




Speech By
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MATTERS OF PUBLIC INTEREST

Commission of Audit

 **Mr PITT** (Mulgrave—ALP) (11.03 am): Just like the interim report of June last year, the final Costello report fails to identify any budget black hole left by the previous government. Independent professor in economics and Federation Fellow John Quiggin said in his analysis—

The primary claim made in the Interim Report was that Queensland faced a debt crisis arising from mismanagement by the previous Labor Government. Unfortunately the recommendations put forward by the Commission still reflect the mistaken analysis of the Interim Report.

This Commission of Audit has been used as a political smokescreen and as a distraction. The Treasurer said that it is the most comprehensive report into Queensland's finances in a generation, yet within two weeks of its release there is already a big new \$100 tax on families that is not mentioned anywhere in it. The Premier had 60 days to consider the pages of the final Costello report and prepare the government's response, yet he afforded no such time to the LNP backbench. This was deliberate. The Premier and the Treasurer simply did not want members of the LNP backbench reading this report in detail prior to its release. After having time to consider this document in detail, I can understand why.

On the day of the announcement all that seemed to be noticed was the Premier's declaration that he would not sell Ergon, Energex and Powerlink and his intention to seek a mandate to sell other assets. However, there was a lot more contained in the government's response. The government agreed to a list of assets and services it will privatise—without asking anyone—which will have significant impacts on the lives of people across Queensland. Every time we flick a switch, catch a bus or a train, access health services or take our kids to school, under these changes we risk paying more and having a lower quality of service provided. The LNP believes it can sell or privatise a raft of assets and services without the approval of Queenslanders, including the privatisation of trains in South-East Queensland and the sale of the SEQ rail network; the privatisation of bus and ferry services and the regional rail network; the privatisation of clinical health services, non-clinical health services and community health; the closure and sale of state schools and plans to increase class sizes, impacting on learning outcomes; the sale of regional water supply infrastructure, including nine major distribution networks; the sale of electricity workshops; and the sale of coalmines owned by power stations for fuel supply, just to name a few. In fact, the list is too extensive to read out in full here, such is the scale of privatisation to be undertaken without the permission of Queenslanders.

In addition to this, the Premier announced the day after tabling the Costello report that he will go to the private sector for \$14 billion worth of infrastructure for Energex, Ergon and Powerlink. This decision will involve either the sale of future revenue streams and/or the sale of existing assets. Under at least one option, this is similar to telling private companies that they can lay-by electricity assets and then pay them off in instalments. I think most people understand that the money has to come from somewhere. With the private sector paying more to borrow for infrastructure and also demanding a profit, this decision will represent a far greater cost to the Queensland budget over many decades

into the future. What is most concerning about these recommendations is that they are being considered as necessary and they are based on misleading information. Today I table a document that details this and implore members of the LNP backbench to read it when considering the recommendations being pushed on them by the Treasurer and Premier.

Tabled paper: Report titled 'Interim Response to the Queensland Commission of Audit, Curtis Pitt MP, Shadow Treasurer for Queensland, May 2013' [2640].

The report starts out by claiming that there is a 'disturbing decline' in Queensland's productivity. What is excluded from this analysis is the work done by Queensland Treasury that provides some context. Treasury's analysis details that the fall in productivity is partly reflecting a cycle of heightened infrastructure investment where inputs were yet to deliver outputs, infrastructure such as the development of the LNG industry, expansions to coalmines, upgrades to the electricity network and the construction of the water grid—infrastructure that will increase productivity into the future.

The Costello report also fails to mention other factors mentioned by Treasury, including the global financial crisis and natural disasters. It is quite instructive that the words 'global financial crisis' appear nowhere in the body of the Costello report—not once! The Costello report then engages in dire long-term economic modelling—modelling that says the economy will grow on average over a 35-year period around the pace it did during the years of the global financial crisis and natural disasters; modelling that uses pessimistic population growth assumptions—more pessimistic than Queensland Treasury and the ABS; and modelling that assumes that under the low-growth scenario Queensland's labour participation rate will fall on average to be lower than Spain today. Pessimistic economic modelling which is diametrically opposed to the Premier's Queensland Plan is then used to justify dire revenue projections—projections that Queensland's revenue will grow over a 35-year period on average at around the same rate as the worst year for Queensland during the GFC. It is no wonder it is so skewed towards privatisation and selling-off. It is all about selling out Queenslanders!

This Costello report may look slick, but it is designed to mislead. A prime example is the statement that in 2010-11 the Commonwealth Grants Commission assessed Queensland as having the highest cost of service delivery of any mainland state. Nowhere in the Costello report does it mention the assessment of the Grants Commission that this was a year of significant natural disaster expenditure. It seems that the commission has forgotten that large parts of the state were under water in late 2010 and early 2011, nor does the report discuss the data from Treasury that Queensland is the most decentralised state in Australia. Despite these challenges, Labor left Queensland with a lower workforce to population ratio than other decentralised states, including Western Australia and South Australia. The report then details a graph implying that revenue grew out of control by using a measure of revenue to economic growth while not mentioning that the economy took a hammering during the GFC. This is particularly concerning, because it implies that the LNP should react to a global economic downturn by cutting and slashing rather than supporting jobs in the economy. Ratings agency Standard & Poor's said the following in September 2011 about the previous government's handling of the budget and the economy during the GFC and the wide-scale natural disasters—

Although the government continues to demonstrate excellent financial management through its revenue and expenditure measures, external factors continue to make it difficult for the state to regain its 'AAA'.

The previous government responded to real crises. In contrast, this Costello crisis is a make-believe one and the proposed solution to that manufactured Costello crisis is even more concerning. At page 2-35 the report sets out that contestability, a euphemism for privatisation, is the magic solution. If members look at the reference for this theory in the Costello report, they will find that the author first devised it while working for the Serco Institute—the same Serco Institute whose parent company Serco Asia Pacific paid Mr Costello's lobbying firm.

Contestability theory is based only on anecdotal case studies and an ideological obsession with downsizing government. As the independent Grattan Institute recently said in a report on budget pressures—

... smaller government is not the solution to restoring budget balances ... large governments can run budget surpluses and small governments can run large budget deficits.

It is a theory that the private sector should be able to bid for any public service irrespective of whether they could actually do it better and cheaper—a theory to allow the private sector to offer a smorgasbord of privatisation options with the short-term sugar hit of budgetary savings, but with the potential of higher longer-term costs and reduced access to services. It is a theory that is not based on fact. There are simply some services better run by the government. We in the Labor Party understand that there is a role for the private sector, but only where it can do it better and cheaper with improved outcomes.

The Costello report has been all about justifying the Premier and Treasurer's broken promises, not about any pretend crisis or the sudden emergence of a black hole. Let me be clear: no black hole has been identified. The Treasurer flagged an ultimatum on higher taxes or privatisation. Now, this government is proposing both with a tax of more than \$100 per Queensland household. So much for helping the cost of living!

This made-up Costello crisis is being used to hide the fact that the Treasurer made \$4 billion in unfunded election promises. The Treasurer said as much in during the estimates committee hearing. Job cuts have been used to fund election promises.

I will give the last word to independent professor in economics, John Quiggin, who said that the Costello report's primary function—

... has been to justify cuts in public expenditure and other policy changes. In most cases, these policy changes have not formed part of the platform on which the newly elected government campaigned and, in many cases, they represent a direct repudiation of election promises.

I could not have said it better myself. Queensland Labor will continue to promote the professionalism and independence of Queensland Treasury, both in opposition and in government. But we will not support Campbell Newman's efforts to hoodwink Queenslanders. We will not support his efforts to pull the wool over Queenslanders' eyes. Despite the increase in unemployment and the slowing of economic growth that has occurred under this term of the LNP, we remain confident in Queensland's long-term future.