

2012-13 Budget Estimates

Report No. 21

Finance and Administration Committee

October 2012

FINANCE AND ADMINISTRATION COMMITTEE

Chair Mr Michael Crandon MP, Member for Coomera

Deputy Chair Mr Curtis Pitt MP, Member for Mulgrave

Members Mr Reg Gulley MP, Member for Murrumba

Mr Ian Kaye MP, Member for Greenslopes

Mr Tim Mulherin MP, Member for Mackay

Mrs Freya Ostapovitch MP, Member for Stretton

Mr Ted Sorensen MP, Member for Hervey Bay

Mr Mark Stewart MP, Member for Sunnybank

Staff Ms Deborah Jeffrey, Research Director

Dr Maggie Lilith, Principal Research Officer

Mrs Marilyn Freeman, Executive Assistant

Ms Lynette Whelan, Executive Assistant

Contact details Finance and Administration Committee
Parliament House
George Street
Brisbane Qld 4000

Telephone +61 7 3406 7576

Fax +61 7 3406 7500

Email fac@parliament.qld.gov.au

Web www.parliament.qld.gov.au/fac

Acknowledgements

The Committee wishes to acknowledge the assistance provided by the Department of the Premier and Cabinet and Queensland Treasury and Trade during the course of the Committee's inquiry.

Chair's Foreword

This report presents a summary of the Committee's examination of the Budget Estimates for the 2012-13 financial year.

Consideration of the Budget Estimates allows for the public examination of both the responsible Minister and Chief Executive Officers of agencies within the Committee's portfolio area. This was undertaken through the questions on notice and public hearing process.

The Committee has made one recommendation as follows:

- that the proposed expenditure, as detailed in the *Appropriation Bill 2012* for the Committee's areas of responsibility, be agreed to by the Legislative Assembly without amendment.

On behalf of the Committee, I also wish to thank the Premier and Treasurer and Minister for Trade and their departmental officers for their cooperation in providing information to the Committee throughout this process.

I would also like to thank the other Members of the Committee for their hard work and valuable contribution.



Michael Crandon MP
Chair

October 2012

1. Introduction

1.1 Role of the Committee

The Finance and Administration Committee (the Committee) is a portfolio committee of the Queensland Parliament required under section 88 of the *Parliament of Queensland Act 2001* and established under the Standing Rules and Orders.

The Committee's areas of responsibility are:

- Premier and Cabinet; and,
- Treasury and Trade.¹

The Committee also has oversight functions in relation to the Auditor-General and the Integrity Commissioner.

On 14 September 2012, the *Appropriation Bill 2012* and the estimates for the Committee's area of responsibility were referred to the Committee for investigation and report.²

On 9 October 2012, the Committee conducted a public hearing and took evidence about the proposed expenditure from the Premier, the Treasurer and Minister for Trade and other witnesses. A copy of the transcript of the Committee's hearing can be accessed at: http://www.parliament.qld.gov.au/documents/hansard/2012/2012_10_09_EstimatesFAC.pdf

1.2 Aim of this report

The Committee considered the estimates referred to it by using information contained in:

- budget papers;
- answers to pre-hearing questions on notice;
- evidence taken at the hearing; and
- additional information given in relation to answers.

This report summarises the estimates referred to the Committee and highlights some of the issues the Committee examined.

Prior to the public hearing, the Committee provided the Premier and the Treasurer and Minister for Trade with questions on notice in relation to the estimates. Responses to all the questions were received.

Answers to the Committee's pre-hearing questions on notice; documents tabled during the hearing; answers and additional information provided by Ministers after the hearing; and minutes of the Committee's meetings are included in a volume of additional information tabled with this report.

1.3 Other Members participation

The Committee gave leave for other Members to participate in the hearing. The following Members participated in the hearing:

- Ms Anastacia Palaszczuk MP, Leader of the Opposition and Member for Inala

¹ Standing Rules and Orders, Schedule 6. The schedule provides that departments, statutory authorities, government owned corporations or other administrative units related to the relevant Minister's responsibilities regarding these areas are included.

² Standing Order 177 provides for the automatic referral of the Annual Appropriation Bills to portfolio committees once the Bills have been read a second time.

2. Recommendation

Pursuant to Standing Order 187(1), the Committee must state whether the proposed expenditures referred to it are agreed to.

Recommendation 1

The Committee recommends that the proposed expenditure, as detailed in the *Appropriation Bill 2012* for the Committee's areas of responsibility, be agreed to by the Legislative Assembly without amendment.

3. Premier and Cabinet

3.1 Department of the Premier and Cabinet

The Premier is the Minister responsible for the Department of the Premier and Cabinet (DPC). The department has three service areas as follows:

- Government and Executive Support Service;
- Policy Advice, Coordination and Cabinet Support Service; and
- Legislative Drafting, Advisory and Information Service.

In addition, in 2012-13, the department will administer payments to Ministerial Offices and the Office of the Leader of the Opposition, as well as payments in relation to former Governors of Queensland.

The following table taken from the *Appropriation Bill 2012* compares the appropriations for the department for 2011-12 and 2012-13.

Appropriations	2011-12 \$'000	2012-13 \$'000
<i>Controlled Items</i>		
departmental services	234,773	107,777
equity adjustment	(28,200)	(443)
<i>Administered Items</i>	450,123	46,676
Vote	656,696	154,010

Source: *Appropriation Bill 2012*, Schedule 2, p. 11.

The *Appropriation Bill 2012* also seeks Parliament's authorisation for a supplementary appropriation of \$2.026billion for unforeseen expenditure for the department for 2010-2011³ and \$2.067billion for unforeseen expenditure for 2011-2012.⁴

Budgeted capital purchases for the department for 2012-13 is \$2.2million.⁵ This will be applied towards the replacement, enhancement and development of office equipment and information systems required to efficiently deliver the department's services, including completion of systems to improve Cabinet processes and public access to legislation and legislative information.

³ *Appropriation Bill 2012*, Schedule 3, p. 17

⁴ *Appropriation Bill 2012*, Schedule 4, p. 20.

⁵ State Budget 2012-13, Capital Statement – Budget Paper No. 3, p. 92.

The following table outlines the agencies that fall within the department and provides a comparison of the agency budgets for 2011-12 and 2012-13.⁶

Agency	2011-12 \$'000	2012-13 \$'000
Department of the Premier and Cabinet		
- controlled	244,719	111,473
- administered	413,468	44,102
Office of the Governor	5,719	5,983
Public Service Commission	15,923	19,042
Queensland Audit Office	45,809	43,564

Source: State Budget 2012-13, Service Delivery Statements – Department of the Premier and Cabinet, Office of the Governor, Public Service Commission and the Queensland Audit Office.

3.1.1 Budget highlights – Department of the Premier and Cabinet

2012-13 budget highlights for the department include:

- working with other government department to coordinate assistance to the Queensland Child Protection Commission of Inquiry;
- working with other government departments to remove barriers to home ownership for Indigenous Queenslanders living on communal land;
- coordinating implementation of recommendations from the Queensland Floods Commission of Inquiry and the government's formal response to the final report;
- providing input to the State's delivery of urban water reforms to deliver lower water prices;
- assisting the government to deliver on its key projects, including the CBD Government Administrative Precinct;
- developing and leading, together with Queensland Treasury and Trade, cross-government initiatives to deliver the government's commitment to getting business conditions right and to reduce red tape and regulatory burden by 20%;
- Improving accessibility and availability of information on the operation of fundamental legislative principles (FLP) in legislation by publishing an FLP handbook; and
- Continuing the eLegislation project which includes the introduction of authorised electronic legislation and the electronic publishing of pre-1991 legislation as made.⁷

3.1.2 Issues raised at the public hearing – Department of the Premier and Cabinet

Issues raised by the Committee in relation to Premier and Cabinet included:

- the government's response to the budget deficit through a reduction in Public Service jobs and cuts in grants for various programs;
- renewed focus on agriculture and tourism industries as part of the economic growth;

⁶ The table indicates the agency budget. It may not represent the actual appropriation.

⁷ State Budget 2012-13, Service Delivery Statements, Department of the Premier and Cabinet, Office of the Governor, Public Service Commission, Queensland Audit Office, p. 3 and 4.

- the establishment of a new open data open government e-revolution, which is a new website containing information and data services;
- infrastructure planning in the Brisbane CBD including the redevelopment of 1 William Street and two other new infrastructure projects;
- update on the Queensland Floods Commission of Inquiry and preparation for the coming summer rain season; and,
- allocation of appropriate funding and resources for educational needs in schools.

3.2 Office of the Governor

The Premier also has ministerial responsibility for the budget of the Office of the Governor which has a separate appropriation.

The following table taken from the *Appropriation Bill 2012* compares the appropriations for the office for 2011-12 and 2012-13.

Appropriations	2011-12 \$'000	2012-13 \$'000
<i>Controlled Items</i>		
departmental services	5,719	5,983
equity adjustment	(75)	(75)
<i>Administered Items</i>	0	0
Vote	5,644	5,908

Source: *Appropriation Bill 2012*, p. 40.

The supplementary appropriation for the office for 2011-12 is \$166,000.⁸

The Office of the Governor has budgeted \$0.04million for 2012-13 for capital replacement of plant and equipment.⁹

The 2012-13 budget highlights for the Office of the Governor are to continue to support the official and public responsibilities of the Governor and to support the program of engagements at Government House in Brisbane and surrounding areas.¹⁰

3.3 Public Service Commission

The Premier also has ministerial responsibility for the budget of the Public Service Commission which has a separate appropriation.

Following the change of government in March 2012, machinery-of-Government changes resulted in the Public Sector Industrial and Employee Relations function transitioned from the Department of Justice and Attorney-General to the Public Service Commission. This transfer was effective from 1 May 2012.

⁸ *Appropriation Bill 2012*, Schedule 4, p. 21.

⁹ State Budget 2012-13, Capital Statement – Budget Paper No. 3, p. 87.

¹⁰ State Budget 2012-13, Service Delivery Statements, Department of the Premier and Cabinet, Office of the Governor, Public Service Commission, Queensland Audit Office, p. 39.

The following table taken from the *Appropriation Bill 2012* compares the appropriations for the commission for 2011-12 and 2012-13.

Appropriations	2011-12 \$'000	2012-13 \$'000
<i>Controlled Items</i>		
departmental services	13,881	18,252
equity adjustment	0	0
<i>Administered Items</i>	0	0
Vote	13,881	18,252

Source: *Appropriation Bill 2012*, p. 14.

The supplementary appropriation for the commission for 2011-12 is \$500,000.¹¹

3.3.1 Budget highlights – Public Service Commission

The objectives outlined in the 2012-13 budget include:

- strengthen and support a high performing public service workforce within a contemporary legislative and policy framework; and,
- promoting high standards of integrity and conduct in the public sector.¹²

The objective outlined in the 2012-13 budget for the Integrity Commissioner, administratively included within the Public Service Commission is to lead public sector reform initiatives for improved service delivery. To support this objective the PSC will :

- implement an establishment management process to ensure greater accountability for staffing decision-making in agencies;
- develop a staffing model for the Queensland public service to determine appropriate organizational structures and establishment numbers;
- contribute to the review of each agency's service delivery strategy, efficiency, governance and structure as a member of the Department of the Premier and Cabinet led Agency Review;
- transfer the appeals function under the *Public Service Act 2008* so that appeals are managed by the Queensland Industrial Relations Commission and heard by Appeals Officers who are appointed members of the QIRC; and
- ensure employees are supported during workforce change by providing outplacement support services to help identify employment pathways and skills that will assist employees compete for roles in the job market.¹³

¹¹ *Appropriation Bill 2012*, Schedule 4, p. 21.

¹² State Budget 2012-13, Service Delivery Statements, Department of the Premier and Cabinet, Office of the Governor, Public Service Commission, Queensland Audit Office, p. 52-53.

¹³ State Budget 2012-13, Service Delivery Statements, Department of the Premier and Cabinet, Office of the Governor, Public Service Commission, Queensland Audit Office, p. 52-53.

3.3.1 Issues raised at the public hearing – Public Service Commission

Issues raised by the Committee in relation to the office of the Public Service Commission included:

- number of public servants considered as front line and non-front line;
- staff clarification of voluntary separation offers and expression on interest process; and,
- renewal of the Public Sector.

3.4 Queensland Audit Office

The Premier also has ministerial responsibility for the budget of the Queensland Audit Office (QAO) which has a separate appropriation.

The following table taken from the *Appropriation Bill 2012* compares the appropriations for the office for 2011-12 and 2012-13.

Appropriations	2011-12 \$'000	2012-13 \$'000
<i>Controlled Items</i>		
departmental services	6,402	6,600
equity adjustment	0	0
<i>Administered Items</i>	0	0
Vote	6,402	6,600

Source: *Appropriation Bill 2012*, p. 14.

The QAO has budgeted \$0.25million in 2012-13 for minor works.¹⁴

3.4.1 Budget highlights – Queensland Audit Office

2012-13 budget highlight for the office is to strive to be a leader in public sector auditing by focusing on achieving the below actions:

- strengthen engagement with the Parliament
- undertake collaborative audits with other States and the Commonwealth government;
- identify and address expectations gaps with their clients, the community and the Parliament; and
- better leverage public sector expertise.¹⁵

4. Treasury and Trade

The Treasurer and Minister for Trade has ministerial responsibility for Queensland Treasury and Trade. The department has five service areas as follows:

- Financial and economic policy;
- GOC performance and governance;

¹⁴ State Budget 2012-13, Capital Statement – Budget Paper No. 3, p. 93.

¹⁵ State Budget 2012-13, Service Delivery Statements, Department of the Premier and Cabinet, Office of the Governor, Public Service Commission, Queensland Audit Office, p. 71.

- Economic and statistical research;
- Revenue management; and
- Trade and investment.

In addition to these service areas, the department is responsible for overseeing significant administered revenues and expenses and receives a large proportion of the State's taxation and Australian Government revenue which is used to fund government priorities. The department also administers major grants and subsidies programs and the government's cash balances and financing requirements.

The department also provides services through the Motor Accident Insurance Commission/Nominal Defendant.

The following table taken from the *Appropriation Bill 2012* compares the appropriations for the department for 2011-12 and 2012-13.

Appropriations	2011-12 \$'000	2012-13 \$'000
<i>Controlled Items</i>		
departmental services	156,325	218,393
equity adjustment	(3,852)	(7,457)
<i>Administered Items</i>	6,227,450	5,968,938
Vote	6,379,923	6,179,874

Source: *Appropriation Bill 2012*, p. 15.

The *Appropriation Bill 2012* also seeks Parliament's authorisation for a supplementary appropriation of \$105.294million for unforeseen expenditure for the department for 2011-12.¹⁶

Budgeted capital expenditure for Queensland Treasury and Trade for 2012-13 is \$6.8million.¹⁷

The following table outlines the agencies that fall within the department and provides a comparison of the agency budgets for 2011-12 and 2012-13.¹⁸

Agency	2011-12 \$'000	2012-13 \$'000
Queensland Treasury and Trade		
- controlled	175,663	228,527
- administered	6,280,489	6,417,128
Motor Accident Insurance Commission/ Nominal Defendant	11,163 63,009	15,216 59,766
Queensland Future Growth Corporation	0	15

Source: State Budget 2012-13, Service Delivery Statements, Queensland Treasury and Trade (Summary of portfolio budgets).

¹⁶ *Appropriation Bill 2012*, Schedule 4, p. 22.

¹⁷ State Budget 2012-13, Capital Statement – Budget Paper No. 3, p. 123.

¹⁸ The table indicates the agency budget. It may not represent the actual appropriation.

4.1 Budget highlights – Queensland Treasury and Trade

2012-13 budget highlights for the department include:

- establishing and pursuing a fiscal strategy for returning the State Budget to fiscal balance by 2014-15 and responding to the Commission of Audit's recommendations;
- undertaking additional compliance activity to enhance the integrity of the State's revenue based resulting in additional revenue collections;
- establishing Projects Queensland, to deliver value for money from State infrastructure projects with a focus on service delivery to encourage private investment in Queensland infrastructure;
- establishing an Office of Best Practice Regulation to cut red tape and regulation by 20 per cent;
- developing enhanced processes for royalties and finalise the development of a royalties module in the Revenue Management System to allow for electronic lodgement and payment;
- reviewing the procedures and processes of the State Penalties Enforcement Registry to improve the collection of unpaid fines and reduce the value of the debt pool;
- monitoring the Government's investment in Government-owned corporations to deliver competitive, cost-effective and timely infrastructure and services; and,
- providing economic and statistical information services and products that contribute rigorous evidence in support of Government programs.¹⁹

4.2 Issues raised at the public hearing – Queensland Treasury and Trade

Issues raised by the Committee in relation to Queensland Treasury and Trade included:

- clarification of provisions in the budget for public service redundancies;
- clarification on savings made with reduced public service job numbers;
- sale of the Government's remaining share of QR National;
- the role of the Queensland Treasury Corporation in the appointment of Jones Lang LaSalle;
- allocation of funds to the agricultural industry;
- the reduction in red tape to improve business and to ensure the State remains an attractive overseas investment option;
- fiscal repair measures; and
- economic incentives for the property and construction industry through the construction of new residential dwellings.

¹⁹ State Budget 2012-13, Service Delivery Statements, Queensland Treasury and Trade, p. 3.

Statement of Reservation

Finance and Administration Committee – Statement of Reservations:

The Member for Mackay submits this statement of reservation. The Members for Inala and Mulgrave concur with this statement.

The Premier and the Department of the Premier and Cabinet were unable to answer simple questions about the portfolio and the impact of Government decisions on jobs, particularly in the community and non-government sectors.

Department of the Premier and Cabinet and Public Service Commission:

Refusal to Release Information on the Number of ‘People’ Losing their Jobs:

The first non-Government question to the Premier was about how many people had lost their jobs, rather than full-time equivalent positions, as part of the LNP’s cuts to 14,000 Government sector positions.

The Premier was unable to answer this question and committed to take it on notice¹. No answer was provided within the timeframes set by the Committee and the Premier is yet to reveal how many people will lose their jobs from decisions undertaken in the 2012-13 Budget.

The Premier was later asked about how many jobs would go from cuts to grants to non-government organisations including \$368.4 million in Communities grants, \$120 million in Health grants and \$60 million in Local Government grants all clearly set out in Budget Paper 4 pages 31-32, 54 and 89.

The Premier did not provide any information and also indicated he was not aware of these cuts.² The Opposition has reservations about the refusal of the Government to provide information on the number of people losing their jobs from the LNP’s program of cuts. This is information that is clearly in the public interest.

The Premier also refused to answer questions about the number of jobs being cut in Government Owned Corporations saying that it was a matter for the Boards. This is despite the LNP imposing a \$256.28 million efficiency dividend on Energex, Ergon and Powerlink in the 2012-13 Budget with Ergon so far cutting 500 jobs.

The Under Treasurer at the estimates hearing said that she had no intention of asking how many jobs would go from the Government removing \$256.28 million from Energex Limited, Ergon Energy and Powerlink and declined to provide any detail. Since the hearing Ergon has announced 500 job losses.

It would appear that the Government has started on a program of cuts without knowing what they are, what services are impacted and what flow-on economic impacts there are for the

¹ (Hansard 9 October 2012 page 3)

² (Hansard 9 October 2012 pages 6-7)

loss of jobs in regional communities.

Inability to Detail New Infrastructure Projects:

The Opposition has reservations about the Premier's inability to answer a simple question on what new infrastructure projects were funded in his first Budget.

The Premier's answer referred to a Toowoomba CBD Ring Road Project and Blakey's Crossing in Townsville as two examples other than his new Government Office Building at 1 William Street³.

Neither of these projects are detailed in the Budget Papers under capital spending. Instead in a question on notice answer it is set out that this spending is to be funded from the LNP's 'Royalties for Regions' Fund. However, the level of new funding the Premier identified cannot possibly be provided this financial year with the budget allocation totalling \$60 million.

Government Administrative Precinct:

In regard to this issue the Premier showed he had some content knowledge and understanding, specifically around the LNP's plans for a new office tower for the Premier and his Ministers at 1 William Street.

The Premier also confirmed advice that nearly \$70,000 has been spent in refurbishments since the election for the Executive Building, which is planned to be demolished under the LNP's plans.

It was confirmed that Jones Lang Lasalle had been appointed as a consultant to oversee the development of the Government Administrative Precinct without an open selection process.

Debt levels:

The Premier, in the hearings, was questioned as to why he advocated in a letter in 2010 as the Lord Mayor of Brisbane for the State Government to place infrastructure spending ahead of a return to a AAA credit rating when his position is now the opposite.

The Premier's explanation was that State debt was \$9.2 billion lower at the time of his comments than when Labor left office despite in the same letter advocating for an additional \$11 billion in infrastructure spending from debt.

Premier's Failure on Accountability and to Declare Gifts:

The Committee heard from the Premier that he had failed to declare the gifting of facilities and services from a television network to produce a TV ad featuring the Premier.

Despite this being a clear breach of the Ministerial Handbook, the Premier then sought to advise the Committee about the content of the Ministerial Handbook.

The Premier repeatedly asserted that:

³ (Hansard 9 October 2012 page 9)

“this is not a gift or a benefit to me personally and that is what the Ministerial Handbook is all about.”⁴

This is despite Section 3.3 of the Ministerial Handbook stating that:

For all gifts received and estimated at more than \$150 retail value, the Minister shall complete a 'Declaration of Official Gift' within 21 days of receiving the gift (or 21 days from the date of return to Australia if the gift was received overseas).

Ministerial staff must seek the approval of the Minister prior to accepting or retaining a gift of any value. The approval for gifts with a retail value above \$150 must be included on the 'Declaration of Gifts Received' form.

[and that]

Ministers and staff should not ask for or encourage the offer of any gift or benefit in connection with the performance of their official duties.

Voluntary Separation Program:

The Member for Mackay was able to receive confirmation from the Chief Executive of the Public Service Commission, Mr Ian Maynard, that there was no plan for 41,000 voluntary separations under the previous Government, as asserted by the Premier and Treasurer.

Mr NEWMAN: *Mr Chairman, if I may just cut in, the Public Service Commissioner, Mr Maynard, only joined us in the last month or so. That question was asking about things that well and truly predate his stewardship. I am more than happy to try to get an answer for the member for Mackay, but I do not think Mr Maynard is able to directly answer that last question as to what was actually happening. By the way, I do point out that of that 41,000, 13,000 were front-line staff—and that is in the table—13,000 front-line staff were going to go under the previous Labor government. That is the truth of the matter, sadly, Mr Chairman.⁵*

No New Vision From the Premier:

The Premier was forced into conceding that his vision for ‘Government 2.0’ and the New York model was part of the previous Government’s Q2 ICT Strategy.

The Premier’s only new vision so far is for a new office tower for himself at 1 William Street.

Queensland Treasury and Trade:

The previous Labor Government had left Queensland’s economy as the second-fastest-growing in the nation and oversaw the largest fall in unemployment in Australia from when the Conservatives were last in power in Queensland from 9.8% to 5.5%.

Permanent Damage to Queensland’s Economy:

⁴ (Hansard 9 October 2012 page 20)

⁵ (Hansard 9 October 2012 page 25)

The previous Labor Government had a plan to get back to an operating surplus in three years without damaging the Queensland economy. At the Budget Mid-Year Review, Labor committed to net savings that is after new spending of \$737 million.

The previous Government also had a voluntary separation program limited to 5,000 positions that was measured and involved no forced sackings to keep the public service at a sustainable size.

It is worth noting here that the Budget only went into deficit under Labor last year following a significant series of natural disasters across the State.

The approach of the LNP in Government has been to rapidly cut spending and employment to focus on an ideological surplus which is discussed further below.

The LNP's Budget cuts have directly contributed to Queensland's unemployment rate rising from 5.5% in March to 6.3% seasonally adjusted. Unemployment is now the highest in trend terms since December 2003.

Of the jobs lost 20,854 were in the month of the LNP's Budget and there are now 19,494 more unemployed people in Queensland than in March.

There is no escaping that Queensland's unemployment rate is being directly impacted by this Budget.

The 2012-13 Budget is an attack on jobs and services which flow through to the corner stores and local businesses throughout Queensland.

Page 42 of Budget Paper 2 sets out that 'fiscal consolidation' is a factor contributing to less jobs being created in Queensland.

In the Estimates hearing, the Under Treasurer stated that 'fiscal consolidation' is a reference to the measures in the LNP's 2012-13 Budget. This is a confirmation by Treasury in the Estimates hearings that the LNP Budget is a cause of unemployment averaging 6% this financial year, above the heights reached under Labor during the worst days of the Global Financial Crisis.

Mr PITT: *Thank you for that. At page 42 of Budget Paper No. 2 it states that fiscal consolidation is a factor toward lower employment growth forecasts in this financial year. Can you confirm that this reference to fiscal consolidation includes 2012-13 budget measures?*

Ms Gluer: *Yes, I can confirm it does...⁶*

The Under Treasurer in the Estimates hearing said that she had no intention of asking how many jobs would go from the Government removing \$256.28 million from Energex Limited, Ergon Energy and Powerlink and declined to provide any detail. Since the hearing Ergon has

⁶ (Hansard 9 October 2012 page 50)

announced 500 job losses.

It is surprising that the Under Treasurer would have no idea of how many jobs would be lost, or where savings would come from and then proceed with a decision to remove funding in this way.

For many of the cuts announced in the Budget relevant Ministers and Directors-General could not advise which organisations were having their funding cut. This shows a rushed and ad hoc approach that represents poor governance practice with decisions being made to cut services with no analysis or consultation being undertaken.

These are decisions that deserve proper scrutiny and have not only placed thousands of Queenslanders out of work they have also damaged economic growth. Page 34 of Budget Paper 2 sets out that Queensland's economy will slow next financial year as a result of increases to coal royalties and cuts to jobs and services.

A Budget Framed on Politics not Good Policy:

The 2012-13 Budget is one of the most politicised set of Budget papers in Queensland's history.

Budget Paper 2 Strategy and Outlook is littered with references to the political 'Commission of Audit' headed up by Liberal Party political operative Peter Costello⁷.

This political document has been used as the justification for many decisions made in the Budget including sacking Government workers, cutting front-line services and increasing coal royalties, transfer duty and gambling taxes.

A Treasury Financial Circular from 23 May 2012 provided to the Opposition Office shows that Departments were directed under an LNP Government on what assumptions to make for the May 2012 Treasury forward estimates update.

This is the very same May Treasury Forward Estimates update that the Costello audit then attacks as the previous Labor Government's assumptions and figures. The Treasurer in July then remarkably advised through an 'interim response' to the 'interim' Costello audit that he was accepting the Costello Audit's assumptions about transfer duty projections over that of an entire economic and fiscal modelling team in Queensland Treasury.

When Costello Audit Commissioner Dr Doug McTaggart was asked at the Queensland Industrial Relations Commission if there was any economic modelling to back up these claims about Treasury's projections, he said there had not been and that criticism was based on 'opinion'.

This was later confirmed again by Peter Costello after the Government was forced into

⁷ The Commission of Audit is referenced at pages 1-7, 10, 12-16, 19-20, 22-24, 26, 47, 55, 57, 59, 60, 80, 87, 95, 96, 102, 105, 120, 127, 133 and 188 of Budget Paper 2 and the Commission of Audit's Interim Report is set out as the basis of the Government's 'Fiscal Principles' at pages 8-9.

allowing the Audit Commission to brief the Opposition following a commitment from the Premier on radio.

As Federation Fellow Professor in Economics John Quiggin has concluded in his independent analysis of the Costello Commission of Audit:

“The Commission has not discovered any ‘black holes’ or substantial mis-statements in the budget estimates of the outgoing Labor Government.”

Premier Caught Misleading Queenslanders over State Debt:

As part of the LNP’s political strategy the Premier told Queenslanders that the previous Government had been borrowing to pay the wages of 20,000 Government workers and that Queensland risked becoming like Spain.

These ‘Spain’ comments caused significant client communication issues for Queensland Treasury Corporation and undermined foreign investor confidence in Queensland.

The estimates hearing revealed that there was no evidence for or substance to claims that the Government was borrowing to pay 20,000 Government workers. This was a claim the Premier has repeated ad nauseum and was stated again to the Estimates Committee earlier in the day.⁸

At the end of the hearing the Treasurer admitted that his concept of the right-sized public service was based on a hypothetical scenario created by Treasury in the Incoming Government brief.

The Treasurer believes Queensland should fix the number of Government workers to population as at the year 2000 without any evidence or policy rationale to underpin it other than a hypothetical saving based upon it. This is ignoring new services needed and delivered in the community since this time especially in Child Safety and Health.

The Premier has used this hypothetical scenario to tell Queenslanders there was a need to sack 20,000 Government workers, and that they are paid from borrowings when this is not the case and no evidence has ever been produced to substantiate the claim.

Treasurer Concedes Sackings to Pay for Election Promises:

The Treasurer admitted in the estimates hearing that election promises were funded from the forced sackings of more than 14,000 Government workers.

The Treasurer announced at a press conference 48 hours before the election that this ‘employee expense cap’ would fund all the LNP’s promises with natural attrition to the public service and no forced redundancies or sackings.

In Question on Notice 533, the Opposition asked where in the Budget Papers the LNP set out its ‘employee expense cap’ as set out in the LNP’s election promises. The Treasurer’s

⁸ (Hansard 9 October 2012 page 3)

answer refers to the table of forced redundancies by Department in the Budget Papers.

This is an admission by the Treasurer that job cuts fund election promises. When asked directly in the Estimates hearing if he stood by this answer the Treasurer confirmed that the 'employee expense cap' is funded by forced redundancies.

Mr PITT: *Treasury, pages 16 and 17 of Budget Paper No. 2 do not explicitly detail a cap. The question on notice asked where the cap is to fund promises in the budget papers. The answer referred to the table of redundancies. Do you stand by that answer?*

Mr NICHOLLS: Yes.⁹

All the new decisions (to engage in new spending and cuts to revenue), in the LNP's Budget as set out in Budget Paper 4 have a total cost \$6.5 billion. In contrast, the savings on employee expenses compared with the Budget update under the previous Government is \$2.64 billion over the next three years.

This means that cuts to services and jobs are all decisions of the LNP Government and forced redundancies are about delivering the LNP's priorities.

Treasurer Fails to Back up Premier's Claims on State Taxes:

The Treasurer failed to deny the information provided by the Opposition that taxation per person increased by \$76 in the LNP's first Budget.¹⁰

Meanwhile, the Premier in the first session was boasting about having lowered taxes:

*The government has made tough decisions to save money so that we do not have to put taxes and charges up across Queensland.*¹¹

Treasurer won't Account for his own Staff while Sacking Thousands of Others:

At the hearing the Treasurer was asked why he considered it necessary to hire four additional political staffers in his Office than the previous Labor Treasurer while having one less portfolio to oversee, being State Development.

The Treasurer advised he had no control or input into staffing in his own office.



Tim Mulherin MP
Member for Mackay

⁹ (Hansard 9 October 2012 page 33)

¹⁰ (Hansard 9 October 2012 page 48)

¹¹ (Hansard 9 October 2012 page 20)