Speech By

Robbie Katter

MEMBER FOR MOUNT ISA

Record of Proceedings, 6 June 2014

APPROPRIATION (PARLIAMENT) BILL; APPROPRIATION BILL; REVENUE LEGISLATION AMENDMENT BILL

Mr KATTER (Mount Isa—KAP) (3.06 pm): I would like to offer what will most certainly be an alternate view of the third budget handed down from this government. Having an alternate view is derived from a deep chasm between the mainstream economic ideologies prevalent today and those that the KAP wish to align themselves with as a counterpoint. The underlying direction driving this budget is referred to as supply side economics. This requires prioritising fiscal balance above all else; in essence, an austerity strategy to achieve a budget surplus strongly through savings in expenses and passively watching industry, hoping that it will gain confidence from disciplined spending.

What is forgotten in this budget strategy is that a state government in Australia closely resembles that of a member country of the Eurozone. Fiscal policy is the only policy arm available to build an economy and community in the way that Queensland people desire and need. By this I mean that monetary policy is determined by an independent central bank pursuing national objectives. A state government therefore needs to use its one remaining policy arm to build, not contract, economic activity. A weak point in Queensland's economy is reflected in the latest underutilisation rate of the labour force—a very stark reminder of where we are at.

For Queensland, the ABS gives the underutilisation rate for Queensland as at February 2014 at 13.6 per cent, up from 12.8 per cent 12 months prior, compared to the Australian figure for the same dates at 13.5 per cent. This means that Queensland is performing below the national average in efficiently utilising its labour force. Austerity budgets are the wrong way to address an underperforming economy.

I belong to the alternate view that is aligned with a policy that targets industry growth and employment over fiscal balance. These were the programs that were successful coming out of the Great Depression. An example of this thinking was the great Snowy Mountains project. When it was first mooted in 1946 by Ben Chifley, the $800 million completion cost represented 25 to 28 per cent of the entire 1946 Australian budget. Can members imagine the hysteria that would surround such a project today, using public debt for an investment of that size? Yet Australia built this engineering wonder and the nation enjoyed full employment, rising living standards and prosperity. Future economic growth and consequent prosperity lay at the centre of thinking for this project.

Sadly, the political world today has lost such knowledge and skills. This austerity budget proposed today is consistent with the great loss of economic knowledge and skills that were once a feature of this country's political landscape. We are lucky to have opportunities for great nation-building projects in Queensland because we have such rich and diverse resources which are largely untapped. These are important points to acknowledge prior to making any point in this budget, because they intrinsically define the course upon which our state will be set.

Our economy is contracting at present and desperately needs an adrenaline shot to the heart to gradually rebuild the revenue base that deteriorated not just due to the end of the commodities boom, but also from failed industry policies employed in this state and country over the past 20 years.

A government member interjected.

Mr KATTER: I take that interjection, because there are indicators that will tell you that it is growing, but do your own test. If members walk about in their electorates and talk to small business owners to see how they are feeling, they will see how the economy is going.

The adrenaline shot is large scale infrastructure spends in strategic wealth-generating assets such as roads, rail lines, transmission lines, ports and dams. These activities will incur immense debt but will stimulate the economy, drive enormous confidence at all levels of business and create a more competitive environment on the back end. The obvious question to ask is: how do you fund large capital expenditure when you are worried about debt? This is a technical issue requiring lengthy discussion, but it in short relies on the federal government supporting the states in major economic development projects. This highlights a second criticism with supply side economic reliance upon the market allocation of resources. What is desperately required is a public financial institution directly charged with funding development and structural adjustment in low-income or debilitated regions.

In the context of nation building, a train of thought members might like to think about is that the budget is not disaster land. While the economy is stressed, the budget is not disaster land. On a $400 billion gross state product, $2.6 billion represents about 0.5 per cent of GSP which is nothing in economics. Just borrow the money. The subsequent public securities will be assets for the holders of the scrip. Interest paid will be income for the asset holders. Asset holders will pay income tax on the income and the income will actually boost both state GSP and national GDP. The problem is one of revenue, and that is a consequence of an ideology that seeks to minimise government involvement in the economy. Government enterprises in the past have provided important sources of public revenue. Minimisation of government in the economy has also led to a declining and narrowing of the state's production base from which to generate public revenue from licence fees, stamp duties et cetera. Consequently, what we are now facing is the consequence of inept policy which has produced sequential government policies of privatisation. Once a government business is privatised, then an alternate source of revenue must be found. This is now what this government is confronting—the folly of its own political ideology. Large scale capital expenditure programs by the Queensland government under Sir Joh were what orientated the state on the trajectory of growth that has kept it going for decades only until successive governments no longer engaged in state industry infrastructure builds. Who would argue that the money spent on developing the coal industry, which we still live off today, was not a welcome embrace of debt—debt levels that would strike as much fear into those who would have you believe that it has shackled us as a state from going forward?

An honourable member interjected.

Mr KATTER: We are in the enviable position in Queensland that we have vast untapped resources that are able to be unlocked with strategic infrastructure development. I take the interjection that I thought I heard that it was a Labor budget. That is an interesting comment because the federal government fiscal stimulus was about school buildings and pink batts, and that is not what we are talking about here. We are talking about stimulus through infrastructure building projects—real industry building infrastructure projects. One of those that has been flagged is the William Street office building, which is not so much an infrastructure project. That office building was flagged as promoting economic development in this state, but when compared to investing in a rail line or strategic roads is ludicrous. There is no better example of investing in strategic infrastructure than the Mount Isa to Townsville rail line. Here is a line that can offer immense improvement in competitiveness to our mining, agriculture and businesses in western areas.

Mount Isa Mines was voted the most significant business in Queensland's history and the Mount Isa shire has been pumping royalties into this state for 90-plus years. We can take product—or mining product concentrate in many cases—from Mount Isa to Townsville by road or rail and the difference in cost is about 300 per cent. This is a very significant figure because many mines out there now cannot get access to the line and they are putting that concentrate on the road, which represents an additional cost in their transport costs of 300 per cent. Why do they not have access to the line? The answer is quite simple. Part of the answer is that the trains do not run fast enough because the track is not maintained. About 800 jobs went off that line in the Goss government and progressively more and more have gone off maintaining that line ever since. If you talk to anyone who has been on that line for more than 30 or 40 years, they will tell you that the tracks used to be straight and trains that used to travel at 80 kilometres an hour now travel at 40 kilometres an hour. We now have less capacity and fewer mines are able to get their ore to the coast faster or get access to the line so they are putting it in trucks. Members can imagine what this does to our competitiveness in the mining region, and it is a powerhouse in terms of a mining region. The answer is that we need to invest in this line and provide more competitiveness. That stimulates the economy and many mines that do not exist now will exist because suddenly they will be more competitive in terms of transport costs. One project in the north-west said that transport represented 80 per cent to 90 per cent of the cost of production for that one product. Clearly, many mining and other activities would open up if we could make that line more efficient.

Unfortunately, over the last 20 or so years there have been no significant upgrades at all on that line and the situation has deteriorated to the point that there are not only slow down signs on the rail but on the roads as well because there are that many trucks now using the road because they cannot fit all of their product on rail. The only logical conclusion I can draw from that is that in 20 years time we will be on horse and cart because everything is deteriorating and we are going backwards. If you are in government and you want to stimulate the economy while making industry more competitive, what a great idea it would be to upgrade these tracks and install some passing loops and better coordinate the activity on the line. The north-west minerals province is contributing—again, I think these are 2011 figures—$200 million per annum to the state in royalties, so that would be a good investment—an investment which is a lot better than an office building in Brisbane or the proposed traffic tunnel in Brisbane. That is where we should be spending money—not on pink batts, not on school buildings, not on traffic tunnels in Brisbane. That is where this money should be spent and it will deliver back to Queenslanders in perpetuity. I will come back to address that issue in terms of the asset sales.

Anyone who spends time talking to small businesses at the moment would realise that people are doing it tough, and without our gas industry the GDP would not look good. That begs the question: what other meaningful initiatives are out there in our economy that can create some economic activity? I want to offer some cost-effective solutions for the government, and I will start with ethanol. If the government in Queensland mandated the use of ethanol, we can deliver some 10,000 to 20,000 jobs, cheaper fuel and greatly increase our tax base. And for what? For the stroke of a pen; for the mandating of ethanol. That is a legislative change. It will not cost the taxpayers anything at all. It is an industry builder and it is sitting there for the taking.

The next one is irrigation. In the Mount Isa electorate the Flinders-Leichhardt river systems are currently assessed with an average annual mean flow of 6,390,000 megalitres. Applying a conservative environmentally acceptable figure of 15 per cent of the take from the stream flow should allow us 958,500 megalitres per annum. We currently have access to 80,000 megalitres. It should be almost a million megalitres we can take out of that system while at the moment we are allowed to take 80,000 megalitres. The way that tender system has worked has favoured the big guys in that there are about five or six people with one tender to take water out of that river. None of them have turned a sod and some would offer that they do not intend to at all, that it is just to inflate the value of their asset. Any irrigation that exists on the Flinders was built exactly the opposite way. It was the smaller guys who got their allocation and it was low cost, because there is no infrastructure to recover your costs. I do not know why there needs to be pricing at all because there is no rush on demand for it anyway. We need to let people take water out of the river for low cost or next to nothing. Errol Entriken, who farms way out of the farming footprint towards Winton, built his farm up. He and his son started it. They grew it. It was a low-cost operation. They grew it organically—and I use the word ‘organically’ figuratively. He and his son built it up. They tried different crops because it was a different soil type and they eventually ended up employing five people. So those extra five employees create taxes. He is buying tractors. He is generating a lot of stimulus for that local economy. We might say that that is a small effect, but we need to multiply that out by a lot of Errol Entrikens along that river system, and that costs the government nothing. You are just allowing them to take the water that is flowing out into the ocean, and a very small portion of it.

At the moment, under the current system Errol Entriken would have to do a business plan, a farm plan and put down 20 grand as a deposit for his water allocation, all for the chance of maybe getting his water allocation. I think the likes of Errol Entriken just would not have a go if there were that many barriers put in place. But if it is made easy for people like him, he will have a crack. A lot of people out there are struggling, but they will have a go if the government makes it easier for them to get access to that water and makes it more affordable for them. Like I said, there is no infrastructure there. There is no dam there or anything to recover costs from. Let them take out the water. That way they can start farming and towns like Richmond and Hughenden can start looking like St George and Emerald. It could be a great initiative of this government. It is an easy one for them, because it is not going to cost anyone any money and it is not going to disturb the environment at all. When the Flinders River is in flood, 200 megalitres a day flows past the town of Richmond. The whole allocation on the entire system is 80,000 megalitres. It does not make sense. There is enormous capacity there to increase and open it up to all of those farmers who exist along there so that we could have 50 or 100 Errol Entrikens. I think that is an initiative that the government should reconsider and change its attitude towards. There are some great benefits there to be had.

Although this is mainly a federal issue, the state needs to support the Australian Reconstruction and Development Board. Any assistance apart from the Australian Reconstruction and Development Board is welcome, but it falls horribly short. It is not going to save large portions of this industry. This year, farmers are already on their knees and once things start drying up again and they start having big lick bills and transport bills coming in, there is going to be a lot of pain out there and there are going to be questions asked of the government. The effort should be made now. The best step that could be made is to support the ARDB, which is before the federal parliament. It is the most cost-effective way to cage that portion of rural debt that is hamstringing agriculture in Australia. It will open the floodgates to foreign investment and for jobs that Australian farmers can do much more efficiently and we can still retain that sovereignty. I make the point that a lot of these foreign owners are coming in. If we do not provide assistance with rural debt in Australia, other countries that have reconstruction or development boards that assist their agricultural industry will be coming in to buy our farmers' land. If you are ideologically opposed to the ARDB, it is pointless, because someone from another country is going to take advantage of it. The ARDB provides a very cost-effective solution to cage rural debt. It should be adopted and supported at a state level and at the moment it has not been. The federal government is happy to appropriate $8 billion for desk jockeys to play around with pesos and the rupiah. They can give $14 billion to the banking industry to keep it afloat. We are looking for $4 billion to $6 billion from the federal government to cage rural debt in Australia. The starting point is for this state to support a recovery in the agricultural sector.

I will move now on to asset sales, which seems to be causing the most debate on this budget. Obviously, I am vehemently opposed to asset sales. I think we should be building those assets, not selling them. I cannot help but focus on the rail and energy assets that are in my own electorate and how my electorate would be affected if they were sold. I can start easily by talking about the social cost. We saw Telstra privatised and then Sol Trujillo started taking a multimillion dollar salary and started sacking all the workers in regional areas to save money. The people in regional areas can see the writing on the wall. Despite everyone's best attempts, and although the current government might not want those jobs in rural areas to go, it will happen. Private industry takes over and it will happen and service levels, standards and employment in rural and regional areas will diminish. That is a fact. Everyone knows it. Everyone is aware of it. There is no convincing the people in rural areas otherwise, because they all know how it is going to be.

Aside from the social cost to asset sales, I do not even have to scratch the surface to look at the retrospective study of the electricity assets in Victoria. The electricity assets in that state were sold on the basis of bringing down the interest bill on the debt in that state. Retrospectively, the revenue that was generated from the sale of the electricity assets in Victoria was less than the savings that the government in that state made on the interest payments after those assets were sold. It was a pointless exercise.

Electricity assets are leveraged just like rail assets. They provide the government with the leverage so that it can build industry in this state. Sun Metals zinc in Townsville exists because the government did deals on the cost of energy to make that industry happen. That was because the government had a vested interest in providing jobs and delivering other social delivery outcomes through owning these utilities. If private industry owns the assets, there is no desire for them to provide jobs or anything beyond getting a commercial return. So perhaps Sun Metals zinc would never exist if the energy assets were privately owned. These assets are very valuable tools. We have a basket of these utilities. This government needs to look at that basket of utilities and take it to industry and ask, 'How can we use these best to make you guys flourish?' I think that handing them over to a monopoly owner for a sugar hit sale just beggars belief. It defies logic and any sort of commercial rationale. It is a poor outcome.

The Royalties for the Regions is a nice effort, but taking it from applying to 14 councils and opening it up to all regional councils made it pointless. Although it is welcome, whatever funding does come, it is not enough.

A government member interjected.

Mr KATTER: We want the royalties money, but it just needs to be—

(Time expired)