



Speech by

JOHN MICKEL, ^{MLA}
STATE MEMBER FOR LOGAN

Hansard 21 June 2001

BUDGET DEBATE 2001

Mr MICKEL (Logan—ALP) (5.00 p.m.): This budget has provided the basics for Queenslanders whilst, at the same time, creating a business environment that encourages business to remain in and relocate to Queensland. The budget has been framed against a backdrop where business is trying to recover from the buffeting it has received over the past 12 months. The introduction of the GST has affected businesses in various ways. The bring-forward of activity knocked around the construction industry. It has had a profound impact on the retail industry. In addition, business has had to contend with a high real interest rate environment.

This budget is the fourth in a row to provide direct and indirect incentives for private sector growth, new investment and, importantly, for private sector training and employment growth in urban, regional and rural Queensland. These are welcome initiatives. They come from a government that has worked hard to strengthen business and investment confidence, recognising, as it does, that the engine-room for growth and job creation in our great state must be the private sector.

In recent weeks, the image of the Australian business community has taken a real hammering. Sadly, the criminal, negligent, extravagant and greedy behaviour of a minority of corporate directors and managers has blackened the name of the private sector and particular areas of the private sector, notably insurance, telecommunications and airlines.

The great majority of Australian and Queensland businesses deserve high praise for weathering the massive impact of the GST, the BAS and the economic downturn we did not need to have. These are very tough times for many businesses, large and small. They are also tough times for many employees, not to mention former employees. This budget shows just how widespread and how massive the impact of corporate mismanagement is.

The taxpayers and motorists of Queensland have to bear the burden of the impact of the HIH Insurance collapse, a \$230 million burden for Queensland that will be added to at the federal level and repeated in other states. Over the last 20 years or so, there has been a headlong rush to require the states to hand over to the Commonwealth just about all powers of corporate governance and supervision. Not only is Corporations Law now a national law, so is the regulation and monitoring of individual sectors that were once state responsibilities, such as insurance.

The question that needs to be asked, in view of the HIH and One Tel failures in particular, is whether the concentration of regulatory authority in the hands of the federal government has been in the public interest. The expansion of national corporate activity and international corporate activity undoubtedly made the concentration of law and supervision in national authorities necessary. But has it strengthened regulation and supervision? Has it been in the interests of the consumer, the investor and the employee? Let me deal with the HIH Insurance collapse to answer those questions.

The HIH collapse is potentially not only the largest in our corporate history, it is also likely to have the most adverse impact on the greatest number of innocent, decent men, women and families in our history. Indeed, this one collapse will impact on every family and every business, because higher insurance premiums will be the biggest fallout from the HIH collapse.

As our second or third largest insurance company, HIH was supposed to be supervised by two well-funded, well-resourced national bodies: the Australian Securities and Investments Commission,

and the Australian Prudential Regulation Authority. Those massive entities carry out important duties on behalf of consumers, investors and the whole community. They are extremely well funded by the taxpayers of Australia. Their existence, their powers and the resources that they have at their disposal raise an important question: how could those regulators not have been aware that a large insurance company, HIH, was in grave financial trouble? It defies comprehension that those bodies were not aware of HIH's problems in view of the extent of the losses it has incurred, which are in the region of \$4 billion. That is one-fifth of the total budget that we are debating today. Four billion dollars is more than the total budget of Tasmania and three times the largest city budget in Australia, that of the Brisbane City Council.

The states have surrendered responsibility for a whole range of areas in the cause of uniform law, better corporate supervision and governance. The bodies that now hold all the powers that the states surrendered, and more, have a lot to answer for, especially when it comes to massive corporate crashes such as HIH and One Tel. The states and our citizens have to pick up the cost for those corporate crashes and for the apparent failure of the regulatory authorities to detect gross mismanagement, waste and extravagance, and even corporate fraud before it was far too late.

We cannot turn the clock back and revert to the state regulation of companies and state administration of corporate law. But the states, on behalf of the people, are entitled to demand that, hand-in-hand with the commission of inquiry into the HIH collapse, there is an independent review of the performance of the two regulatory authorities, ASIC and APRA, in these and other areas.

That brings me to the main point I want to make with regard to the importance of the private sector to Queensland's growth and the government's contribution to the strength and growth of the private sector. It is vital that public confidence in the private sector, and especially big business, be restored. Let there be no doubt about it: recent corporate collapses and public exposure of the extreme extravagance of directors and managers has badly damaged public confidence in business. There is an urgent need for industry and business associations, for the private sector itself and for governments to work together to rebuild that confidence. The initiative must come from the private sector itself and, sadly, it always falls on those who are doing the right thing.

Only this week we have seen another corporate collapse that has given business the worst possible image. The overnight closure of Flight West Airlines has cost more than 400 Queenslanders their jobs and put vital communication links to dozens of regional and rural centres alike at real risk. The owners of Flight West, the Buchanan family, have 'form' when it comes to company closures overnight. About eight years ago, another Buchanan airline, Talair, closed down its air services in Papua New Guinea overnight, creating massive hardship for rural and regional communities in a nation where air services are even more important than they are in Australia.

Flight West has been in a unique position in the Australian aviation industry as a result of the \$3 million-plus subsidy that the Queensland government gave it to maintain regional services. Apparently, that counted for nothing when the airline was closed down at midnight on Monday without the government of this state being given the courtesy of a prior warning.

There needs to be a new commitment to corporate responsibility and integrity in the private sector, and in large public corporations in particular. There must be a corporate sector driven commitment to ending the payment of obscene bonuses and discount or free share issues to the directors of non-performing or under-performing companies. The multimillion-dollar bonuses paid to directors of One Tel should not have to be an issue; they should never have been paid in the first place.

Corporate responsibility and integrity also demand greater transparency in arrangements between corporations and their auditors. The links between company boards and accountants who have served as their auditors, directly or indirectly, must be re-examined. While the HIH collapse brings into serious question the performance of directors and managers, it also raises issues about the performance and independence of auditors. These issues must be addressed by the corporate sector and by the audit industry itself. A new commitment to corporate integrity and accountability cannot come from tougher laws or more effective regulation alone; it must also come from a greater sense of the responsibilities that go with corporate management.

The great majority of corporate directors and managers behave responsibly, work hard, and contribute to a stronger and better nation and community. The task for the corporate sector is to help weed out those who do not measure up and who drag the whole name of the corporate sector down. It is a task on which governments need to work with the private sector to achieve, and media can help by highlighting corporate success and innovation, and personal achievement, as well as the activities of corporate rogues.

I want to make some comments about the true position of federal-state financial relationships today. When the GST was introduced, we were told that the states would have more to spend and that the Commonwealth would be slashing its tax take to 'compensate' the people of Australia for the

impact of the GST on goods and services. The truth is that the Howard government is the biggest spending, biggest taxing government in Australia's history. In the five years of the Howard government, federal revenue as a percentage of GDP has risen to a record 37.7 per cent. When Labor left office in 1996, it was 32.3 per cent.

The spending side gives the same story. In the recent federal budget, total government outlays as a share of GDP rose to 37 per cent, a figure that is without precedent in the 40 years of federal budget history compiled by the Australian Bureau of Statistics. While Queensland has one of the lowest taxing governments in Australia and the lowest taxes on business in particular, Australia has the highest taxing federal government in its history. If members want to know why Queensland businesses are doing it tough, they should point to where the blame lies: it lies with the federal government in Canberra, which is the highest taxing government in Australia's history.

The Howard government tax reforms were also supposed to herald in a 'new era' in federalism, one giving the state more resources than ever to provide basic services. All that has happened is that the states are more dependent than ever on Canberra for funding. The GST revenue sharing arrangements do not enhance state financial independence at all. They make the states more dependent than ever on federal funding, and nowhere is that more evident than with regard to the funding of schools, hospitals and health services, and roads. Australia has a big taxing and big spending federal government while Queensland has a low taxing government, carefully managing scarce spending resources.

I believe that the growing dependence of the states on the federal government for funding is unhealthy and contrary to the principles of the federal system we are supposed to follow. It reduces the capacity of state governments, especially state governments such as ours where population growth and economic activity are strongest, to fund and provide services and to determine their own priorities. If this is the best that 'new federalism' has to offer, then we need to question its relevance and its suitability to Australia today, its adverse impact on our state and our capacity to deliver services and promote sound economic development for the good of the people of Queensland.

The other test that the federal government demanded of the Labor Party was that it produce alternative policies to the budget. To his credit, Kim Beazley did just that. But what did we hear today from the opposition—the one led by the honourable member for Toowoomba South? Did we hear any alternative policies? Did we hear that it was going to fund that higher capital spending? Did we hear that it was going to do anything about taxation? Not a thing! So it failed the test in this House today that it demanded of us federally.

The simple proposition is this: if the members opposite want more money spent on capital works—and they say they do—then what are they going to cut back on or what taxes are they going to increase? That is the test of real leadership. They demanded that of us federally; we delivered it federally. We are demanding that of the opposition at the state level today. If they have a complaint with the budget, they should tell us their alternative and tell us how they will fund it. On those few happy notes, I seek leave for the rest of my speech to be incorporated in *Hansard*.

Leave granted.

The opposition in this place has simply come up with more spending proposals. It has complained of the levy to finance the HIH disaster. It complains of the funding stream needed to fund major sporting and cultural facilities.

It wants more spent on Capital Works. Yet, it does not want to do the hard work. It will not outline what it will cut back to fund a higher capital works program. It is silent on the taxation increases it proposes to introduce to fund the complaints that each Shadow Minister has of the Budget.

That's the hard work, and the Opposition has squibbed it.

Let me deal with the initiatives in this Budget which directly benefit Logan and North Beaudesert.

The funding for the Stoney Camp Road interchange is welcome. It funds infrastructure to relieve this dangerous intersection. I want to see a start too on the Middle Road to Green Road section of the Mt Lindesay Highway. I know the acquisitions have taken time, but it is time that this project went ahead.

The Browns Plains Police Station has received funding for completion of the upgrade. This means that 4 officers from the Juvenile Aid Bureau can be located in Logan West.

Funding has also been approved for the Logan West Ambulance Station. These dedicated officers service a fast growing area which has too major roadways. An enlarged station is needed to house extra vehicles.

I welcomed the visit of Emergency Services Minister, Mike Reynolds, who visited the Station and the nearby Logan West Fire Station and was able to approve funding for some essentials at the Station.

The good news for Logan West is the approved funding for the Logan West campus of Logan TAFE. This facility will be located in Grand Plaza Drive and will be accessed by students in Logan West, the

Marsden area, Brisbane South and North Beaudesert. The ability to obtain and retain long term employment is enhanced with attaining of extra qualifications.

The Logan West flexi-learning facility makes a valuable contribution as does Clubs Queensland Training through the Greenbank RSL. In addition, the Community Jobs Plan has been enthusiastically taken up by the Southside Community Church and the Logan West Employment Group who have provided job opportunities for long-term unemployed and has significantly improved community and sporting facilities in Logan West.

I look forward to the introduction of the Triple-R School maintenance program—whilst the Beattie Government and the Minister for Public Works and Minister for Education have been diligent in providing funds for local schools—this program is a good one and recognises real needs.

The funding for Crestmead School is especially welcomed as the school has undergone significant growth. It is time that a development plan and funding for it was approved for Park Ridge State School, and funding is needed to replace the Infant Toilet Block. I also want to reiterate my call for a music block for Greenbank State School. The Teachers & Parents do a mighty job at that school—because of its location it can get the feeling it is overlooked. I urge the Parliament to take notice of the real concerns of this community.

I also want to acknowledge the funding increase in this Budget for people with disabilities and the funding increase for foster parents.

People with intellectual disabilities can't often articulate their gratitude. They don't ask much of us—they simply ask to be treated with dignity as human beings. The increased funding is another step along the way.

The Budget is back to the basics—it attempts to grapple with the society's problems, at the same time giving incentives to the private sector.

Whilst people want more services, there are few who want more taxes to pay for them. The Treasurer has produced a credible document which deserve support.
