account, which significantly downgrades what is superficially a reasonable increase of barely 6% in this Budget. The increase over the past two Budgets is in fact, in percentage terms, less than it is for Health and less than it is for Education.

Let us return to the capital program. Where is the alleged record capital works spending? Is it in roads? Roads got a fair bit of the rhetoric yesterday as part of the public relations hype plan for the Budget, and perhaps with the areas we have so far covered it makes up the crucial group of bread and butter issues. The answer, of course, is no. There is no increase in road funding in this Budget. There is in fact a decrease. Actual expenditure in 1998-99 was $920m. The Budget last year was $780m, and it was actually overspent to a total of $874m. The budget for 2000-01 is $762m, which is a decline of $158m over 1998-99, or a 17% cut. A 17% cut in road funding under this Government!

The reality is that, across the core areas of social policy and in roads, capital spending is actually down and, in most cases, has been on the slide, along with the core indicators, from the moment the coalition left office and Labor entered office. There are really only a couple of areas left where the increase could have come from. One is rail, but in fact rail is down as well. It is down from a budgeted $795m in 1999-2000 to a budgeted $646m. Rail is in fact down $150m, or nearly 20%.

The answer for the maintenance, let alone the expansion, of capital works is almost exclusively in coal-fired electricity generating projects—those evil projects that the member for Brisbane Central does not want. That is what he is pinning his hat on in terms of his alleged increase in capital spending, and there is some considerable irony in that. This Government spent quite some time, and considerable effort, when it first came to power trying to stop the very projects that now give it a bit of room, that now provide, in terms of the public relations hype, some smoke and mirror carry-on in relation to its diminishing capital works program.

The Callide C expansion, on which $100m will be spent this year, had the cleaners put through it twice by the Deputy Premier. He was looking for ways to stop it, and when the first audit went against him, he ordered another audit. He tried to stop it. Now they are saying that it forms a very, very important part of their capital spending program. There is another $100m for the Tarong North expansion, which the Premier said was a worry as a project when he first came to office, because it threatened to provide cheap power, which could derail his plans for more expensive gas-fired generation. He did not like it, and now he has to cling to it, like he has to cling to Callide C, so that he can pump up his pitiful capital works expenditure. He ultimately directed Tarong to cut its coal expansion by half.

There is also $150m for the Swanbank E project and there is allegedly $70m to be spent this year on what is described as a "power facility" at Carole Park by Tarong Energy.

There is no doubt that we are seeing massive padding of the numbers. Conscious of a significant cut in its own sourced revenue commitment to social capital works, it has looked to the hard-pressed GOC sector to give some respectability to the numbers. The tactic continues this Government's habit of putting big numbers up front, spending a fraction and then rolling over funding into diminishing social infrastructure commitments, in particular, at an ever-diminishing cost. Some underspending is inevitable. Deliberate significant underspending is smoke, it is mirrors, it is an attempt to deceive; it is an integral component of the public relations strategy leaked from the Deputy Premier's office.

Certainly the general Government sector's contribution to capital formation under this Government has been in decline, and by design. To maintain, with any credibility at all, that capital spending across the entire State sector is increasing has placed increasing reliance by the Government on the capital commitments of the GOC sector. That reliance is mainly upon capital plans that were afoot during the National/Liberal Government's term of office.

The overall state of health of the GOC sector is another of the very loud alarm bells that ring from this Budget in terms of economic fundamentals that are just going progressively sour under this Government. This is another massive example of a Government running out of control and running in circles. Dividend income from the GOC sector was $703m in 1997-98. It was $973m in 1998-99, an increase of 38%. It was $1,219m in 1999-2000. That is an increase of half a billion dollars and almost 75% more than it was in 1997-98—a 75% increase in raids on the GOC sector under this Government. That rate of dividend imposition is totally and absolutely unsustainable. It is also totally indefensible. This vast amount of money, which is coming for the most part from the Queensland electricity supply industry, makes Government-owned corporations now the second largest source of income to the State after the Commonwealth. It is up 75%.

Mr Seeney: It cannot last.

Mr BORBIDGE: It cannot last, as the member for Callide says. The dividend stream from a few very hard-pressed Government businesses now exceeds stamp duty and payroll tax as a source of funds. What we are seeing in relation to the GOCs is precisely the same course that John Cain and Joan Kirner took in Victoria as they drove the fundamentals of the Victorian economy down as the member for Brisbane Central is now on his way to doing in Queensland.

Mr Johnson: So much for the 5% unemployment.

Mr BORBIDGE: So much for the jobs, as my colleague says.

Towards the end of the Cain/Kirner folly, the then Victorian Labor Government was taking 100%, and in some cases more than 100%, of the profits of the then publicly owned Victorian electricity industry. Over the past 12 months, the Queensland Treasurer wanted to take 100% of the profits of each and every entity in the Queensland electricity supply industry on the industry's 1998-99 results. That is now clearly established in FOI documents—the Cain/Kirner strategy. Not happy with a 75% increase, he wanted to go all the way, he wanted to go the full Monty. Up to that point, he had been satisfied with dividends at 90% to 95%, already way too excessive and at levels that forced him regularly to use directives to overpower the objections of management.

To his limited credit, the member for Mount Isa, who had also developed an appetite for dividends of 95%, baulked at the suggestion from the Under Treasurer that he should be seeking 100% of after-tax profits from the industry. I have no doubt that the Treasurer would have won in the end but for the fact that the profits for at least some sections of the industry for 1998-99 proved to be somewhat larger than had been anticipated at the time the original demands had been made, and the conclusion was drawn that Treasury could achieve the income it needed from a dividend set at 95.4%.

Mr Rowell: Not much left.

Mr BORBIDGE: There is not much left, as the member for Hinchinbrook said, not much left at all.

That push, by the way, for a 100% dividend was fed by the fact that in 1998-99 the Government had pressed for the prepayment of dividends from each of the generating corporations totalling some $120m before the end of the financial year. Normally, of course, those funds would have been available in 1999-2000, but clearly there was a desperate need within the Government for those funds before the end of the 1998-99 financial year. That raid is a concise indicator of the scale of the problems this Government has progressively been piling up ever since it came to office. That demand for prepayments in turn meant strong pressure on achieving higher income in 1999-2000, hence the push for John Cain/Joan Kirner scale dividends to bring the 1999-2000 income up.

The member for Mount Isa has claimed that dividends at that sort of level are totally acceptable, that these businesses are taxpayer owned and that under the Labor charter for corporatisation their sole purpose is to make a commercial rate of return for their shareholders. Of course, that is true—up to a point. However, what is also true is that the shareholders are liable and responsible for the good governance and good management of those corporations. Ultimately, however, they also carry the can for the debt and the misadventures that can flow from greed at the level that the Treasurer wanted to exercise. The fact is that if private companies were providing their shareholders with a 95% dividend year after year, let alone a 100% dividend, they would go broke. They would become crippled by borrowings and cash flow problems. They would become ripe targets for takeovers. One way or another, they would fall over.

To date the proof of the pudding is in the bottom lines of the GOC sector in this State under this Labor regime of very heavy dividends. In terms of the theme of this response to the Budget, the state of those bottom lines is predictable. Like most other fundamentals of the health of the public economy, there is a very clear, indisputable slide. This Budget shows that the GFS deficit for State trading enterprises in 1998-99 was $1.6 billion. The estimated actual deficit this year is $561m. The projected deficit this financial year is $526m. The projected deficit for 2000-02 is $744m. Let us have a close look at those figures. That is $3.4 billion in back-to-back deficits for Government owned corporations—taxpayer owned corporations— under this Labor Government. I repeat: $3.4 billion in back-to-back deficits. That is Cain, Kirner, Bannon, Burke, Keating and now Beattie economics. It is a disaster in the making. That is the inevitable result of raids of the sort the Government has been making.

Ostensibly, the bill is not a worry, because it is not up front. However, it is there and sooner or later somebody will have to pay it. It could be in the collapse of the entities, it could be in a further collapse in spending on the basics of Government, as the Treasurer and the Minister for Mines and Energy perhaps pull back from the brink of their quest for 100% dividends. However, sooner or later—

An Opposition member: The Bankcard Budget.

Mr BORBIDGE: As my colleague interjects, it is the Bankcard Budget. Sooner or later, like the Bankcard, after the Christmas shopping and after the Visa card, the reality is that the Government has to pay it back. As the bill is on the way and we have to buy the groceries for next week, the fact is that the debt that has been racked up over the past three years will have to be paid.

I have concentrated on just some of the macro indicators in the Budget. I have not touched on some of the smaller icon programs that the Government has put forward. Of course, that has been quite deliberate because, in a sense, they are the real smoke and mirrors that the five-page memo warned us about—the diversions. For example, the theme of the Treasurer's speech that this is a Budget for families—the people's Budget—is, of course, utterly and absolutely ridiculous. A Budget that projects jobs growth of 2% cannot be a families Budget or a battlers Budget. Obviously, a Budget that says that the best hope for jobs growth in the future is a flat-line average increase of 2.5% on economic growth of less than 4% is not a families Budget or a Budget that can hold out hope to battlers. A Budget that neglects health to the massive extent that this Budget does cannot be a families Budget or a battlers Budget. A Budget that consolidates a decline in real outlays on education cannot by definition be a families Budget.

This is, in fact, as advertised, the ultimate smoke and mirrors Budget. It is a John Cain, John Bannon, Joan Kirner, Paul Keating-style Budget. It is the type of Budget for which Peter Beattie will be remembered. It is a Budget that reflects the fact that the Government has the fundamental policy settings fundamentally wrong, because its priorities are fundamentally wrong. It thinks, it behaves and it performs within the parameters of media-friendly icons while the fundamentals suffer.

I reckon that the spin doctors wrote this Budget. I believe that the ministerial staffer who leaked the PR strategy on this Budget helped write this Budget, because this is a Budget about spin. It is not a Budget about substance at all; it is a Budget that says to the people of Queensland, "Believe what we say, not what we do." It is a Budget that says, "We will laugh when people start to ask us the serious questions." It is a Budget that confirms the public relations strategy of, "We must not let on what we know internally." This is the Budget of a very bad, a very shallow and an extremely dangerous Government.