



Speech by

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STATE BUDGET 2003-04

Mr SEENEY (Callide—NPA) (Deputy Leader of the Opposition) (10.57 a.m.): I rise to participate in this budget reply debate with a sense of disappointment. I have to record my disappointment with the way that the whole budget process has deteriorated in this parliament, even in the time I have been here. It has certainly deteriorated from what it used to be in days gone by. It used to be an exercise in financial planning and it used to be an exercise in accountability, where a government laid out its program, was held accountable for its achievements in the immediate past and set out how it was going to achieve its programs in the future. Unfortunately, what the budget exercise has become is fairly typical of everything that the Beattie Labor government does: it has become a marketing exercise—an exercise in media hype and an exercise in selling a message that is more often than not a false and misleading message. The pile of budget documents gets bigger and glossier every year, but the information that is contained within them gets harder to find and means less.

On budget eve the Premier was asked what Queenslanders could expect from the 2003-04 budget. His response was that they could expect 'a solid Labor budget'. In that statement he was half right. It is a Labor budget, but it is certainly not a solid budget. It is a budget with more than its fair share of typical Labor traits. It is packaged in a sick, glossy document and boldly stamped as 'smart', when it has no claim to that title. This budget features unrealistic expectations. It is deceitful. It contains imaginative and misleading accounting techniques and voodoo economics that would put Alan Bond and Christopher Skase to shame.

There is nothing smart about a budget that is continually in deficit. There is nothing smart about Queensland possessing the highest unemployment rate in mainland Australia despite the government's target of five per cent, and there is nothing smart about a Treasurer who relies continually on unrealistic returns and creative accounting methods to deceive the people of Queensland.

That level of deceit is greatest in this budget when we look at the expected level of returns that the Treasurer has predicted. All of the calculations in this budget are based on an expected rate of return of 7.5 per cent for the state's \$12 million investment on behalf of superannuation holders. Yet to date the Treasurer has admitted that investment returns have been negative three per cent. This is not the first time the Treasurer has based his budget predictions on unachievable rates of return.

Despite receiving an actual investment return of negative five per cent in 2001-02, the Treasurer predicted he could achieve a 7.5 per cent return in the next year—that is, this current financial year. He was getting a negative five per cent return in June and yet he thought the market would somehow turn around by 12.5 per cent from July. But what has happened to date? The rate of return so far has been negative three per cent—a far cry from the Treasurer's predicted 7.5 per cent. Time and time again we see the Treasurer making these absolutely ludicrous predictions on which to base his budgets—budgets based on booming markets that are worlds away from reality.

This budget before the House outlines that the Treasurer is expecting to receive a negative three per cent return on investments until the end of June this year, and then on 1 July he thinks the market will somehow miraculously spring back to his much-loved and much-quoted 7.5 per cent. This is quite clearly laughable, yet the budget is based upon that laughable assumption.

The best analysts in the country believe that investors will be lucky to get a six per cent return on their investments. To give an idea of what will happen if the Treasurer does not get his expected rate of return, let me quote from the budget papers. The Treasurer said in the budget—

Given Queensland's large holding of financial assets, actual revenues are highly sensitive to small variations from the assumed long rate of return.

The budget papers go on to state that a one percentage point variation in investment earnings on assets held to meet future entitlements would lead to a change in investment revenue of approximately \$100 million. This means that, if investors receive a five per cent return, which is ambitious at best, given the current investment climate the Treasurer would forgo \$250 million in investment revenue, meaning his \$153 million surplus for 2003-04 would suddenly turn into yet another deficit to the tune of \$97 million and for the fourth time in a row the Treasurer would have predicted a surplus and delivered a deficit. Three times in a row already the Treasurer has presented budgets to this House which predicted a surplus but have actually delivered a deficit.

If investment returns continue at their current level of negative three per cent for the year, the Treasurer's \$153 million surplus could turn into an \$897 million deficit, as \$1.05 billion in investment revenue is forgone. If investment returns moderate out to zero per cent—and that is a very optimistic assumption—the Treasurer's \$153 million surplus would turn into a deficit of \$597 million, as some \$750 million in investment returns would be forgone.

So even at the optimistic end of the scale, even at the most optimistic end of any range of realistic assumptions, allowing for investment returns to be the best they possibly could be within any bounds of reality, the Treasurer should be predicting a deficit. If this budget document and this budget process are to mean anything, the Treasurer should be predicting a deficit. At the very best, the Treasurer can predict delivering a deficit in the range of \$100 million. If investment returns continue at their current rate, he can expect to deliver a deficit of nearly \$900 million and, if returns moderate, he can expect to deliver a deficit somewhere in the middle of \$500 to \$600 million, but a deficit is the only likely outcome.

The people of Queensland should treat the Treasurer's prediction for a 2003-04 surplus with as much caution as they should his prediction for a \$350 million deficit in 2002-03. Let us have a look at the record. Let us have a look at the history. In 2000-01 a surplus of \$29 million was predicted in the budget documents. Despite the mid-year review revising this figure down to a \$13 million surplus and a further revision in June to a predicted \$820 million deficit, the final outcome was in fact an \$858 million deficit. So we started off in the budget process with a prediction of a surplus of \$29 million and we actually ended up with an \$858 million deficit. That illustrates the absurdity of which this budget process is a continuation.

In 2001-02 the same pattern was followed. A \$24 million surplus was predicted in the budget documents—\$24 million in the black. The mid-year review revised this figure down to a \$148 million deficit. This figure was further revised in June to a \$486 million deficit. The end result again was an \$894 million deficit. So it is the same thing: the budget process started with a prediction of a \$24 million surplus. It was sold with all the bells and whistles and best efforts of the spin doctors as a responsible, financial prediction, but the end result was an \$894 million deficit—almost \$930 million out.

The pattern continues. In 2002-03 a \$23 million surplus was predicted in the budget process. This was revised to a \$741 million deficit in the Treasurer's mid-year review and then revised again in this budget document to a \$350 million deficit. We, like the people of Queensland, will have to await the outcome statement to see what actually happens, but I am quietly confident that the end result will be closer to my prediction of a deficit of between \$500 million and \$900 million.

Mr Mackenroth: Want to bet?

Mr SEENEY: Well, we will see when the outcome statement comes in. The Treasurer can be sure that I will be standing here pointing out to him what the actual figure is. Going on his performance over the last three years, we cannot have any confidence in the figures that he has included in the budget. He has included a deficit in the budget of \$350 million, despite the fact that the budget last year predicted a surplus of \$23 million. His latest estimate is a deficit of \$350 million, which he has clawed back from the mid-year review which revealed a deficit of \$741 million. But we will see when the outcome statement comes in whether or not the pattern that the Treasurer has established over the last three years has continued.

It is a fair bet that that pattern will continue, because there is no evidence to suggest that the end result will be anything but a huge deficit in the range of \$600 million to \$700 million—unless, of course, the Treasurer can find a white knight, revalue the power poles, find another hollow log to raid, get some more money from taxpayers or from Canberra, or pull one of his accounting tricks to come up with a different figure from what appears to be inevitable to anyone looking at the situation.

That brings me to the revision of the operating result of the mid-year review. While Premier Beattie tried to give the Treasurer lots of credit for revising the mid-year review figure down from that \$741 million deficit to a \$350 million deficit, in reality he should be thanking Queensland taxpayers. The Premier should be thanking not only the Queensland taxpayers but also the Commonwealth and he should be acknowledging that that result is because of the dodgy accounting practices that the

Treasurer has put in place. When we look at the actual figures to work out why that \$741 million deficit in the mid-year budget review is now in these documents as a \$350 million deficit—it has been halved—we see that taxation receipts have been revised up in the mid-year review from a budgeted position of \$466 million by another \$140 million to try to get to that \$350 million deficit. Whether or not those taxation receipts will actually be received remains to be seen. We will have to wait until we get the outcome statement to find that out.

The Commonwealth grants were also revised up another \$204 million. It got better from there. The state departments decided to review the way in which depreciation is applied to their assets in order to get a longer useful life on their assets. In other words, they are extending the value of their assets—flogging their assets—in order to save another \$195 million in the Treasurer's budget documents. They are the contributing factors for the \$391 million revision of Queensland's operating deficit. The Treasurer can take no credit for financial management, because none of those things are the result of responsible financial management. In fact, an extra \$586.3 million was received from the Commonwealth in 2002-03 than was first budgeted.

But perhaps the best figure can be spotted in the Treasurer's revenue projections. Here we can see that since the Beattie government came to power, Queenslanders have paid \$1.1 billion more in taxes. Nowhere is there more evidence of a government lacking in innovation and intelligence than in this figure. It illustrates clearly—if further illustration is necessary—that this Labor government, like so many of its predecessors, cannot manage budgets. It has proven time and time again that the Beattie government is as well known for its economic mismanagement as it is for its media tart tricks.

The government's sole strategy for managing the budget is to increase taxes, increase fees, increase fines, increase charges and impose hidden levies. We have seen it with the ambulance tax, we have seen it with the water and tick charges, we have seen it with the motor vehicle registration, we have seen it with the late fees and we have seen it with the endless list of other sly taxes and fines that the Beattie government has introduced under various guises.

I wanted to complete my overview of the budget before I start to talk about my portfolio responsibilities by restating an analogy that I used earlier this year when comparing Queensland's state budget to a household budget. It is not my analogy; I do not claim credit for it. It was one that was used quite often by previous treasurers and under-treasurers—senior public servants have used this analogy. The Treasurer has criticised me for drawing that analogy to illustrate the point that we cannot spend more than what we receive without borrowing. That is a truism that is accurate whether it is applied to the state or applied to us as individuals. I think the analogy is a good way of illustrating that point. It offers a very useful depiction of Queensland's state budget.

If we were to compare this budget that is before the House to a household budget, this is what we would find. We would see that the Treasurer has revalued the house and the fence in the backyard and the kids' playground equipment and borrowed against the equity in it to pay the bills. He has raided the kids' piggy banks, he has maxed out the credit card, he has mortgaged the power poles, sold the silverware and deceived the lenders by declaring every freestanding object in his house and around it as capital. The Treasurer's expenses have risen through the roof as he models his household budget on an assumption that his wage will somehow increase at an unprecedented rate that nobody else is going to get and no-one else expects. It is a vision that is not shared by either his colleagues or his boss. Worse still, the vision is not only unrealistic but it has been proposed year after year after year and never been realised. It has never become actual. The Treasurer relies on his big brother down south, whom he and his colleagues take great delight in blaming for anything and everything, but who has given him a bonus which, along with the windfall from the kids' piggy banks, will be the Treasurer's sole saviour. He has predicted a positive household budget every year, but every year he has returned home with a budget dripping in red ink. The Treasurer is unable to explain where the money has been spent. He budgets again and again forecast unrealistic income and unsustainable expenditure. The Treasurer's only option is to borrow and borrow and borrow, but he does that in a way that is hidden from the normal observation of the financial documents.

This fictional budget is based on the same level of deceit and wishful thinking as the state budget that is before the House today. The Treasurer should be condemned for his irresponsibility. This is Mackenomics at its worst. It is a budget of deceit. It is a budget based on funny money. It is a budget that will deliver nothing else but a media headline and a media opportunity for this government.

I have a number of portfolio areas for which I am responsible, which time will not allow me to explore as part of this debate. Suffice is to say that I will be exploring each of those portfolio areas in detail as part of the estimates committee process. The deceit that I have illustrated as part of the overall budget approach has been continued on through each of these Ministerial Portfolio Statements, especially the portfolio of the Department of Natural Resources. The minister issued a press release claiming that the department's budget at \$412 million was somehow a record, despite the fact that the estimated actual expenditure for last year was \$448 million—most of which, by the way, was made up by Commonwealth grant moneys and a whole series of rollovers of existing funds. They are the issues

that we will certainly have the opportunity to explore during the estimates processes. Suffice is to say that at this stage each of those departments has used the same budgeting techniques that the Treasurer has used in his presentation of the budget. It is a meaningless process, it is full of deceit and dishonesty and its only role is to hide from the people of Queensland the true state of the state's finances.