



State Budget 2012-13

Budget Speech

Budget Paper No.1



2012–13 State Budget Papers

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The suite of Budget Papers is similar to that published in 2011-12.

In April 2012, machinery-of-Government changes saw the creation of 20 departments with each department reporting directly to one Minister.

These new arrangements have required minor changes to how information is presented in some Budget Papers. The 2012-13 Budget Papers provide continuity of information between the previous departmental structure and the new arrangements.

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APPROPRIATION BILL 2012

(Second Reading Speech, 11 September 2012)

TREASURER

The Honourable Tim Nicholls MP
Treasurer and Minister for Trade

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Madam Speaker, it is an honour to be delivering the first Budget of the Newman LNP Government and the first conservative Budget in 15 years.

This State Budget is the most important Budget in a generation.

At the last election Queenslanders spoke. And their message was loud and clear. The old ways were no longer good enough. Queenslanders wanted a Government that was up front with them, that would deliver outcomes for them, a Government for the 21st Century, and the best Government in the nation.

Madam Speaker this first Newman Budget starts Queensland on the path to delivering those hopes and aspirations for all Queenslanders.

In order to deliver that Government for the 21st Century we have had to make the hard decisions necessary to get the great state of Queensland's finances back on track and back in the black.

This afternoon we reset the clock and we break from the addiction to debt and deficit that characterised Queensland's finances under Labor.

This afternoon I will be outlining a programme

- for Queensland families
- for Queensland businesses and
- for regional Queensland

A programme

- to keep the cost of living down
- to reinvest in our schools
- for better health services and
- for people with disabilities

and, critically, a plan to stabilise Queensland's debt and chart the path to regaining our AAA credit rating.

Madam Speaker, this budget delivers in full on our election commitments; commitments that Queenslanders so resoundingly supported on the 24th of March this year. Commitments that we fully costed and that have been delivered without significant impact on the Budget bottom line as we said they would be.

It also fulfils our pledge to Queenslanders to

- grow a four pillar economy
- lower the cost of living for families
- deliver better infrastructure and planning
- revitalise frontline services; and
- restore accountability in government

and it targets a 4% unemployment rate over 6 years.

Madam Speaker, it is for Queensland the most important Budget in a generation.

Fixing our Finances

Madam Speaker, last year I stood on the other side of this House - after Labor had lost Queensland's AAA credit rating, carelessly casting it aside in its efforts to buy favour with the electorate, after Labor had a fire sale of assets, abolished the fuel subsidy and made buying the family home up to \$7000 more expensive - and I said:

"I am concerned that cost of living is out of control: concerned that Queensland's debt is soaring to record levels, that the government has sold our assets to simply keep the lights on and that they have neglected infrastructure, like roads and trains, hospitals, schools and dams".

Sadly, Madam Speaker, that concern was justified when I received the Queensland Treasury Government brief, which read:

"Queensland's fiscal position and outlook is unsustainable and restoration must be an urgent priority for this term of government".

This was reinforced by Queensland Treasury Corporation advice, which told us:

*"The State's debt has reached unprecedented levels. Together with its published forward estimates showing an even greater volume of debt required, **Queensland is now in uncharted waters** with respect to the volume of debt on issue and the resultant interest bill".*

Madam Speaker, the more we learned the more our worst fears for Queensland's finances seemed to be coming true.

Because of those fears, and as we promised in our “*Economic Blueprint for Queensland*” released on the first day of the election campaign, the Premier and I established the Independent Commission of Audit and appointed The Hon. Peter Costello AC, Dr Doug McTaggart and Professor Sandra Harding to undertake a review of the Government’s finances.

The Interim Report, which I released immediately on receiving it, confirmed the parlous state the previous Government had left Queensland’s finances in.

The Independent Commissioners reported:

“It is disturbing to report that, in recent years, the Government of Queensland embarked on an unsustainable level of spending which has jeopardised the financial position of the State.”

and

“Urgent fiscal repair is necessary just to stabilise debt which will continue growing in the absence of corrective measures. After that the State will need a very large amount of debt repayment to recover its AAA rating”.

Importantly, the Commissioners noted:

*“The magnitude of the task is substantially larger than previously recognised because the former Government has built in **unrealistically optimistic** Budget assumptions that have masked the magnitude of the underlying structural problems”.*

Because some of the action this Government is taking is “strong medicine” it is important to clearly state some of the most critical findings of the Commission. They are:

- Without corrective action gross debt is expected to be \$92 billion in 2015-16 and \$100 billion by 2018-19
- General Government sector gross debt had increased more than tenfold in the past five years
- Queensland’s ratio of debt to revenue has increased from below 20% in 2005-06 to more than 100% in 2011-12, and was expected to peak at 132% by 2013-14
- Interest has been the fastest growing expense of the Queensland Government over the last decade. The cost to service the total government sector debt is \$3.5 billion and in 2015-16 costs would be \$5.3 billion or 9% of revenue
- Since 2005-06 the State had been “living beyond its means”. Expenses grew at an average of 10.5% while revenue grew at an average rate of 6.9% per annum
- From 2005-06 to 2007-08 alone employee expenses jumped 40% and over the last decade the average increase in employee expenses was 8.7% per annum
- Public service numbers increased on an FTE basis by 40% from 146,323 in June 2000 to 206,802 in June 2011

- In 2005-06 just 34% of capital expenditure was funded through borrowing, by 2010-11, 96% of all capital investment was funded from borrowings and
- The previous Government placed overly optimistic assumptions in their final election eve budget

and critically, Madam Speaker, the Audit also found that despite Labor's asset fire sales, the Government had exhausted its fiscal capacity and it began borrowing heavily to support the Budget.

The need to fix the State's finances is not just the Government's or Commission's view. It is a view shared by Treasury, by Queensland Treasury Corporation, by ratings agencies and by financial markets, who charge Queensland higher interest rates than other states.

Madam Speaker, there are those for whom reality is too strong a measure. Those critics and commentators who believe the world should be ordered to their way of thinking or conform to their ideologies, no matter what. To them I simply say: we live in the real world where what ratings agencies say does matter; where the loss of the AAA credit rating does cost us more; where higher interest rates mean Queenslanders are paying an extra \$100 million a year and in certain circumstances, where Queensland has had to seek a Commonwealth guarantee on its borrowings. That, Madam Speaker, is reality.

These numbers and facts are all very well for economists and public finance specialists, but what does it all really mean for Queenslanders?

Our resilient, ambitious, hardworking tribe north of the Tweed.

It means that if we had allowed the debt and deficit policies of the past to continue taxes would have to rise more; services would have to be cut and Queensland would stop being a powerhouse state and instead become a beggar state.

Madam Speaker, that is not the Queensland the Newman Government will bequeath to future generations.

Madam Speaker, by fixing Queensland's finances now we secure Queensland a brighter future.

While we didn't create this financial mess, the Newman LNP Government will fix it. This Budget will start that process.

That is why this is the most important Budget in a generation.

The Outcomes

Madam Speaker, this year I committed the Government to report the Budget headline position on a fiscal balance. This is a more transparent and open report on the management of the State's finances, as it not only reports on the operating outcome but also includes the net financing requirement, showing in total how much more the State earns than it spends or vice versa. It covers both recurrent and capital expenditure and is closely aligned with the Australian Government's preferred Budget headline measure of "underlying cash balance".

As a result of the measures taken in this Budget, I can announce that the Newman Government is projected to deliver a fiscal surplus of \$652 million in 2014-15.

That's why this is the most important Budget in a generation.

This will be the first time in 9 years that the State will have a genuine Budget surplus and live within its means. The Newman Government will reduce the debt legacy left to Queenslanders by Labor by \$4.6 billion by 2014-15 and debt will then progressively fall as a proportion of the economy.

What this means is that by the end of this term of Government Queensland will once again be paying its own way and Government will once again have the capacity to deliver the outcomes Queenslanders deserve, while keeping the cost of living down.

The path to this surplus will not be easy.

The fiscal deficit for 2012-13 is projected to be \$10.768 billion. This figure includes the outcomes of decisions largely locked in by the previous Government. It also includes a one-off allowance of \$800 million for redundancy payments. It is also impacted upon by the timing of NDRRA payments from the Commonwealth and consequent expense obligations for flood and cyclone recovery.

This means Queensland will still need to borrow in 2012-13.

In 2013-14, the fiscal deficit is projected to be reduced to \$3.752 billion. This represents a \$7.016 billion turn around in just one year from 2012-13 to 2013-14. This is when the benefits of this Government's decisions start to take effect.

The Budget will also have a small \$17 million operating surplus in 2013-14, a year earlier than we predicted in our election costings.

Achieving a fiscal balance in 2014-15 has been an enormous task. I want to thank all my ministerial colleagues and their staff for their hard work in reaching what at first seemed an overwhelming challenge. Maintaining that balance, in the absence of extraordinary events, will complete the first stage in repairing Queensland's finances.

Reducing the stock of debt is the next stage to lock in the long term future prosperity of Queensland.

The Budget repair task over the next three years totals \$5.5 billion. As a percentage of GSP, this represents 1.75% and as a percentage of annual expenditure it represents 10%.

Madam Speaker, the Budget repair represents the largest turnaround in Queensland's finances in living memory.

The Budget repair is comprised of \$3.5 billion in expenditure revisions and \$600 million in revenue measures and \$1.4 billion in capital measures.

The Public Service

The previous Government, aided and abetted by some in the union movement, perpetrated a myth on not only the public service but also the people of Queensland. That myth was that the public sector could continue to grow at record levels and that there was no cost to doing so.

That employing more in the public sector was some form of economic stimulus when, in fact, it simply served to increase the deficit and make the landing, when it happened, that much harder.

Madam Speaker, if we had not acted now to have a right-sized public service the outcome would have been much higher taxes and charges on everyone. In fact, more increases to the cost of living. And even more job losses when the crunch finally came.

There have and will be job losses in the public sector as we go about the job of fixing the Budget. We wish this wasn't the case. But with employee expenses making up nearly half of all Government expenditure it would be disingenuous to suggest otherwise.

Anyone who thinks this Government wanted to take this path is grievously mistaken. They don't really know me - they certainly don't know the Premier - and they don't know this Government.

Ministers considered carefully the decisions to cease programs, restructure departments, outsource functions and reduce the size of the public service. These decisions were not made lightly.

Madam Speaker, I wish to give the people of Queensland an insight into the Government's approach to resizing the public service. This journey began when the Government accepted the need to repair the Budget **after** considering the Independent Commission of Audit Report, not before.

As employee expenses represent almost half of all Government expenditure, we needed to address the size of the public service before we reorganised the capital program or reduced grant funding.

The Government established the Cabinet Budget Review Committee to assist Ministers and Directors-General in making the hard decisions. The Committee challenged Departments and Ministers to come up with savings.

Advice was received that nearly 20,000 full time equivalent positions from the general Government sector would need to be removed to assist in the fiscal repair task, implement

the 3% employee expenses cap and achieve the previous Government's voluntary separation programme.

Over the last few months the Government has been working hard to save as many jobs as possible. The sad reality that some people have lost their jobs should not be seen as a reflection on them or their performance. The fault lies squarely with the cowardice of the former Labor government.

But as a result of our determination to find savings the Government will spend \$600 million over the forward estimates to save 6000 jobs.

Madam Speaker, while the Government could have saved that \$600 million and lowered the State's debt, we were determined to preserve as many jobs as possible.

Today I can confirm the total number of FTEs to be lost in 2012-13 will be 14,000. The total number of people receiving a redundancy from the public service under our fiscal repair program is 10,600. The difference is explained by not filling currently vacant positions and the removal of temporary and contract staff whose contracts are coming to an end.

To give Queensland public servants greater certainty, the Government has decided to bring all FTE losses into 2012-13. This includes the impact of the 3% employee expenses cap and the previous Government's voluntary separation programme. Net of redundancies, the impact of these measures will be \$3.7 billion over the forward estimates.

Madam Speaker the figures I present today are the extent of the Government's fiscal repair task. While the public sector will remain dynamic and while this government has a reform agenda to be the best State Government in Australia we trust and hope neither this government, nor any other government will need to undertake such a difficult task of such magnitude again.

Debt

Madam Speaker, when Queensland is paying a higher interest rate on its debt than Tasmania, you have a problem, a big problem.

As the Independent Commission of Audit identified, gross debt was expected to be \$92 billion in 2015-16 and \$100 billion by 2018-19 in the absence of any policy changes.

Because of the work this Government has done, debt over the forward estimates will be \$6.6 billion less than the Independent Commission of Audit found would have occurred under Labor.

This means in 2014-15, when Labor's debt was scheduled to reach \$86.3 billion, debt will now be \$81.7 billion.

The State's debt to revenue ratio will peak at 125% and not the 132% as Labor would have had it.

While our position will improve under this Government, we will still need to regain our AAA credit rating, which will only occur if we reduce the stock of debt Labor ran up over the last half decade.

The good news is that with a \$652 million fiscal surplus in 2014-15, Queensland will no longer have to go cap in hand asking, like Oliver Twist, *“please sir can I have some more”* Queensland will once again be living within, not beyond, its means.

Importantly, Madam Speaker, this has been achieved while delivering on our election commitments in full and without any new taxes on families.

Instead of wasting money on ever increasing interest payments, by undertaking the fiscal repair task we will save taxpayers over \$1.3 billion in interest payments over the forward estimates. That represents:

- 1300 beds in hospitals or
- 250 km of dual carriageway Bruce Highway or
- 16,250 additional teachers or
- 26 brand new, top shelf, primary schools

The cost of interest payments in 2012-13 will be \$174 million less under this Government, rising to \$500 million less in 2015-16.

Madam Speaker, the previous Government failed to save when the times were good. As a result, there was no gas in the tank when times got tough. Make no mistake, had Labor saved in the boom, we wouldn't have suffered financially as much from the GFC, the cyclones and the floods.

A Newman LNP Government is determined to make sure Queensland has the financial resilience to absorb and bounce back from whatever the harsh winds of reality throw at us. Like Queenslanders themselves, our government and our finances need to be able to get back up and toe the line after adversity strikes. That's why we need to pay off the debt and get the AAA credit rating back.

That's why this is the most important budget in a generation.

Fiscal Principles

Madam Speaker, this Budget outcome can only be achieved with solid fiscal principles and discipline. In our interim response to the Independent Commission of Audit we outlined the Newman Government's fiscal principles which are to:

- Stabilise then significantly reduce debt
- Achieve and maintain a general government sector fiscal balance by 2014-15
- Maintain a competitive tax environment for business
- Target full funding of long term liabilities such as superannuation.

The Government remains committed to these principles.

To ensure the hard work and sacrifice of the Budget measures we announce today are not lost, I have instructed the Under Treasurer to create a fiscal discipline unit, from existing resources, within Treasury, to monitor and ensure we reach the fiscal surplus in 2014-15. This unit will return to the traditional Treasury outreach service model to ensure we identify issues quickly if they arise and work with Ministers and their Departments to fix them.

Reform

The measures I announce today start us on the path to fixing Queensland's finances. In doing so, we follow a long line of reforming Liberal National Governments, which have to fix the mistakes of our political opponents. Reform rarely comes from those opposite.

We are a government determined to ensure Queenslanders are provided with a government for the 21st century.

And the best state government in Australia.

As I said at the outset, this is the most important Budget in a generation. We are resetting the clock to deliver a brighter future.

Make no mistake, we are a reforming Government.

Reform can be unpopular in some parts of our community. It challenges the elites, the unions, the Industrial Relations clubs and the commentariat.

It challenges those for whom the old ways were the most lucrative, the most comfortable, and that entrenched their own feelings of self-importance.

But in the 21st century reform of government is a "must do" task. And we are the "*CAN-DO*" government determined to achieve it.

Our Government's vision is to deliver smarter, simpler and better outcomes that respond to the needs of Queenslanders, from Brisbane to Bedourie and from Currumbin to the Cape. This Budget starts delivering on that vision.

It does it by moving spending from the public sector to the private sector. This Budget will see \$500 million of spending shift. This will provide new and exciting opportunities to all businesses, large and small, to increase their exposure to Government contracts and services. To show what they can deliver and how well they can deliver it.

We will also be looking to the communities sector to help us achieve the reform that is so necessary in the delivery of social and community services to support those who need the help and assistance of a caring society. By working together we can make our funds go further and help many more in need.

In coming months this Government will lay out the pathway for the better delivery of services, based on the principle that Government does not always know best, that bigger is not always better and that **real choice** and power about what is best for any Queenslanders is a decision best made by that person - not by Government.

One of the many differences between this Government and the previous Government is that this Government understands that spending taxpayers' money is not the answer to every problem.

When it comes to the economy, Government programs are only sometimes the solution. Often the best thing Government can do is get out of the way and let people with ideas and initiative flourish.

That is why we are aggressively tackling overregulation. That is why we are clearing project approval backlogs. That is about getting off the back of Queensland businesses.

The changes we are making in some areas of public sector procurement and service delivery in areas such as information technology, building services and infrastructure delivery will also provide opportunities, including for former public sector employees. We need a public sector that works with, not competes against, the private sector.

Projects Queensland has been established and is running the ruler over a range of projects, as diverse as the Toowoomba Second Range Crossing, the Government precinct redevelopment and the Government Wireless Network. We will aggressively seek greater private sector involvement in delivering Government infrastructure, utilising the skills and abilities of the private sector to deliver results for Queensland. Unlike our predecessors we want to work with the private sector, not against them.

Madam Speaker, the economy works best; jobs creation is best; people are at their best; when government is best. The Newman Government unashamedly wants to be the best State Government in Australia, to secure a bright and prosperous future for all Queenslanders.

Election Commitments

Madam Speaker, this Budget delivers on the Government's elections commitments.

Our key commitment was and is to ease the cost-of-living pressures on Queenslanders. Under this Government Queenslanders will find savings when they turn on their lights; turn on their taps; register their family car or buy a new home. In fact, our savings measures will save families up to \$260 this year alone.

The Principal Place of Residence Stamp Duty Concession, abolished by Labor, was reinstated from 1 July 2012, saving Queenslanders up to \$7,175 when they purchase their family home.

The previous Government's scheduled increases in South East Queensland public transport fares for 2013 and 2014 have been halved.

Family car registration fees have been frozen for three years from 1 July, 2012.

The Government has also frozen the standard electricity tariff for 12 months.

And today I announce water price relief will be provided to South East Queensland households in 2012-13 via a one-off \$80 rebate, while the Government disentangles the mess that is the multi-billion dollar water grid.

Queensland businesses are already benefitting from the increase in the payroll tax threshold and we have abolished the previous Government's job destroying waste levy.

This Budget also funds a range of carefully targeted expenditure programs we promised during the election.

The Budget provides additional funding of \$26 million over four years for extra respite for people with high needs disabilities aged between 16 and 25 and their carers, and to establish "Parent Connect" to provide assistance to parents of newborns with a disability.

The Government will provide \$115 million over four years to provide better infrastructure and planning for Queensland non-state schools and for the community.

We will also provide \$13.5 million from 2012-13 to 2014-15 and \$7.5 million ongoing from 2015-16 to support the transition and ongoing operation of 120 state schools that will become Independent Public Schools.

An amount of \$53.6 million over four years will be provided to rollout the equivalent of a full-time teacher aide to an additional 150 Prep classes each year in areas of greatest need. This funding will ultimately support up to 9,000 extra teacher aide hours per week.

Funding of \$6.5 million per annum is also provided to enable principals to select tailored literacy and numeracy programs that are matched to the needs of their students.

Increased funding of \$12 million in 2012-13 will provide up to 40,000 extra public specialist outpatient services.

Funding is provided to deliver an additional 1,100 new police officers by 2015-16.

The Regions

Under the Newman Government, Queensland's regional communities will get the recognition they deserve for the role they play in generating Queensland's prosperity under our \$495 million "*Royalties for the Regions*" program. The funding provided will benefit communities that support resource projects. Funding will be contestable and directed to projects that build capacity and sustainability in regional areas.

The Budget allocates \$97.7 million over four years for a much needed boost to the Patient Travel Subsidy Scheme for rural and regional Queenslanders. The first significant increase in over a decade.

The Government's additional funding of \$1 billion over 10 years to upgrade the Bruce Highway is locked and loaded. We look forward to the day when the Australian Government accepts its responsibilities. We are ready for a discussion anywhere, anytime.

Ongoing reconstruction of road infrastructure damaged by natural disasters, in partnership with the Australian Government will be \$2 billion in 2012-13.

In 2012-13, over 75% of the Government's capital expenditure will take place outside of Brisbane.

Ongoing Expenditure

Madam Speaker, as a resident of the Sunshine Coast, I know that you will be pleased to hear that the Government will spend \$31.7 million this year to start construction of the Sunshine Coast University Hospital. This hospital was long promised by those opposite but never delivered. The Newman Government will deliver the \$1.9 billion hospital. And we will do it more economically than those opposite could ever have done.

This investment in health infrastructure is matched by a 7.4% increase in the health Budget to over \$11.8 billion.

This Budget will provide \$1.3 billion to construct, expand and redevelop hospitals across Queensland in particular Gold Coast, Cairns, Brisbane, Mackay, Ipswich, Townsville, Rockhampton, and Mount Isa. This investment includes \$51.6 million to be spent upgrading Health facilities in regional and remote Queensland.

\$456.5 million will be spent to expand and improve social housing across the state including \$230 million in indigenous communities.

Funding for specialist disability services will increase by 3% from \$931 million to \$959 million. A record spend on disability services.

The Government will continue to fund the development of the Gold Coast Rapid Transit Project as well as the Moreton Bay Rail Link.

The State capital program will be \$15.5 billion in 2012-13, an increase of \$1.6 billion on 2011-12. The reconstruction effort remains the prime focus of the capital program, accounting for \$4 billion of expenditure in 2012-13, including \$2 billion in grants to Local Government.

Capital spending is expected to reduce over the forward estimates, largely due to the completion of reconstruction works and major hospital projects. The capital program needs to return to more manageable levels. It also needs to be seen in the context of record levels of business investment - in effect, the public sector needs to make room for the private sector.

Rewards of Fiscal Repair

The rewards of strong economic management and prudent spending should be shared by all Queenslanders.

Today I announce five new initiatives, all funded through cutting waste and driving efficiencies:

1. Advancing Our Schools

Madam Speaker, despite spruiking their education credentials, the previous Government failed to deliver the basics like maintaining our schools. The Commission of Audit highlighted the \$300 million maintenance backlog in our State schools that Labor had neither the wit nor wisdom to address. Madam Speaker, that is simply not good enough.

Today I announce a new ***“Advancing Our Schools”*** maintenance fund. This is a **\$200 million** commitment over two years for state schools – to boost the existing level of funding. Queensland state schools parents and citizens organisations can apply for up to \$160,000 to help fix existing priority maintenance issues at their school. This approach reflects our belief that a Government bureaucracy, no matter how well intentioned, does not always know best. It is a fundamental shift from previous approaches, and it is aimed at empowering and leveraging off the strength of local school communities.

2. Elderly Parent Carer Innovation Trial

Madam Speaker, as every parent knows, and no matter what we might sometimes say, we all want to ensure our children’s future is secure, especially when we can no longer be there for them. This is especially so for parents who care for adult children with disabilities. So today I also announce that the Newman LNP Government will establish an ***“Elderly Parent Carer Innovation Trial”***.

The Newman Government recognises there is unmet need from elderly parent carers of people with a disability to have certainty and security about who will care for a loved one with a disability after they no longer can, and where they will live.

The dividend from our strong economic management, focussed on cutting waste and delivering efficiencies, is that the Government is able to invest **\$15 million** for the ***“Elderly Parent Carer Innovation Trial”***.

This one-off flexible trial will invest in or contribute to projects that provide new community living places, mixed disability and aged care developments, home modifications, as well grants to elderly carers to assist in transition to new care arrangements. The fund will also encourage partnerships and contributions from families, trusts and philanthropic and private organisations.

The trial will commence in the first half of 2013.

3. Tourism Boost

Tourism is an iconic industry for Queensland. Unfortunately, the last government failed to nurture and support the tourism industry when it was doing it tough and Queenslanders paid the price in lost jobs and opportunities. The Newman Government knows how important tourism is to Queensland and we want to see a doubling of overnight visitor stays by 2020.

So today I announce the government will allocate **\$20 million** for tourism attraction. Working with industry, these funds will be used to bring more visitors to Queensland's tourist destinations throughout 2012-13. This will build on our successful **\$8 million** "*Attracting Aviation*" investment which has already seen new flights from China Eastern Airways and China Southern landing in Cairns, with more to come.

4. Tropical research

Asia is our nearest and largest trading region. As an outwardly focused trading economy, Queensland engages more with Asia than any other part of the world. And there are great opportunities for Queensland in Asia.

So today I announce a **\$4.8 million** partnership between the Queensland Government and the Queensland University of Technology for research into tropical pulses. The growing economies of Asia and India, and the rising incomes of their populations, represent an historic opportunity for Queensland primary industries. The funds will be used to undertake research, commercialisation and technology transfer to help position Queensland as a leading exporter of pulses to Asia.

5. First Home Owner Construction Grant

Madam Speaker, the old first home owners grant had well and truly outlived its usefulness. It was simply adding \$7,000 to the price of a home. Many economists and many in the construction industry had called for it to be removed and replaced. We have listened and acted.

Having first home owners compete against each other for a limited number of affordable existing homes is not the answer. It just means higher prices.

From tomorrow the Government will replace the current first home owners grant with, a new, bigger "***First Home Owner Construction Grant***" of **\$15,000**. The new bigger grant will be available to first home buyers who sign up to buy a newly constructed or off the plan house or apartment. Together with the current stamp duty exemption, this means a new home buyer buying a newly built or off the plan home worth up to \$500,000 will be \$15,000 better off.

We need to address the supply side and do so in a sustained way that gives buyers, and importantly the construction and development industry, certainty over the longer term to borrow, build and invest in new housing products.

This new, bigger grant, together with the Principal Place of Residence Concession, we reintroduced from 1 July, 2012, means Queensland is the best State to buy your own home. Our grant is now the most generous in Australia.

These new initiatives invest in Queensland's bright future and show the benefits of strong economic management and prudent spending.

Skills for Economic Development

The Newman Government is committed to developing a robust and resilient economy and to do this we need a skilled workforce to remain competitive both domestically and internationally.

I am pleased to announce that Trade and Investment Queensland, in consultation with the Department of Education, Training and Employment, will be undertaking an immediate comprehensive competitive analysis of the Queensland Government's criteria for both state-sponsored skilled migration visas and business migration visas.

Under Labor, Queensland has fallen behind other Australian states and today has some of the most onerous criteria for state-sponsored visas. These onerous criteria are restricting Queensland businesses from hiring employees with critical skills. They also act as a handbrake on the flow of capital and investment in to our state. This is happening at a time when the current shortage of skills is driving wages to unsustainable levels, especially in the resource industry. This issue must be addressed if Queensland is to remain a competitive place to do business.

As an example a mining or petroleum engineer seeking a state-sponsored permanent settlement visa in Queensland, currently requires 7 years work experience. In Western Australia, the Government will sponsor a petroleum or mining engineer if they have a job offer with a term greater than 12 months. The same example can be found in other critical occupations, such as surveyors, mechanical engineers, and geotechnical engineers.

The former Government's abject failure on state sponsored skilled migration visas is evident by the statistics. In 2011-12 Queensland sponsored only 212 visas whilst 22,247 state sponsored places were filled nationally. Queensland's share was less than 1% of the national total and its allocation from the Commonwealth Government was undersubscribed by 93%.

The Newman Government will ensure our visa allocation is not wasted, but used to increase the skilled workforce available for Queensland business.

Consistent with our Government's position of ensuring Queensland is open for business, we will ensure as part of the review that our business investment criteria are competitive. We will review the investment thresholds for both 188 Business Investment Visas and the

132 Business Talent Visa, including consideration of a tiered regime to encourage business migration into key regional areas.

We will also engage with the Commonwealth Government to increase our business visa allocation places for 2012-13, which at 98 places is less than 14% of the business visas sponsored in 2011-12.

Recent economic modelling by the Commonwealth Government shows that 220,000 more jobs will be created in Queensland over the next 5 years, more than any other State. We need business investment to help deliver those jobs.

The Queensland economy is a driving force behind the economic growth of this nation, and the Newman Government will ensure Queensland has the skilled labour and business investment to fuel the economy, building a brighter future for all Queenslanders.

Revenue

Madam Speaker, this Budget sees revenue revisions of \$2.1 billion over the forward estimates. This includes lower royalty payments of \$1 billion and tax revenue declines of \$1.1 billion.

Madam Speaker, in net terms expense measures equate to 68% of the fiscal repair task, capital measures equate to 22% and revenue measures account for 10% of the task.

I have consistently said that as most of Labor's damage to the Budget was on the expenditure side, so too must most of the repair work be around expenditure.

But not all of the repair can be achieved by savings. We must call on all sectors of the community to make a contribution to the task at hand as all will benefit from it.

Royalties

With a narrow tax base States have limited opportunities to grow their revenue. One area identified in the Commission of Audit Report is around royalties.

We all know of the huge endowment of resources Queensland has in coal; in gas and in bauxite, as well as other minerals.

And we all know of the importance of resources to the Queensland economy.

In its attempts to fix its own Budget the Federal Government has sought to claim a share of Queensland's royalties through the Mineral Resources Rent Tax.

Having held on to his 'root and branch' review of the Australian tax system for months on end, Mr Swan phoned the states at two minutes to midnight on the day of the announcement to tell States their royalties are no longer theirs.

He could have consulted with the States on a better system, but instead he chose to threaten them.

The then Queensland Government, despite its knowledge of the parlous state of Queensland's finances, could not possibly disagree with their federal Labor colleagues even if it meant selling Queensland out. The former Labor Government was Labor first and Queensland second.

The Newman Government believes that Queenslanders should receive the benefits of the resources they own, not the Commonwealth. As the value of State royalties paid is netted off against MRRT liabilities, the incidence of taxation ought not to increase.

Accordingly, from 1 October the rates for coal royalties will be increased to 12.5% on the value per tonne between \$100 and \$150 and to 15% thereafter. These changes are expected to raise some \$1.6 billion over the next four years.

Importantly, the rate for coal below \$100 a tonne is not changing. It is only when prices start climbing that the new higher rates will progressively apply, ensuring Queenslanders share in the upside of the value of their resources.

To give certainty to industry the Government will guarantee no change to the royalty rates for coal for 10 years from 1 October, 2012.

We will also establish a Cabinet Committee comprising the Deputy Premier, myself, the Minister for Natural Resources and Mines and the Minister for the Environment to report back within 100 days on proposals to reduce approval times, red tape and regulatory burden and to help speed up the mining approvals process. This will reduce costs and help ensure projects are up and running, employing Queenslanders and contributing to our economy as quickly as possible.

And as part of the Government's commitment to assist junior explorers, arrangements known as "farm-ins" will be exempt from transfer duty. This is anticipated to cost Government \$5 million per annum.

Transfer Duty

We will also be changing the transfer duty threshold and rate. From passage of the amending legislation the threshold for the highest marginal rate of transfer duty will increase from \$980,000 to \$1 million. At the same time the rate applicable to the new higher threshold will increase to 5.75%.

The part year impact is expected to be \$55 million and the full year impact \$92 million. Importantly, Queensland remains amongst the most competitive and is the best place to buy a family home in Australia.

Gambling and Casinos

Madam Speaker, we will be introducing an additional tier in to the gaming machine tax rate structure that will increase the gaming machine tax payable by clubs where the monthly metered win is more than \$850,000.

We will also be rescinding the previous Government's decision to lower the rate of the Health Services Levy, where monthly metered win is higher than \$100,000 per month.

We are also working with the Casino industry to increase its contribution to the Budget by \$8 million per annum.

These measures are estimated to result in an extra \$16.5 million in revenue in 2012-13.

Low Tax State

Importantly, Queensland improves its competitive tax status as result of the measures we have announced today. Taxation per capita in Queensland is \$2,347, some \$495 below the average of all states and significantly lower than NSW, Victoria, Western Australia and South Australia.

Our taxation effort as a share of GSP at 3.74% is also well below the average of 4.24%.

Federal Challenges

Madam Speaker, while we are trying to keep the cost of living down the Federal Government is adding more pressure to family incomes. The new Carbon Tax has already been felt on Queenslanders power bills with more to come. Labor's Carbon Tax could hit our bottom line by up to \$1.6 billion over 4 years while also causing a \$1.7 billion write down in the value of State owned generators.

While promises of infrastructure funding to flow from the MRRT were made, Queensland received no new funding this year despite being one of the resource states from whom the larger contributions are expected. Where is the Federal Government when it comes to the Bruce Highway upgrades we so urgently need? Our money is on the table. Where is theirs?

The Federal Government continues to impose more obligations on the States without even the pretence of consultation.

At the same time, it provides no certainty of funding for existing programs.

I give this commitment to Queenslanders; we will always stand up and fight for their best interests, no matter who holds the Treasury benches in Canberra.

Economic Outlook

Madam Speaker, it should come as a surprise to no one that global sentiment continues to weigh heavily on the economy.

The ongoing European sovereign debt crisis has dented global confidence, while the outlook has softened somewhat for the two key engines of global growth – the US and emerging Asia.

Madam Speaker, at budget time last year our predecessors predicted growth of 5% in 2011-12 to be followed by 5.25% in 2012-13. We were told the housing market was about to turn the corner. At the time I questioned these prognostications.

Unfortunately, my scepticism has shown to be well founded. In 2011-12 Queensland's economic growth is estimated to come in at 4%. This growth was almost entirely driven by a record surge in business investment of 42.3%. Good growing conditions also contributed by boosting rural exports higher.

The rise in investment largely reflects a ramp-up and bring forward in LNG and mining activity, with consumption spending boosted in the retail sector due to heavy price discounting and a fall in food prices following the floods.

As a result, the recovery in 2011-12 has not been as big or as broad-based as we would like or indeed need. Dwelling investment has not improved relative to 2010-11, weighed down by cautious households, slower population and employment growth and tighter credit conditions.

Despite greater risk aversion, lower commodity prices and domestic interest rates, the Australian dollar has remained high, in effect denying the broader economy the economic safety valve normally afforded in such circumstances.

The high Australian dollar has dampened services exports in Queensland. Interstate tourist visitor nights in Queensland fell as the high Australian dollar made overseas travel cheaper for Australians, although greater interest from emerging Asia prevented a fall in overseas visitor nights in the same period.

The labour market in 2011-12 reflected the broader economic trends, with employment only marginally higher over the year. Mining, the public sector, finance and agriculture were the only industries to record significant jobs growth over the year to June quarter, 2012.

Madam Speaker, unlike our predecessors we will be realistic with our forecasts.

Economic growth in Queensland in 2012-13 is expected to remain at a solid 4%. Growth in 2012-13 is expected to be largely driven by a recovery in coal exports and further resource and mining related business investment.

The recovery in employment growth in 2012-13 is now expected to be softer than previously forecast, reflecting greater employer caution, fiscal consolidation at both State and national levels, and a slightly weaker outlook for sectors such as housing, construction and tourism. As a result, the year average unemployment rate is expected to remain steady at a rate of around 6%. The weaker outlook for the labour market is also expected to result in more subdued inflation and wage outcomes.

Madam Speaker, Queensland's current economic performance is respectable in absolute terms and strong in relative terms, but still far from our best.

While the aggregates show growth, we know that this growth depends heavily on a critical but narrow part of the economy – investment in the resource sector, and particularly the CSG to LNG processing and export industry.

We said during the election, and I will say it again today, that strong and vibrant agriculture, construction and tourism sectors are also essential to wide-spread recovery and wealth generation. That's why we are working so hard to grow those parts of our economy long neglected by Labor.

Conclusion

Madam Speaker, confidence is everything. As I travel and talk to people, the one word that crops up time and again is "confidence". Confidence to invest; confidence to expand; confidence to buy; confidence to learn; confidence in Queensland and confidence in its Government.

Madam speaker this Budget is about rebuilding confidence.

It does so by setting about the task of repairing Queensland's finances. It delivers a genuine surplus and gets our finances back on track and back in the black.

It provides confidence for Queensland families and businesses and invests in regional Queensland.

It will help keep the cost of living down, reinvest in our schools, deliver better health services and provide more for people with disabilities.

It delivers our election commitments.

It outlines our vision to be the best Government in the nation; to be able to deliver smarter, simpler outcomes responsive to the needs of Queenslanders.

It outlines our reform agenda based around the choices an individual makes about their future, not what Government thinks is best.

It shows how we can work with the private sector to deliver better outcomes and make our funds go further.

The Newman LNP Government believes in Queensland's future.

I have an unshakeable confidence in our ability to meet the challenges of the 21st century and to reap the rewards of hard work, learning and endeavour.

This Budget starts to deliver a brighter future for all Queenslanders.

This is the most important Budget in a generation.

I commend the bills to the House.

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