




Speech By
Hon. Tim Nicholls

MEMBER FOR CLAYFIELD

Record of Proceedings, 6 June 2014

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

 **Hon. TJ NICHOLLS** (Clayfield—LNP) (Treasurer and Minister for Trade) (5.57 pm), in reply: I wish to start by thanking all members for their contribution to the debate in relation to the 2014-15 appropriation bills. There was substantially less debate on the Revenue Legislation Amendment Bill; nonetheless, I am sure that will excite interest in many parts of the state as well. To all members who took the time to make a contribution—and, on behalf of the Leader of the House, particularly those who made slightly shorter contributions—I must say it was well appreciated. To those who made the slightly longer contributions, I am sure the Leader of the House will have something for you to do as well.

On Tuesday, I rose in this place and laid upon the table of the parliament *A strong plan for a brighter future* and this budget does deliver a strong plan for a brighter future—with economic growth in 2013-14 expected to be three per cent, underpinned by household consumption growth, a recovery in dwelling investment and a significant contribution from exports. Listening to the Labor responses, one could be forgiven for thinking that they want Queensland on its knees. Contrary to what they are saying, Queensland and our economy is expected to be the strongest performing state in the nation over the coming financial year and over the forward estimates period—that is, the strongest performing state in an economic sense in the nation. In 2015-16 we are forecasting economic growth of six per cent, an 11-year high, and that is supported by the ramp-up in LNG exports and that improved domestic economy I mentioned.

If you compare the growth in the opposition's last term in government with the growth in our first term, the numbers speak for themselves. Economic growth averaged just 2.2 per cent in the last three years of the previous government, but in the first year of the LNP government it was 3.6 per cent, and by next year economic growth over the next four years will average more than four per cent. We understand that not all Queenslanders are experiencing the benefits of economic growth, and that is why the government is totally committed to growing the economy to provide all Queenslanders with opportunities and jobs both now and into the future.

While the opposition may try to criticise the performance of the Queensland labour market since this government was elected, it is worth putting it into some perspective. From March 2012 to April 2014 employment growth in Queensland rose 2.8 per cent, much stronger than the 1.9 per cent growth in the rest of Australia over the same period. In fact, Queensland accounted for around 27 per cent of national jobs growth over the period—well ahead of our population share. The latest industry labour market data shows a significant switch to more sustainable job creation driven by the private sector. In the two years to the March quarter 2014, those industries and firms predominantly in the private sector increased their employment by 42,000 people. This is in stark contrast to the 1,000-person decline recorded in the private sector in the last two years of the Bligh government. So there were 42,000 more in the private sector under us and a thousand fewer in the private sector under the Bligh Labor government in its last two years. The facts speak for themselves. In the last year more than 60,000 jobs were created in Queensland.

Only this government has made the strongest and the smartest choice to reduce the state's \$80 billion debt and annual \$4 billion interest bill. No matter how hard Labor tries, they cannot escape the fact that since 2006-07 they ran up budget deficits worth \$29 billion with a further \$13 billion in future deficits locked in. That is what has led to the state's debt reaching \$80 billion.

One of Queensland's greatest public servants, a man after whom the former government renamed the Gateway bridges, Sir Leo Hielscher, said on radio yesterday—

It's very, very important to have a balanced book, or it slightly in surplus, a running Budget. The running Budget is like your own Budget at home, if you haven't got it, you don't spend it. And you certainly don't borrow to pay for the goods from the baker or whatever. And you have to borrow for the budget that's in deficit. Which is just it's not right. It's just an absolutely wrong thing to do, to borrow and to put the bill onto the future generation to cover your dinner costs, for example.

Sir Leo then went on to say—

Our problem is our deficit has now reached a size that we can't really afford to pay for. We have to pay it, it's the first thing that comes out of the Budget, is the cost of debt servicing. That's just getting more and more expensive before you start to pay for school teachers and hospital people. So you got to get that debt down somehow or other.

There he is, the former head of the Queensland Treasury Corporation, a 16-year head of Treasury, after whom the former government named the Gateway bridges. Very few people would doubt the financial acumen of Sir Leo Hielscher and what he has done for this state over nearly 50 years of service to the people of Queensland. 'You've got to get the debt down, you can't keep borrowing, you need to run a budget in surplus.' What is it that those over there do not get about it? They could have tuned in to ABC Radio yesterday afternoon and picked up the lesson from Sir Leo.

As we have outlined in our draft plan, with spending cuts and increased taxes in the 2014-15 federal budget it has become even more important to avoid fuelling the cost-of-living pressures felt by Queenslanders. Now is not the time to burden people with taxes upon taxes or to reduce services that have already been made more efficient. That is why the government is now proposing a program of asset transactions. We will do that in a number of ways that have been set out in our Strongest and Smartest Choice plan. I again encourage all members to have a good look at this plan because it goes into considerable detail about the problem and the options and the best way of proceeding to deal with our debt problem and what we will do with the value of the funds released as a result of it, including paying down debt by \$25 billion and releasing \$8.6 billion for the vital infrastructure that a growing state needs. We will ask the people of Queensland how they think that money should be spent, in stark contrast to those opposite. Of course, again in stark contrast, none of our proposals will be put into place until we have a mandate from the people at the next election. Not everyone will agree with all of the choices this government has made about how to pay for the things into the future, but at least Queenslanders now know we will have funding certainty so we can invest in the things we need for a growing and ageing population. Indeed, the strongest choice is the smartest choice.

There were a number of statements proffered as facts by those opposite and some of the crossbench speakers during the course of the debate in terms of electricity bills and the cost of living—and that has been dealt with by a number of people. We know that for electricity bills the single biggest thing people can do is support the eradication of the carbon tax, the thing that tomorrow would make power bills cheaper and cheaper into the future. Labor lit the fire on increasing power prices and now they are blaming the firefighters for what we are trying to do to fix it. They love talking about big projects, big plans and big spending but in the core areas affecting the cost of living—electricity and water—they never explained that consumers would end up paying for the decisions that they made over years and years in the past.

In the area of electricity, massive overinvestment and gold plating of infrastructure has played a key role in increasing the cost of electricity. As the Premier, others and I have pointed out, the former Treasurer in this place wrote to the price-setting regulator, the Australian Energy Regulator, and said, 'We're not satisfied with what you've given us, give us more,' driving up power prices for everyday Queenslanders. In total, around 17 per cent of the typical bill is attributable to green schemes: seven per cent to carbon tax, seven per cent to the Solar Bonus Scheme and three per cent to the renewable energy target. When they approved these schemes those opposite should have explained to the people of Queensland what the long-term consequences were, because they certainly knew it. They had been told what the cost would be, but they did not tell anyone in their rush to get out, make themselves feel good and get those schemes going. This government, particularly through the hard work of the energy minister, has identified capital and operating savings in electricity totalling \$3 billion out to 2019-20.

In terms of water, it was this government again, through the energy and water supply minister, who streamlined the complex institutional arrangements created by the previous government for managing bulk water supplies in South-East Queensland. This has reduced the overheads of the suppliers, which are contained in the bulk water prices. To further reduce pressure on household bulk

water prices, we also removed the requirement to construct additional bulk water infrastructure in the near future and we have mothballed infrastructure that is not currently needed. The reality is that, through its ill-conceived extravaganzas, rushed and poorly planned water grid projects, the previous government condemned South-East Queensland water users—taxpayers—to year after year of price increases. Those projects were largely funded by debt. For instance, Seqwater holds about \$2 billion in debt for the Western Corridor Recycled Water Scheme and \$580 million for the Gold Coast desalination plant, and the cost of these projects is met by the water users—that is the taxpayers again—every time they turn on the tap.

There were talks about massive cuts to Health and Education. In the education sector we know that the education minister has, in fact, delivered increases every year. There is an additional \$300 million for our school maintenance scheme to fix up the maintenance backlog that those opposite left behind—rusting pipes, windows that did not close, paint peeling off ceilings and toilets that did not flush. It was an abomination that was left behind by those opposite. There is also an additional \$580 million going into our Great Teachers = Great Results program together with the streaming of the funding of \$131 million from the Commonwealth in our guaranteed outcomes program. We know that what those opposite claimed was not the truth.

I turn now to Health. Health funding has grown by \$2 billion since 2011-12, almost 20 per cent in percentage terms in just two years.

Mr Costigan: Great stat.

Mr NICHOLLS: A great stat; I take that interjection. Our health system has been turned around, having gone from being a basket case to having amongst the best emergency department and surgery performance in the country.

There were more untruths about teachers not being employed. It is an assertion that the unions peddle that is quite simply untrue. Since our first budget in 2012-13, the government has allocated funding for 1,700 additional front-line teachers and teacher aides. Labor says they believe in real jobs, but how do they show that? By setting up two new bureaucracies, further increasing government expenses! It is the same old thinking; the 'real jobs' solution that the opposition leader is talking about is more government entities, more bureaucracy. The reality is that 90 per cent of jobs are created by the private sector, the same sector that the opposition spent years trying to kill with red tape and cumbersome approval processes.

Members opposite talk about science and innovation. This year's budget includes \$14.3 million as part of the government's commitment to establish the \$42.1 million Australian Institute of Tropical Health and Medicine at James Cook University and \$2½ million of a \$9 million five-year funding commitment to support critical research into ageing dementia. Let us not forget that it was Senator Kim 'il' Carr from the Labour Party in Victoria who said that they should not be spending that money; they should set it up at a 'proper' university as if James Cook University, a centre recognised world-wide for its expertise in tropical medicine, is not a university for that sort of investment.

With comments like that from their senators, we know what the Labor Party really thinks about rural and regional and northern Queensland. They only want it done in inner urban Melbourne or Sydney; they do not want it done in the regions. Have we heard one word from those opposite condemning those ill-thought through remarks? No, we have not.

In addition to that, our Strongest and Smartest Choice investment program proposes a new \$500 million Entrepreneurial and Innovation Fund for new research and development to ensure we continue to be at the forefront of technological breakthrough, focusing on growing the four pillars of our economy supported, of course, by education and our knowledge based industries. There is \$500 million available through the Strong Choices program for investment into those areas.

The difference between our fund and the opposition leader's statement is that we have done the hard work to identify the funding source. We have it out there; we know where it is coming from and we know where it can be paid from. Those opposite are still just voicing an opinion. It is just another thought bubble with no money behind it.

We have been hearing stories about higher taxes in the 2014-15 budget, and of course there are no tax increases in the budget and no new taxes in this budget. Do you think that if they could have found one, they would not have made mention of it by now? Of course they would have. There are no new taxes and no increase in taxes in this budget, and we will continue to deliver all of the services that we have been.

Total taxation in 2014-15 in our budget is actually almost seven per cent lower than what the previous government predicted in their last midyear economic forecast. They were predicting that taxes would be seven per cent higher than we are actually delivering now in our budget, and the

growth in our taxation revenue is driven by growth in economic activity—not taking more out of people’s pockets; but by growing the pie. If those opposite had taken the time to read pages 61-63 of Budget Paper No. 2, they could have had a look at all of the charts comparing our relative levels of tax with those of the other states, and they would find that we are the lowest-taxing state in the mainland of Australia.

Those opposite continue to talk about the 1 William Street project. They are, as always, loose with the truth. One William Street does not come at a cost to taxpayers of \$2.6 billion. Any claim by those opposite assumes that the government does not actually pay rent for all of the buildings it occupies now, and of course it does. It pays rent on every square metre of land it occupies now.

Mr Minnikin: It’s a complicated concept!

Mr NICHOLLS: It is a very complicated concept, and I take that interjection from the member for Chatsworth—someone who does know something about making ends meet and also about property.

For the benefit of the House and all Queenslanders, here are the facts: 1 William Street is being developed at a cost of \$652 million, funded entirely by the Construction Building Unions Superannuation Fund, CBUS. When I look out from my office window on level 9 of the Executive Building, I see 200 to 300 people in hard hats and reflective vests going to work every day because of the smart decision that this government made. What would they think if the opposition over there had their way? There would be no jobs, no construction and no economic growth in Queensland. It is funded entirely by the Construction Building Unions Superannuation Fund.

The rent payable for the 15-year lease is \$1.14 billion. This is an annual cost per workstation of under \$9,000. At the moment, in the Executive Building the cost per workstation is \$15,000 and at 80 George Street it is almost \$40,000. One William Street will deliver a saving of up to 25 per cent per workstation. If we did not build 1 William Street, what would we have to do? We would have to continue to expend money on our public servants for their existing rundown accommodation, and that expenditure over 15 years would be in the order of \$1.2 billion. So for 15 years we get a new building and we pay rent of \$1.14 billion; if we stay in the old building we pay rent of \$1.2 billion. The maths add up to 1 William Street.

Over the next 15 years, the Executive Building would need an extra \$100 million to keep it up to standard on top of the normal costs of housing public servants. What the opposition does not tell you is that the government will be planning to lease 15,000 square metres of space in 1 William Street to the private sector. They forgot to include this—conveniently, I would suggest—in their calculations. This revenue, estimated to be in the order of perhaps up to \$200 million over that 15 years, will reduce the rent, bringing it down from \$1.14 billion to \$940 million. This is a saving of over \$260 million on the status quo. One William Street is not costing \$2.6 billion.

The opposition talked about the cost benefit analysis of major projects. It is now being done, but it was not being done up until 25 March 2012. The hypocrisy of those opposite when they talk about infrastructure and major projects is breathtaking. Where was the value in the white elephant that is the \$1 billion Tugun desalination plant or the failed Traveston Crossing Dam in the Mary Valley? Where was the value in the \$1.2 billion Health payroll system? Where was the cost benefit analysis for the children’s hospital, which started at \$680 million and has now cost \$1.5 billion? They can talk the talk, but they cannot walk the walk.

The opposition’s claims that the Safe Night Out Strategy is pumping money into the alcohol industry is not only a ridiculous assertion, but it is insensitive to those people who have not only suffered the effects of unsafe practices in Safe Night Precincts which have not worked, but it is a slap in the face for all the hard work done by all of the community groups that made a contribution. The Safe Night Out Strategy is Australia’s most comprehensive action plan to stamp out alcohol- and drug-related violence. It is about changing the culture, changing the law and changing the environment in these precincts. What is the opposition’s answer? As always: more regulation and more red tape.

Then, in a bizarre combination after hearing about cost benefit analysis, we had the claim that Cross River Rail was fully funded. As part of the former government’s last budget in 2011-12, the then government announced that the Cross River Rail project had been rescheduled. At that time the estimated cost of the project was \$8.2 billion, with \$3 billion expected to come from the federal government. We have not seen that yet. However, at the time no commitment was made by the federal government, and at no time did the forward estimates include a funding provision for the Cross River Rail. You would have to say that that one was an epic fail. I note that the opposition leader needed to come into this place last night to correct the record. I am not sure which parallel universe the Labor Party is living in, but it is clear their Cross River Rail solution was never funded and they have now actually had to admit the truth of that fact.

For the last two years the opposition has said that we should be using net debt and reporting an operating surplus. The opposition's preference for net debt and the operating surplus as its fiscal measures were the very same measures they were using when their credit rating was downgraded from AAA when they racked up the debt, lost the AAA credit rating and then had to embark on a surprising program of asset sales in 2009. It does not matter what measure they use; it is what they do that is important. Even using that measure they went into deficit, they racked up the debt and they lost the AAA credit rating. It does not matter what measure they use; their addiction to debt and deficit is the same. When the world said 'stop' and the ratings agency said 'This is wrong', what did they do? They kept spending. They locked in deficits and debt so that we were heading towards over \$85 billion.

The use of the fiscal balance rather than the operating surplus is necessary precisely because we have the debt problem. It measures everything that goes out, whether it is capital or whether it is the deficit on the operating expenses. It is the best measure that you have to measure debt, and in fact it was very closely aligned to something called the fiscal trilogy. The fiscal trilogy was put in place and was actually used here in Queensland as a measure of controlling budget expenditure by both sides of politics. It was only the former government who abandoned it when they found that they could not manage their expenses.

The right fiscal measure depends on the circumstances, and the circumstances that we are in are very different from those in New South Wales and Victoria. What is the big difference? They have not lost their AAA credit rating. In fact, they have still got their AAA credit rating and they are still investing in infrastructure because they did not have the debt and deficits that were built up by the former government.

They also talk about continuing to use net debt because it takes into account the assets that we hold, but what are those assets that we do hold? It is the funds that we hold to meet the superannuation obligations of our public servants.

What those opposite are saying when they say that we should use net debt is that we should say that we have the funds that we have put aside to fund superannuation—the only fully funded superannuation scheme in Australia—and use that to pay down debt. They want to raid the savings of superannuants from the Public Service because that will be available to pay down the debt as they continue to rack it up. Such an approach clearly lacks balance. It clearly lacks balance. Any raid on the superannuation funds of public servants to pay down general government debt will significantly weaken our budget position because we will have to put the liability back on our balance sheet.

The claim that our fiscal position would have been better under the previous government is absolutely laughable. To compare fiscal balance estimates from 2011-12 to the 2013-14 budget assumes that the world has stood still, that the previous government could actually deliver on what it said it would and that there would be no revenue write-downs. The coking coal price is now no longer \$200 a tonne as it was when it was in power—it is down around about \$75 or \$80 a tonne—and revenue estimates over the period 2012-13 to 2014-15 are \$5.3 billion less than those contained in its last midyear economic forecast. The Commission of Audit seriously questioned the capacity of the previous government to accurately predict on that 2011-12 midyear forecast because both the revenue and the expenses were overly optimistic. Those opposite expected that their expenses would come down to something in the order of three per cent after a decade of nine per cent on average year on year expenses growth. Under this growth, expenses, as I said in the budget speech, have dropped to 0.2 per cent in 2012-13 and 2.2 per cent in 2013-14—the lowest levels since accrual accounting was introduced in Queensland. The reality is this: the fiscal balance would have been \$7 billion worse off without the decisions of this government.

I need to say a quick few words about the good folk of Clayfield, because they have also benefited from this budget's strong plan for a brighter future. I welcome the additional \$3.5 million in education funding for nine local schools, including the Kedron State High School and the Nundah State School. Some \$143 million is committed to commence the Gateway upgrade north project, which is not quite in my electorate but just to the north of it. That is a very helpful bit of funding that is available and I thank the transport minister for that. There is \$13.6 million for widening lanes on the Gateway Arterial south of Nudgee Road. Some \$19 million is committed to Disability Services funding to assist people with a disability and their families to access support in the northern region and there is \$1.95 million for child safety services. Stafford-Wavell Heights Home Assist Secure will receive \$444,000 and almost \$500,000 of funding is committed for non-government organisations to deliver specialist homeless services throughout the Clayfield electorate. The local health service, Metro North, based around the Royal Brisbane Hospital, will receive over \$2 billion as part of that record funding we put into delivering health services.

I need to say thank you to a number of people. Budgets are a team effort. The budget would not have been possible without the hard work and dedication of my ministerial colleagues, and I

particularly thank the Premier, the Deputy Premier and each of the ministers who have sat on CBRC with us—initially the Attorney-General and subsequently Minister McVeigh and now Minister Mander—for their assistance and support. I could not have done this without their ongoing support, collaboration and teamwork. People should understand that this government is a team—a strong, united team. It always has been and it will remain a strong, united team. The decisions that we make are decisions that are the result of good teamwork, vigorous debate and discussion—no doubt about that—but also an understanding that what we are doing is in the best interests of Queensland. To my other parliamentary colleagues, your ongoing support, community advocacy and dedication to our strong plan for a brighter future is a source of great strength, particularly during the times when we have had to make strong and tough decisions. So I thank you, colleagues, for all of your support.

Despite what people say, Queensland Treasury is a wonderful organisation full of dedicated people and hardworking staff under the leadership of our Under Treasurer, Mr Mark Gray, and the Deputy Under Treasurers, Alex Beavers and Liam Gordon. A special thanks goes to those officers at the coalface who took on additional responsibilities this year. Putting together a budget is no easy task. It is a masterpiece of planning. It must all work absolutely like clockwork. The only thing that really puts a spanner in the works is the Treasurer's speech, but not this year. I can relay to you that it was done early, on time and weeks in advance. Those people who were in the Executive Building late on Sunday night must have been doing other things! I want to particularly thank this year's coordinator, Allison Mew, who did an outstanding job as the budget coordinator.

I want to make special mention this year of one of the Assistant Under Treasurers who has announced his intention to retire after this, his last, budget—Mr Walter Ivessa. Walter joined Queensland Treasury in 1981. Sir Llew Edwards was then the Treasurer and since then he has seen off 11 Treasurers and six Under Treasurers. Normally that would make 34 budgets but, as he pointed out to me last night, sometimes governments like budgets so much that they do two in a year. So we are not quite sure whether it is 31 or 34, but Walter has been around for all of them. Being in Treasury does not always make you popular. However, Walter's judgement and calmness under fire in dealing with some of the most complex areas of public policy is universally regarded and respected. He has also made a significant contribution to the development of staff at Treasury through his sharp intellect. Many a young Treasury official has been 'Waltered'—that is what I am told it is, but I am not quite sure what that means—and made to rethink the logic of their arguments and they have come out the other side the better for it. I am sure I join with many in wishing Walter the very best and trust that his skills will not be totally lost to the Queensland government and Treasury post retirement. I note those on the other side who know Walter, a dedicated officer.

Once again my office has shown itself more than capable of delivering for this government, and I would like to thank my staff. I start off with my Chief of Staff, Gerard Benedet. Gerard is a great Chief of Staff who also had his second baby two weeks ago. You have done a great job, Gerard. Thank you Robbie Whelan; Russell Silver-Thomas; Kirk Stubbs; Emma Timms; Tim Braban—Timmy B who does all of the questions—Stephanie Fairley, Jasmine Smits, who leaves us today to take up another office; Kim McInnes—of course the great Kim—and our liaison officers Vikki Paroczai and Catherine Hall who do a great job. I would also in this week particularly like to thank my small but dedicated media team who, throughout the lead-up to and during this week, have assisted greatly in delivering our strong plan for a brighter future and also in making sure that the strongest choice is the smartest. To Maree Lacey and Anna Hilton, I say thank you and I am sure many members here who have been liaising with them also do so. I also want to thank my family. Again, they bear the brunt of the time that we spend away, as I am sure they do for all colleagues. They unfailingly and uncomplainingly put up with long absences, late nights and a cranky dad. So I send my thanks to them, and I have not seen them apart from lunchtime today. As I said on Tuesday—

The LNP Government was left a legacy of debt and deficits by the previous Government.

We do not intend to leave an ongoing debt legacy for our children and grandchildren.

Now is the time for decisive action and new investment to build a brighter future.

This is what the LNP Government pledges to the people of Queensland—A Strong Plan for a Brighter Future.