

State Budget 2009–10

Budget Speech

Budget Paper No.1

2009–10 State Budget Papers

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Budget Highlights

The suite of Budget Papers is similar to that published in 2008–09.

In March 2009, machinery-of-Government changes saw the creation of 13 departments reporting to 18 Ministers.

These new arrangements have required minor changes to how information is presented in some Budget Papers. In particular, Budget Paper No. 5—Service Delivery Statements is now presented on a departmental rather than a Ministerial basis.

The 2009–10 Budget Papers provide continuity of information between the previous departmental structure and the new arrangements. Future budget papers will present information, including financial statements, only from a whole-of-department point of view.

The Budget Papers are available online at www.budget.qld.gov.au or they can be purchased through The Queensland Government Bookshop, individually or as a set. Please phone (07) 3883 8700 (1800 801 123 for callers outside of Brisbane).

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Budget Speech
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APPROPRIATION BILL 2009

(Second Reading Speech, 16 June 2009)

TREASURER

The Honourable Andrew Fraser MP
Treasurer and Minister for Employment
and Economic Development

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Mr Speaker,

I move that the bill be now read a second time.

“The scope and need for ... development are obvious to all. In addition to creating assets of value to the community, the utilisation of funds for these purposes relieves unemployment in a most effective manner. Business is stimulated by the circulation of increased purchasing power which, in turn, augments demand for consumable goods.”

This statement in Treasurer Forgan Smith’s 1933 Budget Speech rings true more than 75 years later as the 2009–10 State Budget is introduced.

This is a Budget about the future.

It is not about tomorrow, but the future beyond.

It is the first Budget of a newly constituted government.

It is delivered at a time of immediate upheaval and uncertainty, but delivered with a focus on sustainability in the decades ahead.

It is a Budget that has a dual task—to support the economy during this time of need, and to chart a course for a new future beyond these dark hours.

ECONOMIC AND FISCAL OUTLOOK

Mr Speaker, there is almost universal acceptance that the globe is experiencing the most severe financial crisis since the 1930s.

The synchronised and rapid deterioration that swept the globe will see global output contract for the first time since the Second World War.

Twelve months ago Queensland’s major trading partners were forecast to *grow* by 3½%, today they are forecast to *contract* by 3% in 2009.

Our major trading partner, Japan, has recorded four consecutive quarters of negative growth.

South Korea, Taiwan, the United States, the United Kingdom, the Netherlands and Brazil are all in our top ten trading nations ... and all are in recession.

The International Monetary Fund (IMF) forecasts the average unemployment rate of advanced economies will reach 9.2% in 2010.

The synchronicity of the collapse in global demand has been countered by a synchronicity of effort by governments and central banks alike.

Significant fiscal stimulus in concert with monetary policy easing has sought to inject and invite demand.

Australia has been a stand out performer amongst our peers—before and since the global recession.

And Queensland has stayed ahead of the nation.

We have been out in front for 12 years, growing ahead of the nation and we are set to close off this most tumultuous of years with positive—albeit marginal—growth of ½%.

Just as the nation expects to enter into a sustained period of contraction next year, we expect to see the Queensland economy also experiencing negative growth.

The Queensland economy is forecast to contract by ¼% in 2009–10. Once again, this forecast would see our economy outperforming the nation.

Our modern, diversified economy has provided capacity to absorb the full effects. Western Australia, which is more reliant on resources, is forecast to contract by 1¼%.

Growth in Queensland is forecast to return the following year, but remain below trend.

Our economy has been buffeted by the global recession, and the roughest seas remain ahead.

After tripling over the last eight years, business investment is expected to fall by 17% in 2009–10. The last echoes of the boom that have sustained the economy through most of this financial year are now fading.

Apart from our agricultural sector, which has experienced the natural disaster and the natural wonder of flooding rains, our export outlook is challenging.

By far the starkest numbers in our economic outlook are those on forecast unemployment. The economy continues to shed jobs.

While our unemployment rate remains half a per cent better than the nation, unemployment is expected to rise, relentlessly and remorselessly ... as it has through this year, as it will through next year.

Unemployment for 2008–09 is expected to remain in line with the forecast at February's *Economic and Fiscal Update* of 4¼% for the year, and is now forecast to be 6½% in 2009–10.

Unemployment is now expected to reach 7¼% the year after next, and is forecast to be at that rate through most of 2010–11.

In starker, human terms, we will see Queensland's unemployment queue stretch to 175,000 people. That's 175,000 individual tragedies ... with impacts that extend beyond the individual to their families, their children.

It is our society that bears the human and financial cost, and we must fight against it.

These are the 175,000 reasons the Government does not resile from its commitment to funding a building program to generate demand and generate jobs—and build for the future.

Fiscal Outlook

At the centre of this Budget and at the centre of the Government's immediate economic strategy, is a massive \$18.2 billion capital works program.

The program will be maintained against the colossal drop in forecast revenue of more than \$15 billion across the forward estimates.

Our revenues from transfer duty, GST and royalties have taken a battering.

Royalty revenue, never forecast to stay at record highs, has been written down further as contracts have settled and the Australian dollar has appreciated.

As private sector investment evaporates it is this public investment, undertaken in partnership with the Federal Government that will provide support to the economy.

This is a deliberate strategy by the Government to support the economy and generate jobs. It is a deliberate strategy that recognises current economic circumstances.

The budgeted injection of \$18.2 billion—when the economy needs it most—necessarily means we need to make longer-term decisions to provide stability to the State's finances.

Our capital program will need to adjust in the future to match the economic circumstances of the future.

The Government is also adopting a deliberate strategy to return the budget to surplus.

It is Labor in government that has delivered surplus budgets, Labor in government that has overseen our economy outperform the nation, Labor in government that has driven unemployment down and kept it below the national rate.

With the revenue wipe-out, the Budget has been forced into deficit through the forward estimates.

The 2008–09 estimated actual balance is a deficit of \$574 million, which is almost \$1 billion better than forecast in February. The Budget forecasts a negative operating balance of \$1.954 billion for the year ahead, around \$1 billion better than that forecast in February.

Mr Speaker,

The 2009–10 Budget provides for \$5.4 billion of measures that commence the turnaround of the State's finances.

The abolition of the fuel subsidy contributes \$2.4 billion.

While some measures have immediate impact, others are about long-term structural reform that will deliver benefits beyond the forward estimates and for years to come.

Under the new *Financial Accountability Act 2009*, the Government is required to adopt a Charter of Fiscal Responsibility, including the need to have Fiscal Principles.

This Budget not only adopts immediate measures, it sets out the framework that will return the Budget to surplus into the future.

Our 5-year *Renewing Queensland Plan* is central to our medium-term fiscal strategy.

The current and future balance sheet of the State will benefit from the proposed transactions.

Under the plan, whole-of-state balance sheet debt will be reduced, and the net proceeds will be applied in the General Government sector to assist in the future funding of service delivery infrastructure.

For the advancements in lifesaving medical treatments not yet imagined, for the educational technology not yet created and for the clean energy sources not yet developed, we need to look to the future and to move forward.

We need to move forward, beyond those things government currently does because it always has, to fund the priorities of the future.

The plan is central to our commitment to stabilise the State's balance sheet, and the Government will move forward to legislate the plan with this Budget.

As part of our resolve, we also are adopting a commitment to contain future expenditure growth to real per capita levels. This is a fiscal discipline necessary to build the path back to balance and means expenditure growth beyond inflation and population growth will not be adopted.

The maintenance of a competitive tax regime is important in encouraging investment and in encouraging future growth and the Government reaffirms that commitment for the future.

We affirm this with our commitment to maintain the lowest payroll tax rate in the nation.

We affirm this with our commitment to exclude apprentice and trainee wages from payroll tax and extend a rebate of a further 25% on these wages. This measure will provide relief for the year ahead and assist businesses to keep apprentices and trainees during the tough times ahead.

I also announce further relief for business with the extension of the terms for land tax payments for 2009–10, paving the way for the introduction of an instalment payments regime the following year.

We are committed to returning the Budget to surplus by 2015–16. This Budget begins the task of delivering on that commitment.

It begins, but does not complete that task. This will be an ongoing quest.

The Budget also includes other important structural reforms.

An overhaul of local government subsidy programs will see future subsidies targeted at councils most in need. An additional \$127 million is provided over the next two years to fund a program of significant works with a new capped scheme to be introduced from 1 July 2011.

Our farsighted local government reforms were implemented to make councils stronger, and this reform aligns future funding with future need.

As essential service providers, state governments around the nation expend half their entire budget on employee costs: on teachers and school cleaners, nurses and orderlies, police and court wardens and land titles clerks.

\$18.6 billion of the \$39 billion allocated is required for wages, superannuation and other costs of the workforce that serves Queensland.

We are a Labor government—a government that will honour the agreements it has with its employees. We will honour wage agreements, reached in good faith.

We will also honour our commitment to lead by example in superannuation, because it is the right thing to do for the long term sustainability of our nation as we strive as a nation to fund secure retirement incomes for all Australians.

We will honour those commitments provided in the past, but it must be recognised that the future landscape has changed.

The Government will provide that for current year negotiations not agreed by 1 September, a new wages policy of 2.5% will apply—the mid-point of the Reserve Bank's target band for inflation.

The policy will be resolutely applied and effective on 1 July for all senior public servants. The wages freeze for Members of Parliament remains in force.

Visiting a renewed discipline upon government is important in charting a course for budget sustainability.

The 2008–09 Budget set a \$60 million efficiency dividend, due to rise to \$180 million for 2009–10. The Budget I present today sees the Government bring forward a planned additional \$100 million in targeted savings originally planned to commence from 2010–11.

Total savings of \$280 million form part of the 2009–10 Budget—to garner the benefits from our overhaul of the Public Service structure. The savings are set across the board and represent a bringing forward of our target for 2010–11.

The reforms in this Budget set a course. It is a course that will require vigilance and further actions in the future. The reforms begin the task of returning the Budget to balance and improve our credit rating.

The immediate priority must be on funding a building program to support jobs and support our economy, when it needs it most.

\$18.2 BILLION BUILDING PROGRAM

Our capital program is doing the heavy lifting on infrastructure investment. It alone is more than the combined total of the infrastructure spend planned by Victoria, South Australia and Tasmania.

The Budget proposes a building program that will support 127,000 jobs across Queensland.

It is a building program that will create jobs, support demand and deliver the platform for future growth.

The program's breadth is aimed at the full force of the downturn delivered unto us from the global recession.

Health and Hospitals

It's an \$18.2 billion program that continues, not cuts, our hospital building program.

Investment in hospital and health facilities accounts for about \$1.3 billion of capital works spend this year.

\$155 million will be spent on the Gold Coast University Hospital as construction works will see it begin to take shape through the year, and an additional \$80 million is allocated for a research facility to be built as part of the new Queensland Children's Hospital.

The development of the Sunshine Coast University Hospital, proposed for development in partnership with the private sector, will commence with more public beds provided sooner than originally planned.

The new Mackay Hospital will begin to take shape this year with a spend of \$61 million. We will move ahead on the upgrades of the Cairns and Mount Isa hospitals. The expansions of Townsville and Rockhampton hospitals are funded—and funded in partnership with a federal government that puts money into building hospitals.

Health capital works are underway across the State, including the expansions of Bundaberg Hospital and Robina Hospital, projects nearing completion at Ingham and Yeppoon hospitals and work commencing this year on the birthing centre at Toowoomba Hospital.

Roads and Transport

Our massive program of transport infrastructure capital works will also continue. The expansion of the coal terminal at Abbot Point continues under our commitment to business as usual with another \$305 million in this Budget.

The Cairns cruise terminal facility has \$11 million allocated by this Budget, as we deliver on our commitment to the people of Cairns and the tourism industry upon which they rely.

The long awaited Port Access Road—which will benefit Townsville residents and their economy alike—has \$47.3 million allocated in 2009–10.

The Townsville Ring Road to Shaw Road has been finished and the Douglas Arterial duplication is to begin.

The \$100 million Bundaberg Ring Road will be completed.

The State Budget will contribute \$464 million to build the Gold Coast Rapid Transit project, with the Commonwealth providing \$365 million and the Gold Coast City Council contributing \$120 million.

We will also provide funding towards the Cooroy to Curra upgrade on the Bruce Highway—a notorious blackspot on the national highway.

The \$315 million new Houghton Highway Bridge goes \$125 million further across the bay this year, and the second Gateway Bridge goes \$259 million higher above the river.

Roadworks on the Roma–Taroom Road, on the Aramac–Torrens Creek Road and on the Carnarvon Highway will be completed and \$4.4 million is allocated to the widening of the Flinders Highway west of Charters Towers.

The realignment of the Dawson Highway at Calliope goes \$36 million further and the widening of the Maryborough–Hervey Bay Road has \$16 million allocated.

Fittingly, the duplication of the Forgan Bridge in Mackay has \$37 million allocated as part of our record building program.

Construction of the \$466 million Eastern Busway from Buranda to Coorparoo and the \$735 million Northern Busway from Enoggera Creek to Kedron will continue as we build the public transport infrastructure to sustain our growth.

Essential Infrastructure—Delivering More Jobs

The \$600 million Supreme and District Court complex, which will support almost 5,000 jobs in total, is allocated \$152 million this year.

The expansion of Lotus Glen Correctional Centre in far North Queensland, which will provide on-site jobs for about 250 construction workers, and the new Gatton women's prison will have a combined \$363 million spent on construction this year.

The Cleveland Youth Detention Centre in North Queensland will generate jobs and demand in Townsville with a \$74 million spend this year.

The \$348 million Wyaralong Dam kicks off in earnest with \$171 million of expenditure this year, while construction will continue on the \$187 million Toowoomba to Wivenhoe pipeline.

Across the board the building program is delivering jobs today, and the platform for growth for the future.

Immediate jobs for long term prosperity.

GENERATING JOBS IN HOUSING

Mr Speaker,

The single largest injection into public housing in the State's history will be funded in this Budget including a \$140 million allocation from the Future Growth Fund to support the Australian Government's stimulus package.

This will add more than 4,000 to the housing stock in this State over the next three years.

Boosts to the First Home Owner Grant and our nation-leading reforms abolishing stamp duty for first home buyers all the way to \$500,000 have supported demand at the all important entry-level of the market.

States like Victoria and South Australia have implemented sleight of hand temporary boosts to the First Home Owner Grant.

These states still take more than they receive by whacking the first home owner with tens of thousands of dollars in stamp duty.

This Government has taken the lead—and we intend to stay there.

Today I announce we will continue on our quest to help young Queenslanders into their first homes.

We will abolish stamp duty for vacant land for first home buyers who purchase land to build their first home up to \$250,000.

And we will extend the concession to land up to a value of \$400,000—ensuring Queenslanders who choose to build their first home rather than buy will benefit.

This move will bring the cost of our stamp duty abolitions for first home buyers to around \$250 million in 2009–10.

That's \$250 million that could be added back to the bottom line.

First home buyers today are the fastest growing proportion of the market—at around 30% of all home purchases—our reforms are directly aimed at stimulating the housing sector. And housing construction, means jobs, apprenticeships and traineeships.

Private dwelling investment was clubbed by the high interest rates of 2008 and the global recession has made sure it has stayed on the canvas.

Along with our continued quest to stimulate the market, we will oversee the \$1.45 billion budgeted for construction and upgrades of social housing.

This unprecedented program will not only provide a roof over the heads of many of Queensland's most needy, the work generated will help keep a roof over the heads of thousands of construction workers and their families.

FRONTLINE SERVICES FOR A GROWING POPULATION

Mr Speaker,

As we pause this year to celebrate our 150th year, the rush to join us continues.

Data released this month confirmed that our population grew by more than 2,000 people per week on average over 2008.

Our population continues to swell as the State's warm embrace captures more hearts.

These days we seek also to capture their minds. In fact, in the last decade, the number of researchers in Queensland has increased by 55%.

It is why we are investing in projects such as the Translational Research Institute at the Princess Alexandra Hospital. Our \$100 million commitment, along with \$140 million from the Australian Government, will establish an Australian first—a one-stop shop for the discovery, production and clinical testing of new biopharmaceuticals and treatments.

Population growth means we need more frontline workers, not fewer. It means we need more teachers, more police, more ambulance officers.

This Budget does just that—it provides for 350 more teachers and teacher aides, 203 more police and another 50 ambulance officers. It provides for 645 more doctors, nurses and health practitioners.

Seven new schools over the next three years are to be built to cater for growth in expanding communities, including on the Gold and Sunshine Coasts and in the booming western corridor.

We will increase teacher aide hours and dedicate \$20 million to improve literacy and numeracy, with 80 dedicated coaches, summer schools and more resources for those in danger of falling behind.

A new Leadership Centre for school principals will be established, to provide our principals with the best chance to develop their skills and lift school performance.

The 203 additional police funded in this year's Budget will expand the ranks of a police force which has grown to 10,000 to serve our growing State.

Only under Labor has our police-to-population ratio been brought to the national average and we intend to keep it there.

New stations will be completed at Carseldine, Crestmead, Reedy Creek/Robina, Sippy Downs and Springfield and works will commence or progress on replacement stations at Murgon, Lockhart River, Camp Hill/Carina, Fortitude Valley and Charleville.

As 20 ambulance stations will be constructed or redeveloped, so too will nine fire stations. One hundred and fifty new ambulance vehicles, 23 new fire trucks and 34 rural fire service vehicles are also funded.

Our rural fire service will gain more resources to improve safety as we honour our election commitment.

The Government wants to ensure the appropriate resourcing of our rural fire service in particular and will commence a review of rural fire service funding and the fire levy system this year.

We are also providing resources to some of our hardest working, and most important Queenslanders. Community sector workers who care and support some of our most vulnerable Queenslanders, the frail elderly, the disabled and the unwell, have recently had the value of their work recognised by the independent Queensland Industrial Relations Commission.

The single biggest allocation of additional resources in this Budget—some \$414 million across four years—is provided to support the community sector to continue their essential work.

We will also assist older Queenslanders by increasing the subsidy available for electricity bills by 15.67% to assist with the increased cost of electricity. This increase is being funded by redirecting \$6.7 million that was being paid to local governments to subsidise costs for street lighting.

Tough times mean choices have to be made. This Budget makes those choices.

FUNDING SET ASIDE—FOR THE FUTURE

Mr Speaker,

In recent years the Government has established a number of important funds, and prudently set aside money for priorities.

The Queensland Future Growth Fund was established with more than \$3 billion and this Budget provides allocations not only to housing as outlined already, but to the development of clean coal technology vital to the future of our economy and our environment.

The Future Growth Fund will maintain a balance in excess of \$1 billion as at 30 June 2010 and continues to earn interest for the benefit of future allocations.

The \$50 million Renewable Energy Fund was established to support research and development for new forms of energy and today I announce a significant disbursement as we invest in the green energy solutions of the future:

- \$9.3 million for a new geothermal power station at Birdsville and for mapping potential geothermal sites closer to the coast;
- \$9 million for the Mackay Sugar co-generation project; and,
- \$7.5 million for a project with CSIRO, subject to gaining an industry partner, for SolarGas One, the world's first solar multi-tower array system using SolarGas technology.

Along with implementing our Solar Hot Water program, these initiatives are directed firmly at providing cleaner, greener ways to power our future development.

The Climate Change Fund provides a funding stream of \$30 million per annum to assist in meeting the other great challenge of our time—moving to a low carbon economy.

Today I announce a range of initiatives that will form part of our future agenda on dealing with, and adapting to, the reality of climate change.

We will build on the success of our ClimateSmart Home service with an allocation of \$15 million over four years for the ClimateSmart Business Service.

The new service will be developed this year to assist small-to-medium sized Queensland businesses save energy and reduce their greenhouse gas emissions in the lead up to the planned introduction of a Carbon Pollution Reduction Scheme in 2011.

We will also invest \$8 million over four years to increase the energy efficiency of government buildings and set aside \$15.6 million for assisting with preparedness for natural disasters made more likely by climate change.

Last year I established a \$70 million Prevention and Early Intervention Incentives Pool to drive innovative policy proposals aimed at preventing avoidable costs—human and financial.

Simply put, we must seek out new interventions to prevent the tragic cycles which are so unimaginably costly to individuals, families, communities and their government.

Today I announce a range of projects totalling \$28.3 million over three years, which will trial, test and evaluate new ideas, new modes of service delivery and new approaches to some age-old problems.

Community-based housing for young people with a mental illness will seek to treat symptoms early before young people and their families are swept into a tragic spiral that can lead to a lifetime in and out of acute care at immense cost to the individual and to our health system.

A pilot program to intervene early in new domestic violence cases will seek to avoid the confronting reality that episodes are rarely a one-off.

Not only will families avoid the incalculable harm, we seek also to avoid the other costs—call outs with further demands on social, health and emergency services.

Two separate programs will seek to avoid the costs of the cycle of recidivism. Offenders with cognitive or developmental disorders who otherwise will likely cycle through the justice system regularly at immense cost, and without benefit, will be targeted along with juvenile offenders at risk of homelessness and a likely life of offending. Securing jobs for these young offenders will be the frontline task.

The largest allocation is for an \$8.7 million program in the Logan area to improve literacy and numeracy outcomes at low socio-economic schools through new and innovative approaches, including supporting parents to improve their parenting skills and literacy and numeracy skills to help break the typical cycle.

Other projects seek to trial new ways of avoiding ongoing costs in the ambulance and health systems, in child protection and in disability services.

Not all will get the results we might hope. But through these pilots and these trials we seek not only to avoid the human costs of violence, neglect and lack of support but to avoid the inevitable cost to the public of dealing with the consequences.

If we can prevent and avoid the costs—human and financial—we will do a great service to many individuals and families but also the community that otherwise bears the costs of social intervention services.

The demands on government services have substantially increased over the last two decades in particular. This funding is about providing sustainable services for the future, not just picking up the pieces afterwards, and the bill.

These funds—the Future Growth Fund and the Renewable Energy Fund, the Climate Change Fund and the Prevention and Early Intervention Incentives Pool—make possible these investments at a time of fiscal rectitude.

By setting aside these funds for the future we have provided ourselves with the opportunity to fund initiatives to deal with the challenges of our future: environmentally, socially and economically.

They are the hallmark of a government determined to face up and confront our many challenges, as we look far ahead.

CONCLUSION

Mr Speaker,

The framework set down by this Budget and the bills I introduce today are the most significant structural reforms to the State's finances since the Second World War.

Together the bills seek to address the ravages of a global recession not seen since the Great Depression.

This is a Budget that reinforces our determination to build Queensland's future.

... our determination to build Queensland, to build the roads, the schools, the hospitals that our growing State needs.

... our determination to create jobs for Queenslanders with our record building program.

... our determination to keep pace with the essential services needed by a young and growing State with more nurses, more police, more teachers and frontline workers.

... our determination to apply fiscal discipline and make the tough decisions to put the State's finances on the pathway to surplus.

... our determination to keep our eye firmly on the future as we deal with the immediate challenges.

This Budget lays the foundation stones for the path that lies ahead.

Paved with uncertainty, we should—indeed we must—be optimistic about the fundamental strengths of the ground on which we build.

We are building here for the future.

We are building now for the future.

Building upon our strengths.

For a time ahead, beyond the current hour, when the path is clearer and our bright future is forever the destination ahead.

I commend the Bill to the House.



Queensland
Government

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