Speech By

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DEBT REDUCTION AND SAVINGS BILL

Mr MINNIKIN (Chatsworth—LNP) (5.24 pm): Debt is indeed a tool. This bill does not achieve what the title of the bill sets out; in fact, it is almost diametrically opposite. There is no substantial effort to reduce debt. Moreover, the bill further reduces transparency and oversight with the closure of two of the few remaining independent bodies to provide economic oversight and advice—Building Queensland and the Queensland Productivity Commission—and is based on heavily inflated valuations of the titles office to create a new entity simply to prevent a further credit ratings downgrade.

The current member for Woodridge, who was the former member for Greenslopes before he cut and ran after being turfed out of office at the 2012 state election, knows that he must reshape the balance sheet in order to avoid a damaging and embarrassing credit ratings downgrade. As we all know, he has form on credit ratings downgrades because he, like a couple of other members across the chamber from me, sat around the former Bligh government's cabinet table when they lost Queensland's AAA credit rating. In December 2019, with much fanfare the then member for South Brisbane announced the establishment of a Queensland future fund, the QFF, worth $5.7 billion. It was to be seeded by diverting $2 billion from an existing debt retirement plan, supplemented by the reallocation of $3 billion from a surplus in the defined benefit scheme. The assets of the defined benefit scheme have now dwindled, as identified recently by the Queensland Auditor-General.

Consequently, the initial funding of the QFF has been restructured and the decision was made to assign a value to the Queensland Titles Registry, as Registry Co, and bring that asset value to the QFF. The value of the Titles Registry has been estimated at $4.1 billion. However, tellingly, there has been no basis for that valuation. It has not been provided. In comparison, as previous speakers have said, in New South Wales and Victoria they lease their title offices at the value of $2.6 billion and $2.85 billion respectively. No details—none—have been provided as to why Queensland's valuation is so much higher. Yep, move along; there's nothing to see here.

As a qualified valuer I know that when undertaking a business valuation the profession is guided by common market practice and valuation methodologies recommended in the ASIC Regulatory Guide 111. A number of valuation methods can be used to value a business and some of the more common methods include: one, the discounted cash-flow method, which is an income based approach; two, the capitalisation of future maintainable earnings methods, which is an income based approach; three, asset based methods, which is an asset based approach; and four, a fundamentally industry specific rule of thumb using a market based approach. Each of those methods is appropriate in certain circumstances and often more than one approach is applied, at least as a secondary crosscheck to a primary method.

The choice of method depends on factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such a business and the availability of the required information. The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. That methodology is generally considered a short form of a discounted cash flow where a single representative earnings figure is capitalised rather than a stream of individual cash flows being discounted.

The capitalisation of earnings methodology involves the determination of a few essential ingredients, and we would like to know: firstly, the level of future maintainable earnings; secondly, an appropriate capitalisation rate or multiple; and, thirdly, surplus assets and liabilities and net borrowings. What was the income stream amount which was capitalised in order to come up with a figure of $4.1 billion? What was the market capitalisation rate adopted for this calculation? What risk-free rate of return was used to establish the market capitalisation rate?

Let's be very clear here: the Treasurer's establishment of Registry Co is being used to offset debt rather than pay debt down in order to improve the debt-to-revenue ratio, in order in turn to satisfy the credit rating agencies. QTC has indicated that any returns from the fund would be used to pay interest. However, with an annual interest expense in excess of around $3 billion, the returns on a $5.7 billion fund would be unlikely to contribute significantly to paying this expense. There is simply no real effort to reduce debt. This is the sort of smoke-and-mirrors routine we have come to expect from the member for Woodridge, who is more interested in vain social media photo ops than in getting on top of his portfolio.

In relation to savings, in his introductory speech the Treasurer stated there would be $3 billion in savings over four years. He did not state what the savings would be measured against. It is extremely telling that at the public briefing the Deputy Under Treasurer could only commit to $3 million in savings to date. With respect to the comments by a previous speaker, I sincerely doubt that $3 million in savings—out of 93 electorates—would be going to one seat in exclusion. It is just lunacy. Is this a comedy skit from a *Seinfeld* episode? 'Let's shove a reference to 'debt reduction and savings' in a bill and use words and marketing spin rather than use meaningful numbers on a balance sheet.' It is no wonder the seat-swapper Treasurer probably preferred English rather than maths in high school. I say to the member for Woodridge—he was the former member for Greenslopes before being defeated at the 2012 election—that the problem is that the credit rating agencies will be zeroing in on the state budget to be handed down in the coming weeks.

These changes do nothing to fix the current structural issues facing the Queensland economy. Queensland's debt continues to grow under Labor and will reach almost $130 billion over the forwards. It increased from $72 billion to $102 billion before COVID. These figures just roll off the tongues of those illiterate democratic socialists opposite. It means nothing. $3 million is nothing in terms of debt reduction when you are staring into an abyss of $130 billion over the forwards.

Let's not forget that Labor broke their recent election promise only a matter of seven months ago to borrow only $4 billion. Instead, they will increase borrowings by $28 billion. They must have forgotten to mention that extra $24 billion somewhere as the Treasurer was ridiculously filmed carrying his little folder around with him everywhere on the campaign trail. He took that little folder everywhere.

Borrowings are being spent on operational expenses—essentially to keep the lights on. Two-thirds of Queensland's new debt is being used to cover day-to-day operational expenses and not for capital investment. This will not make a solitary dent on the balance sheet. In fact, this is seriously embarrassing and will only promote continued intergenerational debt, for years to come.

We also note that the Queensland Productivity Commission, which was established by Mr Speaker, the Hon. Curtis Pitt, back in 2015, will be rolled in so its independent voice and authority will be completely denuded and muted.

The simple fact of the matter is: if people read *Hansard* tomorrow or the day after or listen to some of the contributions from those opposite, they will realise that government members have literally been given their speaking notes and have rattled off exactly the same state of affairs. The reality is: in 2012 we inherited a huge challenge. We admit that we went too far. We paid the price and we got kicked out. Those opposite have had two terms to get things right. Each budget year they balance the books by saying, 'May we have another?' and continuing to borrow. If you borrow for income-producing assets and assets that have multigenerational life spans then that is fair enough, but this is a wasted opportunity—wasted!