

PARLIAMENT OF TASMANIA

Excerpt from Hansard - Thursday 5 March 2009

PETER GUTWEIN MP

Response to State of the State Speech

Mr GUTWEIN (Bass) - Firstly, let me place on my record my support for the vision outlined by the Leader of the Opposition when he outlined his agenda for 2009 yesterday.

Like Mr Hodgman and perhaps Mr Llewellyn before us, I also have children and I, too, want them - as indeed I want all children in this State - to have a future that provides choice, opportunity and promise; a future that is the very best that can be provided for them; a future that largely rests with the people in this room; a future that we owe to them to provide.

As the alternative treasurer, I want to focus my comments firstly on, for want of a better way of describing it, the flaccid response that the Government has so far provided to the GFC. I then want to comment more broadly on the economic circumstances we find ourselves in and, importantly, I want to outline how we propose to manage this period of economic uncertainty.

Prior to doing this, I need to set the record straight regarding the Premier's constant attack on the future fund that we have proposed. His wildly inaccurate assertions this morning that the fund, had it been established during 2007, would by now have lost some \$500 million as a result of the economic climate we now find ourselves in, is simply not correct. And it is simply not correct that we were ever considering punting this money on the stock market, as he suggested this morning. He is wrong, his assertions are incorrect and State Treasury should be condemned for taking part in what is very simply a political beat-up.

We have been consistent in saying that we would establish a balance fund managed by the RBF or some other professional fund manager and that the investment portfolio would be a balanced one. That is, it would have a range of asset classes in it, not just shares, which is what the Premier said today. It would be primarily designed to

operate over a 25- to 30-year term as it is designed to pay out, principally, the unfunded superannuation liability in 2035. If this fund had mirrored the only other fund of its type in the country, and that is the Australian Government's Future Fund, it would have weathered the financial storm very well. Let me make this point. As the Future Fund is not planned to be needed until 2035 to pay out the superannuation liability and as no withdrawal would be required currently, in answer to the Premier's question today as to how much money the fund would have lost to date, the answer is none, not one cent! Not one cent would we have lost.

Any simpleton knows that you would only realise an investment loss if you cashed in a depressed asset. That is the first point. The second is that, as I have already said, the Australian Government's Future Fund weathered the financial storm very well and over the period from July 2007 to the end of the December quarter, whilst share markets around the world - Minister, you might be interested in this because it might just put you right and you can give him a nudge next time he sets off on this tangent.

Whilst share markets around the globe crashed by up to 50 per cent, the Australian Government's Future Fund had a negative return for the period from 2007 until the end of the December quarter of only 4 per cent.

What should be pointed out is that the Australian Future Fund is now ideally placed to begin buying back into different asset classes that now provide unbelievable once-in-a-lifetime opportunities that will no doubt over the next few decades pay handsome returns to all Australians. I find it short-sighted. In fact, on this side of the House we cannot believe that our ill-informed Premier would not support such a fund for Tasmania and would deny Tasmanians that opportunity. However, after the Government's inept and, at times, ham-fisted response to the global financial crisis - and it is no secret that we have been critical of the Government's response to date, especially the Treasurer's - it is easy to understand why the Premier, the Treasurer and other ministers would take the position they do. They simply have no clue.

When you consider that the Lehman Brothers collapse in late September, which began the run on banking stock which saw share markets crash around the world, occurred now some six months ago, the Premier first of all provided what we consider to be a flawed, useless and flaccid response to the economic crisis. He announced a \$100 million loan scheme which could have had its genesis, quite frankly, on the ABC's *Hollowmen*, and which so far has had a limited number of applications of which only one has been publicly announced as being successful. In fact, it was so successful that this week it was scrapped and replaced with a different version, a hybrid that now

provides the opportunity to tap into it as well - which, by the way, is something that we do support.

The other gem that was announced by the Premier back in October in his initial response to the global financial crisis was that we would have a government procurement policy that saw Tasmanian businesses favoured. I take it that the comment I am about to make is going to draw support from the Greens benches as well because, quite frankly, that has not worked. In fact nothing has occurred. They have not been able to implement it, they have not been able to explain how they would do it and we raised the issue that there was a treaty with New Zealand, I think it is, that actually prevents them from doing it.

They were the two cornerstones of the Premier's initial response. This is the thing that really surprises me, and I think this is where we can draw the distinction between that side of the House and certainly the Opposition here on this side of the House. The Premier's most significant contribution to this debate to date was last Friday when he stood in front of his Senior Executive Service and said, 'Things are going to get tough and we might need you to take a cut'. That has been his most significant response to date. On this side of the House - and this is where, at a philosophical level, the difference has emerged between the two major parties - what we have been about since day one is ensuring that we work to grow our revenue base at a time when revenues are under pressure so that when decisions have to be made we have greater opportunity to not have to cut as deep as the Government will have to.

We began with our campaign for exports. It is interesting that we saw last Sunday the Treasurer very hypocritically put out a press release welcoming Austrade's foray into Tasmania with a seminar called 'Beyond The Financial Crisis'. It was designed to do two things principally - two things we have been calling for now for a number of months - and that is to sit down with exporters and work with them to understand what we can do to shore up the markets that they currently export to internationally and, importantly, how we assist them to transfer their product to other economies that may not have been as ravaged by the global financial crisis. That should have been done months ago.

We need leadership now because there is no doubt it has been lacking to date in this financial crisis. There is absolutely no doubt that it will get worse. The Federal Treasurer, Wayne Swan, said earlier this week, and I quote:

'There is no doubt that the global recession will get worse before it gets better and of course that will have human consequences for many Australians.'

We have said that the Government's lack of action to date on many occasions will have consequences and those consequences will be felt by all Tasmanians. The Government has not worked with the Tasmanian business community or the community more broadly to do what they can to ensure that our economy continues to grow and that our revenues continue to be maintained.

We have a small economy, one that will feel the effects of a downturn in the national economy, or internationally. We have a very narrow export base. In fact, 85 per cent of our exports go to our top 10 countries that we export to. We export to 160 different countries but more than 85 per cent of what we export goes to only 10 of those countries. We are very exposed. However, whilst we are a small economy, we should be innovative and responsive. We should achieve a comparative advantage in these uncertain times by grasping opportunities before our competitors do.

Let me provide an example. Tasmania has a relatively well-established wine industry, with established national and international export markets. Internationally, one of our key markets is the United Kingdom, a market that has been ravaged by the economic downturn and has an economy that has already been in recession since late last year. However, Brazil, whilst not untouched by the global financial crisis, has fared much better. Brazil, a country of more than 100 million people, has been talked up by Austrade now for months as being a market that has trade opportunities for Australian companies, but how much of our fine Tasmanian wine do you think we sell to this country of more than 100 million relatively affluent people? Not one bottle. That is a market that we should be exploring.

In fact, Brazil grows wine and so does Chile - and cool climate wines, which is interesting, because cool climate wines are what they drink.

The challenge and opportunity we have, Mr Kons, for raising that and saying that they sell it very cheap, is that we have a premium product and they are a relatively affluent country and we do not sell them one bottle.

Mr GUTWEIN - Does anybody on the government side want to put up a further roadblock to assisting our exporters to actually open up new markets?

Ms O'Byrne - No, it is not a roadblock. I think you also you need to recognise that you need to have a depth of the market as well.

Mr GUTWEIN - It does, but the point that I have been making now for months, Minister, is that what we should have been doing is exactly what has occurred this week - having Austrade come into the State to sit down with our exporters. In fact it is has happened this week. I know it has happened because your Treasurer warmly welcomed it on Sunday. It is an absolute disgrace that it has taken so long.

The Government has been paralysed by indecision for months relating to the impact of the global financial crisis. I have touched on those two issues that I think most people would recognise in this State as being an unbelievably weak response back in October - the \$100 million loan scheme with only one applicant and the government procurement policy that has not benefited one Tasmanian business. We demand on this side of the House that the Government start to take this issue seriously.

We know that the economic situation will get worse and in saying that I am not being pessimistic. I am not talking down the economy. I am simply stating what is realistic and, importantly, what most sensible, informed individuals who concern themselves with matters financial also believe. Jobs are already being lost. Businesses are already scaling down their operations. It is no longer credible or possible to suggest that, just because we are not a basket case as is the New South Wales economy or deteriorating as rapidly as the Queensland economy, we are actually doing well.

The Federal Treasurer said - and I will quote him again - 'This will get worse before it gets better.' We need an agenda: we need to position ourselves and we need to act so that Tasmania not only manages its way through the crisis but also emerges stronger, more resilient and better placed to meet the needs of all who live here and reach our potential. That is why we will continue in our demands for the Government to be honest with both the public sector and the private sector about the current state of the Budget. We know that revenues are crashing. We know that, even since the preliminary mid-year financial review released in December, the updated GST will now be another \$62 million less this year and nearly \$100 million less next year. What this

means is that the operational deficit, forecast to be around \$91 million this year in the mid-year financial report, will now be in excess of \$150 million and the small surplus forecast for next year will now be around a \$100 million deficit if the Government goes forward on the same policy basis that it placed before the people in the mid-year financial report.

The forecasts provided in that mid-year financial report are now so out of date as to be virtually unusable. Most of the forecasts being relied upon for the State's sourced receipts and expenses are based on data collected before the preliminary report was released in December. It simply is not good enough for the Premier to claim that a media release updating GST revenues is an appropriate response, released late on a Friday night, under a heading simply attacking the Leader of the Opposition. That is not the way to deal with significant issues of the finances of this State. We still do not know how our overall revenues are performing and I challenge the Premier and Treasurer to release the details which they no doubt have.

The world has changed in the last three months. The national accounts released yesterday paint a very grim picture for the Australian economy. We are lagging the national economy as everyone expected and whilst I am pleased, I am also pleased about the trend figure for growth that was announced for the Tasmanian economy and the gross State product result. What is of concern, though, in regard to State final demand figures is that whilst at a national level the seasonally-adjusted figure is what was used, we use the trend figure to talk up the economy here, when in fact the seasonally-adjusted figure shows a completely different figure. Notwithstanding that, we want Tasmanian businesses to do well. We simply want the Government to recognise the urgency with which we believe this situation demands action.

We suspect that the Budget is in a far worse situation than forecast by Treasury and that is why we and all Tasmanians are currently being kept in the dark about the current state of it. Furthermore, some of the information included in the mid-year financial report is farcical. As most recent public sector wage agreements included increases of around 6 per cent per annum, how can the Government continue to defend the fact that next year it is only forecasting wages to increase by around 0.05 per cent for the 2009-10 financial year? That is simply farcical. Either the Government is attempting to hide the state of the real deficit next year or it intends to slash around \$100 million in public sector wages. The Government needs to stop its deceit and be honest. Public servants are people too, Mr Aird and Mr Bartlett, and you should be honest with them.

I heard Mr McKim say yesterday morning that not one public sector job should be lost during this trying economic period. I do not want to paraphrase him inaccurately but I

believe he said that, rather than adopt the Premier's position of not filling vacancies and natural attrition, we should go into deficit for a while to ensure that not one job or government service is lost. Mr McKim, I agree with your sentiment. Public servants are people and we should never forget that and we should also remember that they serve all of us. However, the circumstances we find ourselves in are such that, even with the Premier's no-replacement policy for staff unless on the front-line, the Budget will still be in deficit and substantially so.

I want to place firmly on the record that on this side of the House we are not averse to managing our State finances with a budget deficit if the circumstances as they are now warrant it. I am averse though to allowing those deficits to be larger or to go on longer than we need to because we have not had the courage to take action. Expenses need to be reined in and we need to be taking action now. We need to slash waste and breed out inefficiencies.

Under a Hodgman Liberal government advertising by agencies will be slashed with the exception of tourism. The car fleet will be reduced. Approximately 3 000 vehicles on the road for a State of this size is, in our opinion, too many.

Airline travel for the public sector will be on the cheapest seat available policy and will be limited where possible and video conferencing needs to be considered as the more appropriate action for our agencies to use within the State. Overseas taxpayer-funded travel will need to pass a strict public benefits test centred on the benefits it would provide to the State in the areas of trade or tourism.

Furthermore, we believe that a wage freeze needs to be negotiated with our most senior public servants before any form of restraint is asked or demanded from frontline public servants such as teachers, nurses or police personnel. Leadership must be demonstrated by all who hold leadership roles in this State and this also means members of parliament.

I also want to place on the record the appalling record of waste that can be demonstrated regarding this Government's management of our public finances. Take for example the extravagantly wasteful Canberra office, which has now, thankfully, been closed. Between 2002-03 and 2007-08 the State Government blew around \$2.5 million on the Canberra office with little to show for it. Who can forget the \$150 000 advertising campaign to try to sell the Government's incredibly unpopular waterfront hospital proposal? Just another case of this Government throwing good money after bad policy, with all Tasmanians left to pick up the tab. In fact the waterfront hospital will probably go down now as a monument to government waste.

Already \$8 million. has been wasted on a waterfront hospital that no-one wants and no-one believes can be built in current circumstances. Imagine if this money had instead been invested in the Launceston General Hospital. Imagine the good that could have been done for Tasmania's other hospitals if the State Government had listened to us.

Tasmanians should not forget that this government also spent \$188 000 of taxpayers' money on political polling, money used to benefit no-one other than themselves. Even though the Auditor-General is now investigating, which is damning in itself, the Premier, I understand, has ruled out paying back the taxpayer even if the Auditor-General recommends it. However, it goes some part of the way to explain why at such critical time in the economic history of Tasmania the Treasurer, the man in charge of making sure the Government spends its money wisely, would even contemplate spending money on building a new office suite at Parliament House for himself. We understand that the Treasurer has currently an office suite in the Executive Building. When this was first brought to the public's attention, and under the current circumstances where belt-tightening is being requested, the Treasurer should have said, 'No, let's pull the pin on that. Let's not waste any more public money'. But it did not happen. He should have been strong enough to stand up and say, 'No, we don't want it'.

The most condemning example of government largesse is that at a time of financial crisis, even though the Premier has promised only to appoint new front-line staff - doctors, nurses, teachers and police officers - the newspapers are constantly full of ads for spin doctors, advisers and minders to protect this Government from scrutiny and accountability. In fact since October last year there have been a number of job advertisements for spin doctors, with a total wages bill of around \$600 000. How do you defend that type of spend in an environment like this?

The Premier has also set a new record for the most personal advisers in Tasmanian history; he has around 30. He even had two chiefs of staff on full pay for many months. If we had the Public Gallery full of ordinary Tasmanians worried about their future and their jobs, and they understood that the Premier in his office had kept on someone at chief of staff salary of around \$180 000 per annum for that period, they would be absolutely appalled. Now he has been hand-balled somewhere else - quite extraordinary.

It is not just waste that holds up Tasmanian business and economy; we need to eliminate red tape just as we need to eliminate waste, because the two are almost one

and the same thing. We must cut red tape to reduce its stranglehold on business. As the Leader of the Opposition announced as part of his agenda, we will commission a task force to take a razor to red tape to make sure that the Government is no longer a hand brake on the economy as it has been for far too long.

I want to turn my mind to our business community and speak about a number of initiatives that were outlined by the Leader of the Opposition yesterday. We believe that a strong economy, where business and enterprise can prosper, is the best way to build a smarter, stronger and fairer Tasmania. We want to back Tasmanians and Tasmanian business to get us through these challenging times. We do not believe that we have it right yet in Tasmania. We must give Tasmanian businesses a real advantage, but also attract new investment here to generate greater business activity, investment and jobs. Our agenda focuses on that objective. There is more that we can do to help Tasmanians and Tasmanian business and industry reach their potential, especially in relation to taxation reform. We must engage with business, work with industry and, importantly, cooperatively progress this issue so that we provide the most competitive framework for business to operate in, whilst at the same time not sacrificing the State revenues we so desperately need to provide essential services that all Tasmanians need. Is tax reform possible at a time when State-sourced revenue is under threat? We believe it is. We want to work with the private sector, with industry and their representatives to look at ways that we can grow this economy and encourage new investment here that will protect revenues but at the same time ensure that our businesses are competitive.

We will be working with the TCCI and the Launceston Chamber of Commerce and other bodies such as the property councils to understand their needs and to ensure that we strengthen our economy and reform our taxation base whilst at the same time ensuring that government services are maintained.

That is the challenge. We are up to it. We will not be lazy, as the Labor Government and the Treasurer have been. We will not soak up the good times only to be left without options when the going gets tough. It is about being smarter and more efficient. We on this side of the House are up to the challenge. We will make the tough decisions, we have the vision, we have the agenda and we will deliver.