

A stylized map of Queensland, Australia, rendered in a light blue color against a dark blue background. The map shows the state's coastline and major internal boundaries.

State Budget 2011–12

Budget Speech

Budget Paper No.1



Queensland
Government

2011–12 State Budget Papers

- 1. Budget Speech**
 - 2. Budget Strategy and Outlook**
 - 3. Capital Statement**
 - 4. Budget Measures**
 - 5. Service Delivery Statements**
- Budget Highlights**

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APPROPRIATION BILL 2011

(Second Reading Speech, 14 June 2011)

TREASURER

The Honourable Andrew Fraser MP
Treasurer and Minister for State
Development and Trade

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Mr Speaker.

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

Mr Speaker, Queensland is about to prove the doubters wrong once again.

This State Budget puts us right back where we belong – out in front.

It is a Budget fuelled by reconstruction, but defined by optimism and opportunity.

It provides the architecture for recovery – the recovery of local communities, and the recovery of our economy – as we rocket back to our rightful place out in front of the rest of the nation.

Nothing beats Queensland, Mr Speaker. And this Budget proves the point.

We've seen off the best the world can throw at us.

Looked fear in the eye and never blinked.

Queenslanders have stood their ground, and now the horizon stretches out before us.

It is ours for the taking.

This State Budget continues our enduring task – to confront change with courage, to shape a better, fairer and more prosperous Queensland.

Today I present a Budget that speaks of who we are, and who we can be.

It marches back towards surplus.

It books the billions of dollars from our reform program.

It meets the gigantic task of funding our reconstruction program, and it invests in a future we must grasp.

It is, like us, confident about Queensland's future.

An Economy hit by Natural Disasters

Our community and our economy were hit hard by the natural disasters, and indeed the wet weather which preceded the floods.

Our state has been smashed first by the brute and inhuman forces of global economics and then by the fury of Mother Nature.

Through it all our confidence in our resilience, our fundamental strengths, our capacity to stand our ground and fight on has sustained us.

The weather has cruelled exports in particular – in fact the Budget records the first ever annual contraction in overseas exports on record.

Never before in our history have we had to confront such a comprehensive wipe-out in our exports.

Exports had been contributing positively to growth in 2010.

Queensland is an export economy. Even during the depths of the global financial crisis, exports were a solid contributor to the state's growth.

The wet weather was already impeding exports during the last part of 2010 before smashing them at the start of 2011.

Overseas exports of goods had their largest fall on record of 18% for the quarter to March this year.

In the end we have finished on the canvas, with economic growth wiped out for the financial year.

Our traditional strengths, mining, agriculture and tourism, all took a beating.

Lost production in the mining industry is estimated to total nearly \$6 billion in 2010-11, with coal exports to be around 27 million tonnes lower.

Agricultural losses totalled \$1.4 billion – with sugar, cotton, bananas and avocados the hardest hit.

The toll for tourism from the natural disasters in terms of lost export revenue is around \$400 million.

The Budget has had to absorb the losses consequent from the lost production in these industries, and across the economy.

This has hit the bottom line - hard.

This summer's natural disasters have cost Queenslanders dearly.

Many paid with their lives, their livelihoods, and many lost not just their houses, but their homes.

The human cost will be forever incalculable.

The fiscal cost is stark too - \$6.8 billion. This allocation is being met by the State and the federal government under our nation's established natural disaster cost-sharing arrangements.

Funds for local councils will now total \$2.75 billion. As Councils have gone about making their full assessments, their estimated claim to the state has increased by \$900 million.

The costs for rebuilding our road network stands at \$2.9 billion – with an extraordinary 9170 kilometres of the state controlled network damaged.

The tally of the natural disasters goes beyond the costs or expenditure required – it's not just that more spending has been required to fund recovery, it's the fact that less has been coming in due to the loss of production.

Coal royalties are expected to be nearly \$500 million below the original budget forecast.

Stamp duty from the property market is down nearly \$350 million from the original budget forecast.

Gambling and land taxes are also slightly down from Budget.

These costs are hitting the Budget bottom line, along with the increase in outlays as we fund the reconstruction effort.

As a result the operating balance for this financial year is set to record deficit of \$2.13 billion and is forecast to be \$4.06 billion for 2011-12.

Mr Speaker, despite these huge challenges the government has maintained its fiscal reform program and it's a good thing we did.

While costs from the natural disaster have risen since the Mid- Year Review, and the impact on the economy is greater, the deficits across the forward estimates are lower.

The deficits in 2012-13 and 2013-14 are forecast to be around half the Mid-Year Review forecast.

As a result, the aggregate deficits forecast are now a third lower than at the time of the Mid-Year Review.

Disaster recovery costs were estimated at \$5 billion at the Mid-Year Review, and they are now \$6.8 billion – but despite this the Budget I present today has lower deficits.

Debt this financial year will now be \$17.5 billion lower than forecast at the start of the reform program I announced in the 2009-10 State Budget.

Mr Speaker,

The Budget is marching back towards surplus.

It would not be doing so without the benefit of the fiscal reform program I set out two years ago.

This is a budget that carries the burden from natural disasters – but it's not burdened by the cost of repairing coal railway lines or buying new coal wagons.

It is however enjoying the benefits of our retained shareholding in the new QR National that is worth around \$700 million more since it listed in 2010.

The decision to float QR National – a decision we had the courage to make and the fortitude to implement - has seen the wealth of Queenslanders increase by \$700 million since November.

Our reform program has enabled us to absorb the massive hit from the natural disasters and maintain our commitment to deliver the budget back into surplus.

Mr Speaker, despite the natural disasters, this State Budget keeps us on track to deliver a budget surplus in 2015-16.

The Economic Road Ahead

Ultimately the resilience of our current economic recovery is astounding.

Throughout the year we saw incredible resilience in the building strength of business investment.

Our economic strategy saw us deliberately step in to support activity and support growth as the GFC took hold, funding an infrastructure program to keep people in jobs and build for the future.

This strategy was about sustaining our economy as we worked to bring business investment back to the state.

Mr Speaker, business investment is back and it's back in a big way.

Business investment grew by an estimated 13% this financial year - bouncing straight back off the canvas. This impressive result exceeded the 9½% forecast last year – a forecast doubted by some.

It is miles ahead of the national result which stood at 4.5%.

While the rains pounded down, and others talked it down, business was voting with confidence in the future of our economy.

And it is not about to stop.

Money talks Mr Speaker, and business is speaking loudly, rising above the din of the nay-sayers and the agenda-runners.

A massive investment surge is about to hit the Queensland economy and propel it into a new era of prosperity.

Business investment in the coming year is forecast to increase by an astounding 27¾%, and remain above 21% the year after.

No other state comes close – our competition in Western Australia is forecasting only 15% growth in investment.

This sets the stage for business investment to account for more than one fifth of our economy – the highest share on record.

The value of our exports will increase by 10% in the coming year, and, Mr Speaker, we are about to turn the corner in our housing market.

Economic growth for 2011-12 is forecast at 5%, and then 5.25% in the following year as this new era of investment ushers in new jobs and a broad-based expansion.

This puts the projected growth in the Queensland economy at the front of the pack for next year, where we belong at Number 1.

Unemployment will be driven lower as jobs growth climbs above 3%, bringing more people back into the labour force.

We are on track to deliver 100 000 new jobs this term – just like we said we would.

In fact, this Budget forecasts combined jobs growth of 140 000 jobs over the next two years.

Our economy is set for a massive jobs bonanza.

We – today – are in the middle of a huge economic turnaround.

It's a massive opportunity being led by our natural resource wealth.

At the forefront is LNG – as significant an economic development as the opening of the Bowen Basin in the 1970s.

Ten years ago an LNG industry in this state was unimaginable.

Five years ago it was unbankable.

Today it is reality – generating jobs, regional prosperity, and delivering cleaner, greener energy for the future.

Our world-first CSG to LNG export industry is helping power our region. Electricity produced from LNG in Queensland is up to 70% cleaner than that produced from brown coal in Victoria.

It is 50% cleaner than the electricity produced from black coal.

It's subject to some of the toughest regulations in the world and is producing energy that means less carbon emissions – it is an industry of the future.

And its genesis is right here in Queensland.

Bringing it to reality is a massive achievement – today more than \$40 billion of investment is forecast in LNG.

Already it forms more than 15% of the energy mix used for electricity in Queensland – in fact, more than 10% of electricity in Queensland has been produced from gas since 2005.

The investment in our resources, in LNG, in coal, and in metals is leading the investment boom in our state.

This is the dynamic that has the Reserve Bank with its finger on the trigger. They see the investment boom coursing through the veins of our state, and of WA and running through the Australian economy as a whole.

The Co-ordinator General has more than \$55 billion worth of projects on their books as businesses are rushing to purchase a piece of the action.

The Budget includes a \$15 billion building program, investing in future infrastructure as well as funding reconstruction - but just as importantly leaving room for the investment surge being driven by the private sector.

It is an investment that stacks up in size against the capital works program of WA and Victoria combined!

At present we are in an economic step-change, and economic policies need to respond.

This Budget comprehends those challenges, and puts in place a policy program to meet the task ahead.

Housing Market Reform

Mr Speaker,

It's more than a two speed economy, and there is no doubt housing has been in the slow lane.

While underlying demand is set to drive a recovery in dwelling investment, the immediate outlook remains challenging.

Housing markets in Australia have been challenged by supply side dynamics.

That's why I abolished mortgage duty in full and stamp duty for all first home buyers purchasing a home under \$500 000 in my first Budget.

That nation leading reform was about getting young people into the housing market.

We led the nation on capping the first home owner grant to those who needed it.

Then we increased the benefits to first home buyers who wanted to purchase their own vacant land and build a new home.

These remain some of my proudest reforms – helping young Queenslanders into the housing market is an enduring goal for me.

The housing industry needs a boost Mr Speaker.

Queensland needs more homes to be built.

Young Queenslanders in particular could do with a hand in cracking into the housing market.

And Mr Speaker we are going to act.

Today I announce a bold plan to deliver a massive \$140 million Queensland Building Boost program.

For six months from 1 August this year, any Queenslander buying a newly constructed home or signing a contract to build a new home will be eligible for a \$10 000 grant from the State Government.

This will stimulate activity, promote supply and support jobs in the housing industry.

For first home buyers this can mean \$17 000 - up-front. They will also pay zero stamp duty for properties under \$500,000, zero mortgage duty and thus keep the full \$17 000 from the \$10 000 boost announced today being added to our existing \$7 000 grant.

The \$10 000 will apply across the board to all buyers of new homes under \$600 000:

... growing families wanting to build a new home,

... investors looking to purchase a new property,

... workers looking to build a property in the growth hotspots around regional Queensland.

This program is targeted and time limited. It is not about churn, it is about adding new homes to our existing stock.

It's not about millionaires building mansions.

It's about helping make the great Australian dream a reality for thousands of Queenslanders.

Mr Speaker, we are about giving a hand to those who need it most.

That's what we stand for.

For some, home ownership is not an option.

That's why we are also injecting more than \$93 million over five years into the National Rental Affordability Scheme that will deliver over 11,300 dwellings.

An allocation of \$60 million from the Future Growth Fund will support the delivery of nearly 200 homes this year for those Queenslanders who are most in need under our social housing program.

These commitments will build a supply of homes available at a discount to the market rate.

Mr Speaker,

Just as so many have been locked out of the Australian housing market, so too have some benefitted.

Existing home owners have enjoyed the wealth of the surging home prices of the last decade.

As prices have risen, incumbent owners have benefitted while those outside the market have found it harder to break into home ownership.

It's a well-known story: those in the market look to trade up with the benefit of the increased value in their home.

Currently this group of people get access to a special discount on stamp duty when they purchase a new home.

No other state in Australia provides this level of discount, and the government has decided that it should no longer apply in Queensland.

However Mr Speaker, in doing so, we will ensure that we continue to have the lowest stamp duty rates for all homes in the mainland States of Australia.

In fact Mr Speaker we will maintain the cheapest stamp duty rates of all States – save only for those purchasing properties worth more than around \$950 000 in Tasmania.

Average house prices have increased more than 200% since 2000 and more than 40% since 2005.

The policy case for maintaining this discount in 2011 is not compelling. The discount does not add to the supply of houses, which is what really matters if we want our kids to be able to afford their own homes.

I announce the discount will end on 1 August – providing notice for those in the market at present.

Removing the discount and implementing a stimulus measure to support new houses being built is a choice we are prepared to make.

Mr Speaker, I must remind the House that first home buyers will continue to get the benefit of zero stamp duty for homes under \$500 000.

Everyone purchasing a new home after the 1st of August, and entitled to the \$10 000 Queensland Building Boost Grant, will be better off after these reforms.

These initiatives go to the core of this government's policy commitments:

... we stand for helping those who haven't had the surge in wealth enjoyed by so many in the last decade,

... we stand for helping more Queenslanders into the housing market,
... we stand for helping young Queenslanders getting a start in life,
... we stand for providing a home for those for whom home ownership is beyond reach,
and we are prepared to make the strong policy choices. We are prepared to make these changes so we can help Queenslanders who need a hand.

A Helping Hand ...

During the golden era of Australian prosperity the income gap has grown wider, not narrower.

Wealth has not been shared equally during the last decade.

Those on low and fixed incomes are doing it harder.

Today we maintain our position at the front of the pack when it comes to providing help to those who need a hand with the cost of living.

Today I announce we will go further.

Our pensioners deserve our support, and that's why this Budget will increase the maximum pensioner local government rates subsidy paid by the State by 11 percent to \$200 per annum.

We will also increase our allocation for the subsidy scheme for pensioners and seniors for their electricity costs to \$115.6 million this year, to increase the subsidy to \$230 dollars for their electricity bills.

We will increase the subsidy for pensioners in the SEQ Water Grid to \$120.

Mr Speaker,

Our decision to end the stamp duty discount regime means we can help out households with their day to day bills.

I announce that from 1 July we will abolish the ambulance levy on electricity bills.

This delivers a saving of \$113 to around 1.4 million electricity bills across the state which would otherwise have faced paying this surcharge in the year ahead.

Rising electricity prices are a challenge for all governments – the best way we can assist is by removing this charge, in full, once and for all.

The government will instead meet the full costs of running the ambulance service – providing free ambulance cover for all Queenslanders.

The ambulance will always be there for Queenslanders Mr Speaker, but now the bill won't be.

This will provide benefits not only to households and families, but to small businesses and community groups, sporting clubs and body corporates.

The levy is regressive and adds to the cost of electricity bills. As a flat rate surcharge it's a greater impost to lower income earners than it is to millionaires.

As of 1 July, it will be no more.

This Budget also funds a \$60 million extension to the ClimateSmart Home Service to help Queenslanders reduce their energy consumption, electricity bills and carbon footprint.

This service delivers savings of up to \$480 per annum for households.

These initiatives deliver for those who could do with a hand – our pensioners, those on lower incomes and those households struggling to make ends meet.

Investing in the future

Mr Speaker,

We do stand on the launch pad of a new era of prosperity.

Our economic future is being reshaped right now.

We must move with the times and position ourselves for the future.

Standing still is never an option.

A strong Aussie dollar is a likely fixture in that future landscape.

Increased competition from our neighbours, and increased demand from our neighbours will inform the economic reality of the 21st century.

Investing in our human capital – in education and innovation is a must.

Labor in Government has transformed our education system.

Since introducing our “learning or earning” initiative in 2006, the proportion of young people with a Year 12 or vocational education qualification has increased to 88%.

We have invested in school based apprenticeships as we create the next generation of skilled workers.

This Budget extends the 125% payroll tax rebate for apprentices and trainees at a cost of \$15 million – this will support more than 2,000 Queensland businesses that employ apprentices and trainees.

We have delivered a whole new year of schooling in Queensland – the Prep Year – and are rolling out 240 kindergartens across Queensland.

This commitment continues this year with \$75 million for further kindies. There will be 23 new services by the end of 2011 and another 85 services by the end of 2012.

It is this Premier who has driven those reforms, and it is this Premier who is driving the next wave of reform.

This Budget continues Labor's comprehensive modernisation of our education system with the funding to transition Year Seven into secondary school.

More than \$328 million is allocated for building works and new classrooms at state schools as well as further allocations for new teachers and teacher training as part of the Government's Flying Start initiative.

More than \$80 million has been budgeted to assist the non-state sector make the change.

Mr Speaker,

This government is committed to investing in education – it's an investment in our future.

Labor's investment in education is delivering to Queensland an education system for the 21st century. An education system Queenslanders deserve.

We are investing in the skills of tomorrow, in the brains, knowledge and capacity of the next generation of Queenslanders.

We do so knowing that we must look to a future where we export the power of our ideas, not just the energy of hydrocarbons.

The Smart State investment should only ever have been described one way – as an investment in the jobs of the future.

Today we renew our investment and our commitment to research, innovation and the ideas that will power our future economy with a \$100 million allocation, including \$85 million from the Future Growth Fund ... to do just that, fund our future growth.

We will invest in our universities, in our world class research facilities, and the world class researchers working in them, in innovation efforts by business, in the products of the future.

These funds will also invest in our efforts to expand international education exports – vital for our state and for the future of our universities.

This investment is made possible by the earnings of the fund since its establishment in 2007.

Despite the difficult times, this investment was quarantined and now we are using its earnings to re-invest in our future economic success.

This is what good governments do.

Mr Speaker,

Our tourism industry has been doing it tough.

Earlier this year we stepped in together with the federal government to provide a \$10 million injection to support tourism jobs. Additional investment in this budget brings that total to \$13 million.

More needs to be done, and we are acting to secure a long term future for our state's tourism industry as a major employer.

The competition is heating up and today I announce that we are stepping up with an \$85 million commitment for major events over five years.

This funding will give Events Queensland the firepower to get into the marketplace to secure new events and new tourism drawcards for our state.

Event-based tourism is a key to our future and we are backing it with a massive commitment in this State Budget.

Our natural beauty has long been a drawcard for our tourists and we will continue our investment in the environment, with \$28.6 million to secure Stradbroke Island's future as a national park and green tourism magnet.

We believe in Straddie's future, and we are prepared to act for its future and the future generations who deserve to enjoy its uniqueness.

We do so in the tradition of Labor. We are prepared to act for the future of our environment, to tackling climate change and to facing up to the economic reality of resource scarcity.

Investing in a fairer Queensland

Mr Speaker, the Budget delivers on an agenda to make a difference for all Queensland families.

Abolishing the ambulance levy and giving extra support to pensioners are aimed at giving a hand to those who need it.

There are a group of people who deserve our support, and this budget makes further commitments to Queenslanders with a disability and their families.

\$7.4 million will help young Queenslanders with a disability as they make the often difficult transition from school or the child protection system.

We are investing in helping troubled youth through our youth justice initiative and expanding help for domestic violence sufferers, especially in indigenous communities.

No-one should live in fear, regardless of their kin, regardless of their skin colour.

That's what a Labor Government believes.

We also believe in the power of opportunity for all. So we will fund the continuation of the Families Responsibilities Commission through to 2013 to make sure young Queenslanders in those indigenous communities get the chance to be all that they can be.

That's what a Labor Government believes.

And we will continue our investment in health. The budget contains a record allocation to health of nearly \$11.1 billion.

We are building the hospitals of the future, for our future.

This year's health capital works program is a massive \$1.8 billion as we roll out the nation's largest hospital building program, with works currently underway in Cairns, Mt Isa, Townsville, Mackay, Rockhampton, Gold Coast, Brisbane and to commence this year on the Sunshine Coast and Ipswich.

Conclusion

Mr Speaker,

We are about to be part of an enormous economic expansion, built upon the courage of reform.

In each Budget of the Bligh Government we have made great strides – many of them hard yards – to remake and reform our State's finances and its economy.

We have done so as a team united in our purpose and united behind strong leadership.

We've shown the courage to overhaul the state's balance sheet, choosing to invest in new passenger trains and let the private sector shell out for new coal trains, choosing new National Parks over running a commercial timber business.

Choosing jobs, not cuts.

Choosing the future, not defending the past.

Promoting opportunity, not defending privilege.

Mr Speaker,

This Budget makes choices – it doesn't pretend that there aren't always choices to be made.

It reflects the choices of a Labor Government – as each of this Government's budgets has done.

Beyond the noisiness of the here and now, these choices will echo into the future.

Beware the rush to judgment.

We have acted in extraordinary times, with extraordinary courage, with extraordinary unity.

We do so with a clear focus on what Labor stands for – jobs ... the dignity of work.

The jobs we saved, the jobs we protected...

... the jobs we are creating.

... the families our budget decisions have sustained, the hopes, dreams and aspirations at many kitchen tables we preserved because we had the courage to look into the future, the fortitude to act, and a unity of purpose – jobs.

This government demonstrated it had the courage to confront the past in order to confront the future.

We looked then as we do now to a Queensland that can't be stopped ... a prosperity that cannot be denied.

Smashed this year by nature's full fury, our will tested, our resilience tested – we have withstood it all.

Where else but Queensland could you have seen business investment continue despite the state taking such a pounding from Mother Nature.

That tells you everything you need to know. We believe in ourselves, as Queenslanders, and in our future.

Earlier this year, many people rediscovered the true spirit, the essence of Queensland.

It is a magic place, a place of optimism and opportunity.

This century is ours for the taking.

With courage, anything is possible.

I commend the bills to the House.

State Budget 2011–12

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