



Dr. Bruce Flegg MP

Queensland Shadow Treasurer

Submission to Senate Select Committee – April 2008

Key Issues with Qld Govt financial management:

1. Government Borrowings

- Government has accrued a massive \$31 billion in borrowing in the Non-Financial Public Sector Balance Sheet.
- This is forecast to rise to almost \$55billion by 2010/11 FY.
- Have refused to detail a plan to re-pay the borrowings.
- Standard & Poors found in a report last year that the Government faced significant issues in repaying this massive amount of debt, leaving the budget vulnerable.
- This level of debt has attracted an interest bill which is forecast to be \$3.2billion by 2010/11. This equates to \$9million every day of the year.

Non-financial Public Sector Balance Sheet ¹					
	2007-08 Budget ² \$ million	2007-08 Revised \$ million	2008-09 Projection \$ million	2009-10 Projection \$ million	2010-11 Projection \$ million
Assets					
Financial Assets					
Cash and deposits	3,566	3,914	3,996	4,050	3,915
Advances paid	990	1,032	1,058	1,089	1,101
Investments, loans and placements	30,198	29,209	30,692	32,408	34,146
Other non-equity assets	2,739	3,633	3,708	3,721	4,023
Equity	2,255	2,250	2,278	2,295	2,314
Total Financial Assets	39,748	40,039	41,733	43,564	45,499
Non-Financial Assets	141,316	148,038	162,295	173,466	183,199
Total Assets	181,064	188,077	204,028	217,030	228,698
Liabilities					
Deposits held	66	58	58	59	60
Advances received	448	492	481	476	472
Borrowing	30,817	30,743	40,556	48,400	54,665
Superannuation liability	19,955	21,231	22,290	23,295	24,246
Other employee entitlements and provisions	5,572	5,735	5,999	6,217	6,439
Other non-equity liabilities	4,408	4,989	4,849	4,883	4,971
Total Liabilities	61,265	63,247	74,233	83,330	90,850
Net Worth	119,799	124,830	129,796	133,700	137,847
Net Financial Worth	(21,517)	(23,209)	(32,500)	(39,766)	(45,352)
Net Debt	(3,424)	(2,862)	5,348	11,388	16,034
Notes:					
1. Numbers may not add due to rounding					
2. Numbers have been restated where subsequent changes in classification have occurred					

Non-financial Public Sector Operating Statement¹					
	2007-08 Budget ² \$ million	2007-08 Revised \$ million	2008-09 Projection \$ million	2009-10 Projection \$ million	2010-11 Projection \$ million
GFS Revenue					
Taxation revenue	9,126	9,598	10,399	11,095	11,933
Current grants and subsidies	13,742	14,079	14,211	14,675	15,229
Capital grants	1,422	1,406	1,119	895	911
Sales of goods and services	9,401	10,141	11,179	11,832	12,708
Interest income	2,267	2,348	2,445	2,558	2,679
Other	2,272	2,164	2,042	2,300	2,023
Total Revenue	38,230	39,737	41,396	43,355	45,483
Less GFS Expenses					
Gross operating expenses					
Employee expenses	16,471	16,748	18,024	19,127	20,124
Other operating expenses	8,436	9,239	9,161	9,182	9,362
Depreciation	3,741	3,771	4,261	4,530	4,859
Superannuation interest expense	969	1,180	1,245	1,310	1,371
Other interest expense	1,630	1,779	2,399	2,930	3,187
Current transfers	5,087	5,124	5,306	5,380	5,571
Capital transfers	1,267	1,364	779	739	733
Total Expenses	37,602	39,205	41,174	43,198	45,209

2. Mismanagement of PPPs

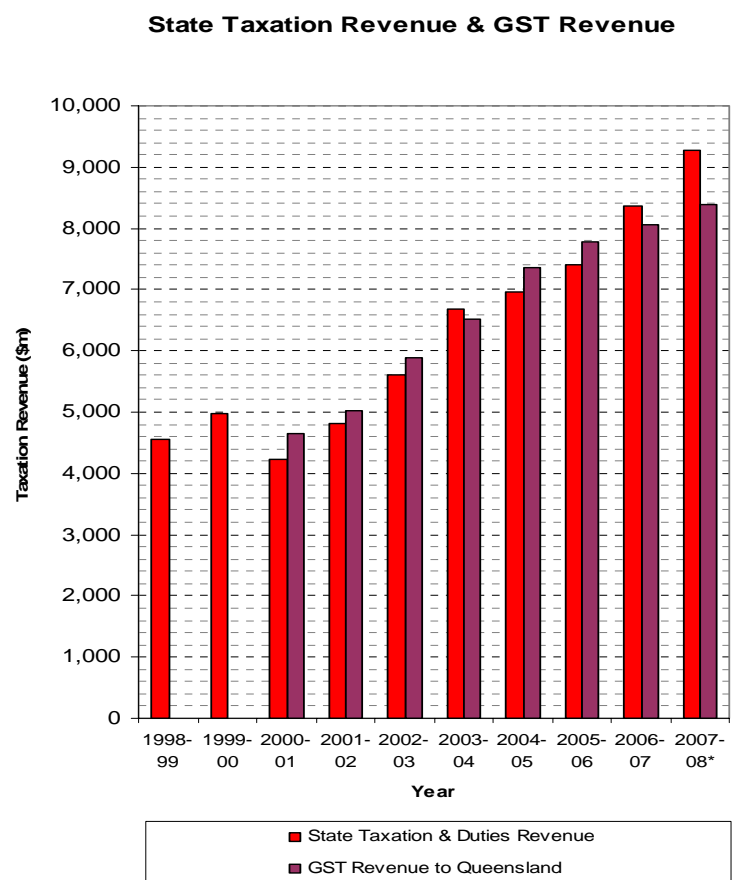
- Government doing PPPs for the wrong reasons – not for economic efficiency & savings, but to make fast cash to support their ailing budget position.
- When the economy was at its strongest over the last ten years and funding abundant, the Beattie-Bligh Government took advantage of just one PPP – the Southbank Education Precinct.
- Government have failed to deliver PPPs on economic infrastructure, but are now suggesting the private sector build and lease back Government schools. (This is only one step short of selling off Government schools)
- We now see them turning to the private sector to build new schools and hospitals, because they can not afford to build them in any other way.
- Using the private sector for social infrastructure is not bad policy per se, but it must be done for the right reasons – not to make a 'quick buck'.

3. Failure to build infrastructure

- A failure to invest in transport (rail and road) infrastructure has created significant bottlenecks for the Queensland economy.
- There have been no major road projects completed by the Beattie-Bligh Government, despite having held office since 1998.
- The problem lies in a failure to plan for growth in the past and being forced to build catch-up infrastructure at the top of an economic boom, when the cost of public works is at a premium

4. State Taxation Hike

- Government has raised state taxes, across the board to generate even more revenue in the last few years.
- State Government is now collecting more in State Taxation than they receive in GST Revenue. They still have not abolished all the stamp duties
- Motor Vehicle purchases saw an up-to 100% duty increase and MV registration was also significantly increased.
- In April 2008, I introduced a Bill to abolish life insurance duty – a nuisance tax which costs more to collect than it raises in revenue.



- The method of valuation for commercial property for the purposes of land tax, has meant that tenants are paying more than ever before in land tax. (NB# Valuation of Land Bill 2008)

5. Lack of Transparency & Benchmarking Unclear

- Still significant issues of transparency and accountability in Queensland.
- FOI System broken – takes many months & expense on the off-chance that the Government will provide the information that is being sought.
- Most recent Auditor General's Report (April 2008) warned of significant issues with Government reporting & accountability to the point that it hindered the operation of Parliament.
- Performance Measures and Benchmarks are also constantly changed, so that long-term and interstate comparison is almost impossible.
- Government refusing to answer Questions on Notice properly, by giving confusing non-answers or merely refusing to answer the question at all. Eg. Question on Notice – No.58 – where the Treasurer was referred to the privileges committee.

I have also enclosed a copy of my 2007-08 Budget Reply Paper...