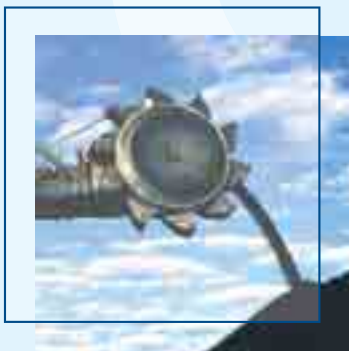




Cyclone Larry response



State Budget 2006–07

# Budget Speech



Budget Paper No. 1



# 2006-07 State Budget Papers

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## **APPROPRIATION BILL 2006**

(Second Reading Speech, 6 June 2006)

### **TREASURER**

The Honourable Anna Bligh MP  
Deputy Premier, Treasurer and Minister for State Development, Trade  
and Innovation



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### **TREASURER**

The Honourable Anna Bligh MP  
Deputy Premier, Treasurer and Minister for State Development, Trade  
and Innovation

Mr Speaker, I move that the Bill now be read a second time.

Today's Budget builds Queensland in every sense of the word.

It continues our tradition of fiscal responsibility and it grasps the opportunity to build the Queensland of tomorrow.

This Budget centres on our overriding priority as a Government: a better standard of living for all Queenslanders. The core commitments of our budget strategy are:

- Managing for strong finances;
- Delivering quality services; and
- Securing growth and prosperity through productivity.

Firstly, strong finances. We are responsible economic managers with a focus on maintaining a healthy balance sheet, delivering an economic climate where industry continues to grow, jobs continue to flourish and prosperity is secured.

Secondly, delivering quality services ensures that all Queenslanders can share in our prosperous economy. We recognise that families are the key building block of a strong and healthy society. Our economic policy must deliver the services that support families as they bring up children and create the communities of tomorrow.

Thirdly, securing growth and prosperity through productivity. Constant improvement in productivity is key to improving standards of living in Queensland and we are determined to drive productivity growth.

To these ends, today's Budget:

- builds investment through tax cuts;
- builds services and infrastructure with record spending; and
- builds opportunities for our children with a massive boost to our schools.

Let me start by outlining Queensland's strong financial position.

## **1. Managing for Strong Finances**

Queensland today is in an enviable position. Our economy is one of the strongest in the world, our resource sector is booming, our unemployment rate is close to a 30-year low, infrastructure and business investment are at record highs and our balance sheet is one of the strongest in the nation.

Solid and responsible financial management fundamentally underwrites everything we do as a Government. The Beattie Government has an unparalleled record for prudently managing its finances.

Net debt is the most common measure used to judge the overall strength of a jurisdiction's fiscal position. High net debt imposes a call on future revenues and reduces financial flexibility.

I am pleased to report that Queensland has net financial assets of \$5,155 per capita, while other states have average net financial liabilities of \$111 per capita.

This year, the Queensland economy has grown by 3 ½%, compared with 2 ½% nationally – the tenth consecutive year in which Queensland has outperformed the rest of Australia. More importantly, growth in the Queensland economy is forecast to strengthen to 4 ¼% next year to again exceed the national average.

Despite higher interest rates and oil prices, household spending is forecast to continue to grow at 4 ½% for the second year in a row, as Queenslanders continue to benefit from exceptional labour market conditions and strong growth in household incomes and wealth.

Last year we predicted an operating surplus of \$934 million in 2005-06. I am pleased to report the surplus is now estimated at \$2.85 billion – with an underlying surplus of \$1.72 billion.

The forecast surplus for 2006-07 is \$245 million. In addition, healthy operating surpluses are budgeted for each of the outyears.

Higher world commodity prices have boosted Queensland's export earnings and related business investment. In the three months to April 2006, the nominal value of Queensland's overseas merchandise exports rose 39.4% compared with the same period a year earlier, to total \$8.8 billion.

Business investment is estimated to surge by 16 ½% in 2005-06. Business investment is forecast to increase further next year, to surpass \$25 billion for the first time. This represents a level of business investment twice that of only five years ago.

In 2005-06, working Queenslanders exceeded 2 million for the first time. Employment is set to grow at double the national rate next year. As a result, the unemployment rate in Queensland is expected to remain around the 30-year low of 5%, and below the national rate.

For the past eight years we have consistently managed for a strong, stable financial position.

Let me turn now to the new and expanded services made possible by our strong financial management.

## **2. Delivering Quality Services**

Strong communities and strong families rely on quality services.

## Health Care

Paramount among these is quality health care.

In October last year the Government announced the most wide ranging program of reform to health care in the history of this State.

Our Health Action Plan committed more than \$6.4 billion in additional funding over the next five years for more medical staff; more services; and better facilities.

Today, the Government further strengthens this commitment. I am pleased to announce our investment in the Health Action Plan will be increased to \$9.7 billion in just over five years.

In this year alone, we will spend \$6.65 billion on health, an increase of 24% on last year.

The Beattie Government has doubled funding to Health from 1998-99 to 2006-07.

This additional funding will provide more doctors, nurses and allied health professionals, more services, more capacity in our hospitals, more equipment and technology, shorter waiting times and better facilities for the people who need them.

Today we make the single largest injection of funds into Queensland's Health system in the history of this State. Our commitment to the people of this State is to build the best possible Health system and with the increased funding of \$9.7 billion, we deliver on that commitment.

## Children and Families

Our government values families as the fundamental building block of our society.

We also recognise society is changing, in work patterns and in parenting roles and responsibilities. Family life is busier and more demanding than ever. We understand these changes need new initiatives, new ideas and flexibility.



This Budget is the first that provides a doubling in the maternity leave entitlement of Queensland public sector workers from six weeks to twelve weeks. A new entitlement of up to two years unpaid leave can now be taken by either parent to help families in these important early years.

As part of our maternity action plan, new parents and young families will benefit as the first three of our new family support hubs are established this year. These new services, to be established by Queensland Health, will provide care and assistance to mothers during their pregnancy and after the birth of their baby.

For some families, raising children presents many challenges. \$35 million over the next four years will establish four new Early Years Service Centres in high needs areas to provide professional parenting and child development services for these families. These centres will provide early intervention before a challenge becomes a crisis.

## Disability Services

This government continues to recognise the needs of those families and individuals living with a disability.

Today's Budget builds on our government's strong record in the delivery of these essential services.

An additional \$128 million in recurrent funding and \$6 million in capital funding over four years will be made available in this Budget, increasing total spending to \$633 million.

This represents a 22% increase on the previous year but a massive 186% increase on the disability services budget we inherited in 1998. The new funds improve community services and accommodation support and deliver better respite care services for children and adults with a disability.

This government is committed to people with disabilities playing an active role in our community. To this end a further \$47.7 million will be made available in 2006-07 for modifications to the Citytrain network to further improve access for people with disabilities.

## Child Safety

Regrettably, even in the midst of Queensland's strong economy, many are still doing it tough.

Unfortunately, the number of children entering the care of the State is continuing to grow. To meet this increasing demand and to provide a child protection system worthy of the expectations of all Queenslanders, the Government will commit more than \$500 million in 2006-07 to the Department of Child Safety – almost a tripling of funds in the last three years.

In 2006-07, an extra \$109 million will be provided to continue the reforms of recent years and to implement new programs and projects. New services include \$4 million in capital to establish two new residential therapeutic facilities and \$11.6 million over four years for new services to Indigenous children.

The Government has now implemented 94 of the 110 recommendations for reform of Child Safety set down by the Crime and Misconduct Commission and we expect to implement all 110 by the end of this year.

## Housing

This government does not forget those most in need, and in housing services this is particularly true.

Additional funds will see new programs to support some of our State's most vulnerable people, including nearly \$40 million over four years for 70 units of accommodation to enable people with spinal cord injuries to leave hospital and \$20 million to improve housing in Indigenous communities.

## Non-Government organisations

Many government services are delivered in partnership with non-government organisations. In recognition of their vital role, the level of indexation applied to grants to these groups will rise from 2.5% to 3.4% in 2006-07.

## Public Safety

Strong and healthy communities must be safe communities. This Budget continues the Government's firm commitment to public safety and law and order.

This year, the operating budget of the Queensland Police Service will grow by \$122 million to support new initiatives, including 350 extra sworn police officers and better police computer systems to cut response times and solve crimes faster.

The total number of sworn officers will increase by almost 3,000 since the first Beattie Government was elected, to a record 9,728 officers by September 2007.

This will maintain Queensland's police to population ratio above the national average.

New recurrent funding of \$103.9 million and \$50.6 million in capital will be made available over four years for a Public Safety Network which will provide a single upgraded data system for our Police, Emergency Services, Corrective Services and the Department of Justice and Attorney-General.

The Government will also recruit an additional 144 ambulance officers over three years and employ another 35 communications officers next year to improve ambulance call response times.

New funding of \$35 million over four years will further strengthen community safety with the introduction of tougher supervision and surveillance measures into our probation and parole system.

### Rural and Regional Queensland

While many Queenslanders are benefiting from our strong economy, some rural communities in particular are facing challenging times.

As I speak today, more than 60% of the State is declared drought affected while other areas are recovering from cyclone and flood damage.

On the morning of the 20<sup>th</sup> of March this year, one of the most powerful and destructive cyclones seen in our State hit the North Queensland coast.

The recovery response in those communities affected by this storm is a testament to the spirit of the Queensland people.

This Budget includes funding for the ongoing rebuilding effort under joint Federal-State disaster assistance measures to get North Queensland back on its feet. While it may be some time before the final costs of the devastation are clear, over \$100 million has been set aside by the Government.

Queenslanders living in rural and regional areas face a range of challenges. In conjunction with AgForce and the Local Government Association, we have released a 10-year Blueprint for the Bush to build the sustainability, liveability, and prosperity of rural Queensland. The Blueprint commits more than \$150 million over the next four years to a range of initiatives that will assist rural communities.

## Environment

Our government believes that we have a duty of care to protect, manage and revitalise Queensland's unique environment.

To this end, today's Budget provides \$20 million to acquire high environmental value properties in South East Queensland and \$3 million for similar programs in Cape York.

It also provides \$2.1 million over four years for conservation and management of koala habitats.

The degraded East Trinity site near Cairns will receive almost \$2.5 million over three years for soil remediation and management of the site.

The service improvements and expansions outlined in this Budget are an investment in the health, well being and security of Queensland's people, their families and their communities.

We can only continue to build and expand our services if we continue to achieve economic growth. Let me now detail our efforts to secure the future growth and prosperity of Queensland through a relentless pursuit of productivity gains.

### **3. Securing Growth and Prosperity through Productivity**

Our government seeks to keep Queensland the best place in Australia to invest, the best place to do business – with an economy equipped with the infrastructure and the highly skilled workforce it needs to thrive.

Since the Beattie Government came to power, Queensland has bettered the national average for productivity growth. We aim to go further ahead.

We understand that competitive taxation arrangements attract investment and create jobs.

Today's Budget enhances Queensland's position as a State with one of the most competitive tax arrangements in the country, with per capita State tax collections on average 15% lower than in other States.

This Government has announced a timetable for the abolition of nine taxes and duties. The savings to Queenslanders from the abolitions will rise from \$290 million in 2005-06 to over \$1 billion per year by 2011-12. The cost to revenue from the abolition of these taxes will be \$4.5 billion over this seven year period.

From 1 January 2007, we will abolish hire duty and unquoted marketable securities duty at a cost of \$16.5 million, growing to \$33 million in a full financial year.

However, our commitment to a strong investment environment does not end there.

I am pleased to announce a further reform to payroll tax. From 1 July this year, the tax free threshold for payroll tax will increase from \$850,000 to \$1 million.

Some 600 employers who would have been liable to pay this tax in 2006-07 will now not be required to pay and a further 4,000 employers will receive payroll tax reductions.

This reform makes Queensland's payroll tax threshold one of the highest in the country and means that approximately 90% of Queensland businesses will not pay any payroll tax.

This is good news for jobs and good news for business. Importantly it will make the biggest difference to small businesses, the job generators of Queensland.

This Government gave a commitment in the last budget to review land tax each year. I am pleased to announce that from 1 July 2006, the tax free threshold for resident individual land tax payers will be increased from \$450,000 to \$500,000. This will mean more than 5,000 individuals who would have paid land tax next year will no longer do so and 15,000 others will benefit.

This measure ensures that the benefits of our land tax reforms of last year can be maintained.

I am also pleased to announce a new first home owner transfer duty concession for the purchase of vacant land, encouraging Queenslanders to invest in their own home. This benefit is worth over \$1 million in this Budget, growing to \$2.2 million thereafter.

These reforms combine to make our State the most attractive investment destination in the nation.

Investment attraction, strong fiscal management and balanced economic settings are our foundations. But this government recognises long term productivity can only be assured by investing in the knowledge and skills of our people and the delivery of the key physical infrastructure that underpins economic progress.

## Education and Skills

Investing in knowledge, research, education and skills drives modern, thriving, productive economies.

As part of the Smart State Strategy, this Government approved \$128 million over four years for the Innovation Building Fund. In this year, \$46 million will fund seven new research facilities in Brisbane, Mackay, Townsville and the Gold Coast.

In Queensland's booming economy, skilled workers are becoming a scarce resource.

This Budget commits a billion dollar investment for training and skills initiatives outlined in the *Queensland Skills Plan* to improve the skills base of the Queensland workforce and significantly lift the opportunities available to individuals seeking to upgrade their own qualifications.

Over the next four years, around \$800 million will be invested in developing the skills of Queenslanders.

Major initiatives include an additional 17,000 trades training places and an additional 14,000 Certificate IV and above training places to be available each year by 2010.

In addition, a \$300 million major capital works investment program will commence to modernise the State's network of TAFE Institutes. Of this, around \$46 million is allocated in 2006-07.

At its heart, this Budget recognises the fundamental importance of investing in our schools and in our school children.

Funding for education is at record levels. This Budget increases recurrent spending on Queensland schools to a record \$5.17 billion, some 8.6% higher than last year. Capital spending also increases by 9.2% to a total of \$497 million.

In February next year, every State, Catholic and Independent primary school in Queensland will offer an additional year of school – our new Prep Year.

This Budget commits \$106 million to deliver new and refurbished Prep Year classrooms, and a further \$11 million in grants for curriculum resources, books and materials. We are also committing up to 100 extra teachers and an additional 10,000 hours of teacher-aide time per week to support Prep Year.

Additional funds will support other significant reforms, new teachers to reduce class sizes, the further roll out of technology to create smart classrooms, the support needed to ensure that children with disabilities can reach their potential and new programs to ensure the success of our “learning or earning” reforms.

Today's Budget goes beyond our reforms to date. Today we rise to the challenge of delivering to our children the best possible learning environments. We do this because Queensland children are competing against the world.

Our children need world class schools and classrooms. That is why the centrepiece of this Budget is the most significant new injection of capital works spending ever seen on Queensland's schools.

We are making a \$1 billion investment in school renewal and school upgrades over the next five years. The new program – *Tomorrow's Schools – Providing for a Smarter Future* – will involve parents and school communities in an unprecedented way in planning for the future of Government schools in local areas.

The program recognises that many of our schools are in need of extra assistance for minor projects that make all the difference. To meet this need, *Tomorrow's Schools* will begin with a School Community Development program of \$50 million in the 2006-07 year, to fund small priority capital works projects for government schools, with projects selected on the advice of parents.

The program will then see \$850 million invested in modernising and refurbishing Queensland government schools, again in consultation with parents.

Queensland's Catholic and Independent schools will also benefit with a one-off allocation of \$100 million this financial year to assist these schools meet the demands of the future.

Let me make it clear that the billion-dollar *Tomorrow's Schools* program represents a new investment in our children's classrooms and learning environments and the funds are in addition to existing school capital programs.

Our children deserve the best that we can give them. Our job is to create opportunity and give our children every chance of success.

Today's investment of \$1 billion in the schools of Queensland centres on giving every Queensland child the best opportunity to reach their full potential and the best opportunity to make it in a competitive world environment.

## Infrastructure

Our Government has invested unprecedented, record amounts in infrastructure to build this State.

This year a record \$8 billion in capital works was undertaken. The Government will now further increase the investment in capital works projects for 2006-07.

For the first time ever, Queensland's capital works budget is forecast to exceed \$10 billion.

Our capital program is the largest per capita program in the country.

In 2006-07 alone, it includes \$2.86 billion for energy projects, \$2 billion for roads, and \$856 million for ports and \$838 million for rail. These projects fundamentally underpin economic growth for the State.



In 2006-07, capital spending represents 5.5% of our Gross State Product and compares with the Federal Government's investment in infrastructure of only 1.1% of Gross Domestic Product.

It is critical that the Government plans for infrastructure across the whole State. The South East Queensland Infrastructure Plan and Program and the recently announced Blueprint for the Bush provide all Queenslanders with a clear map for infrastructure provision wherever they live.

Importantly, almost 60% of the State's capital program will occur outside the Brisbane region.

Let me briefly outline some of the projects to be commenced or delivered next year through this \$10.1 billion investment:

- Main roads including: duplication of the Gateway Bridge; additional lanes on the Sunshine Motorway; the Tugun Bypass; and, rehabilitating and widening the Dawson Highway between Gladstone and Biloela.
- Transport priorities include: the Roma Street/King George Square section of the Inner Northern Busway and the Eastern Busway; \$274 million for coal rolling stock in Central Queensland; and almost \$400 million on ports in Gladstone and Rockhampton.
- Education and Skills programs will be supported by new schools in Burpengary West, Edmonton West, Redlynch and Springfield Lakes and new major TAFE facilities on the Gold Coast and in Mackay, Townsville, Acacia Ridge and Eagle Farm.
- Energy projects include a record \$1.7 billion in expenditure by Energex and Ergon Energy and almost \$360 million to continue development of the Kogan Creek power station and coal mine.

The State's most significant new cultural infrastructure in 20 years – the Millennium Arts complex at the Southbank Cultural Precinct – will open this year.

We will also strengthen our regional tourism infrastructure with an allocation of an additional \$4 million over four years to our Regional Tourism organisations.

## Water

This Budget also meets the challenge of securing future water supplies for Queensland. We have announced, and funded, comprehensive strategies for addressing both sides of the issue – ensuring water supply and managing water demand.

The Government has announced plans for two mega dams in South East Queensland and two weir projects in Central Queensland. We will allocate \$200-300 million from the Queensland Future Growth Fund to accelerate these projects.

A separate amount of \$69 million has already been set aside for water-related land purchases in 2006-07.

We will spend \$8 million to bring forward construction of pipelines connecting dams in South East Queensland so water is better shared across our region.

In addition, \$270 million will be invested to construct a water pipeline from Gorge Weir to Moranbah to provide and enhance water supplies to coal mines and towns in the Bowen Basin.

The Government is also working with local governments and communities to manage demand and make sure we are smarter in our use of water.

Recycling will play a critical role and \$100 million has been committed for a recycled water pipeline in the western corridor of South East Queensland for industrial users.

In South East Queensland, \$32 million is available over three years to help address leaking water mains. We will also promote water efficiency with \$20 million for water efficient devices and advice to home owners and industry in South East Queensland. Rural areas will also receive \$12.8 million to promote efficient water use.

## CONCLUSION

The Beattie Labor Government's record of strong budgets, year in and year out, is delivering dividends for the people of Queensland.

Queensland is emerging as the Smart State of Australia and we are building on that platform every year:

- building investment with a program of new tax cuts;
- building infrastructure with capital works spending that tops \$10 billion for the first time ever;
- building new and expanded services with record spending in health, child safety, education, police and disability services; and
- building opportunities for our children with Australia's largest school renewal program.

Mr Speaker, this is a Budget that builds Queensland in every sense of the word and I commend it to the House.

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