

QUEENSLAND

APPROPRIATION BILL 2001

(Second Reading Speech, 19 June 2001)

TREASURER

The Honourable Terry Mackenroth, M.P.
Deputy Premier, Treasurer and Minister for Sport

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

INTRODUCTION

It gives me great pleasure to present the Beattie Government's fourth Budget and my first Budget as Treasurer.

In our first term in office we set out our vision for Queensland as a dynamic and progressive Smart State with strong and vibrant regions and stable, secure and supportive communities.

We linked our social policy priorities with fiscal responsibility and sound economic management.

Through our *Charter of Social and Fiscal Responsibility* we were prepared to be held accountable for our performance.

The Beattie Government has listened to the community through our Regional Community Forums, country and regional Cabinet meetings and has invited the community to participate in decision making.

At the recent State election the Queensland community signified its approval of what we had achieved and voted for a continuation of our Smart State strategies.

The Queensland community has placed its confidence in the Beattie Government to deliver and this Budget will continue the process of building a better lifestyle for all Queenslanders.

In the lead up to the State election we set out a range of responsible and affordable policy and service commitments targeted at meeting key community needs.

This Budget delivers those commitments.

This Budget builds on our achievements in our first term.

It is a Budget about investing in our people and communities.

GOVERNMENT FINANCE

Consistent with the fiscal principles set out in our *Charter of Social and Fiscal Responsibility*, this Budget provides for a net operating surplus (in GFS terms) of \$24 million together with further surpluses over the forward estimates period.

The General Government sector will also maintain a cash surplus of \$253 million this year and surpluses over the forward estimates.

Total State net worth will grow to \$59.3 billion by end June 2002.

Our financial assets more than cover all accruing and future liabilities such as superannuation in stark contrast to the Commonwealth and other States. In fact the Commonwealth has negative net worth of around \$34 billion.

The credit rating agencies continue to reaffirm the Beattie Government's reputation for sound economic and financial management with a AAA Credit Rating and this Budget will maintain that rating.

In aggregate General Government expenses will increase by 6% on last year's Budget. Importantly, we are growing and improving services in key service delivery areas of high priority to Queenslanders.

The Health Budget is growing by more than 6% and the Education and Police Service Budgets are growing by more than 8%.

During the coming year the Government will implement an enhanced agency strategic planning process, Aligning Services and Priorities, to ensure that taxpayers are receiving value for money from the delivery of all Government services.

ECONOMIC OUTLOOK

The Government's economic strategies centre on the achievement of a sustainable level of economic growth. The primary aim is to increase living standards and employment opportunities for all Queenslanders.

The Government is achieving this through strong fundamentals of responsible fiscal policy, a supportive business environment and investment in infrastructure. We are also providing targeted assistance in the vital areas of education, training, industry growth and innovation.

In 2000-01, the Queensland economy operated under the burden of the Commonwealth Government's GST and the impact of successive tightenings in monetary policy. Dwelling investment contracted markedly over the year as construction activity corrected following the surge in building work to beat the tax changes. National business confidence also fell sharply following the introduction of the GST, resulting in a rapid decline in business investment throughout the year.

We also faced the challenges of a slowing US economy and a stagnant Japanese economy as well as volatile oil prices.

Despite these influences, the Queensland economy is estimated to grow by 3½% in 2000-01.

The growth outlook for the Queensland economy is positive, with gross state product forecast to rise to 4% in 2001-02. This compares with the Commonwealth Government's national growth forecast of 3¼%.

The main stimulus to growth will come from strong household consumption, recovery in dwelling construction and business investment and continued contribution from exports of goods and services.

Queensland's strong record of job creation will continue with a forecast growth in employment of 2%, double the national average. This will produce around 33,000 new jobs. Nevertheless, continuing high levels of labour force participation and population growth will see the unemployment rate remain unchanged at an average of 8%.

Mr Speaker, since the Beattie Government came to Government in mid 1998, employment has risen by almost 111,000 jobs, including an estimated year average increase of 31,000 in 2000-01.

In 2001-02 Queensland's forecast employment growth will result in Queensland accounting for around one third of jobs forecast to be created nationally over the year.

Inflation is forecast to decline to 2¾%, as the one off shock of the GST works its way through the economy and out of the Consumer Price Index calculations.

The Government will continue to pursue sound economic and financial policies to ensure the future growth of the economy and provide a supportive environment for Queensland businesses to prosper.

REVENUE MEASURES

A key element of our fiscal principles is to maintain Queensland's competitive tax environment.

This Budget strictly adheres to that principle.

Our per capita collections of State taxation in 2001-02 are forecast at \$1,211 compared with \$1,637 for the average of the other States. That is Queenslanders pay 26% less than the average of other States.

Consistent with our previous commitment, the payroll tax rate will be reduced from 4.9% to 4.8% from 1 July 2001.

In line with similar arrangements introduced in Victoria and South Australia, payroll tax concessions involving termination payments and the grossing up of fringe benefits will be removed from 1 July 2002. This represents good tax policy to provide greater consistency in the treatment of different forms of remuneration for tax purposes.

I am also pleased to announce that in conjunction with this change, Queensland's payroll tax rate will be reduced to 4.75% from 1 July 2002.

This means that the payroll tax rate will have been reduced by the Beattie Government from 5% to 4.75% by July 2002.

While the Victorian Government has been applauded by business for their planned reduction in the payroll tax rate to 5.35% from July 2003, our payroll tax rate will be a full 0.6 percentage points lower than Victoria and a year sooner.

Furthermore, Victoria's payroll tax threshold is planned to increase to \$550,000 - ours is already at \$850,000. This is a significant incentive to Queensland businesses to take on more employees.

The stamp duty on marketable securities listed on recognised stock exchanges will be abolished from 1 July 2001 as part of national tax reform.

In a significant move to make taxation simpler, a Duties Bill and a Tax Administration Bill will be introduced later this year. The harmonisation of stamp duty arrangements for mortgage duty will result in stamp duty being collected on a narrower range of instruments resulting in further savings to business.

The coal industry is currently enjoying a resurgence in growth and profitability, reflecting the lower exchange rate, higher world prices and strengthening demand for Queensland's clean coal. Against this background, the Government proposes to refine the coal royalty regime, without increasing the rate, to ensure that the Queensland community receives appropriate returns on the use of this non-renewable resource. We will consult with the coal industry shortly on this further refinement of the royalty arrangements.

MORE JOBS FOR QUEENSLANDERS

Mr Speaker, fundamental to our vision of Queensland as a dynamic and progressive Smart State is our commitment to creating jobs.

Jobs that are secure and sustainable.

Jobs that are underpinned by a competitive economy and cost effective infrastructure.

Jobs that are fostered by our policies and strategies to support business and industry growth in both our traditional industries and emerging knowledge intensive industries.

Critical to job creation and industry growth is providing the right education, training and skills development opportunities to all Queenslanders.

Breaking the cycle of unemployment particularly for our young people and also for our mature-aged unemployed is a key element of the Beattie Government's commitment to more jobs for Queenslanders.

This is reflected in our decision to allocate an additional \$75 million to extend the *Breaking the Unemployment Cycle* initiative for a further year to 2003-04. This will bring the six-year funding total for this initiative to \$470 million.

Over the coming year the Government will spend over \$100 million on employment initiatives including:

- \$20 million over two years for the *Youth for the Environment and Local Communities* program to enable 15–24 year olds to gain nationally accredited qualifications through valuable work in local communities;
- \$5 million in 2001-02 for the *Get Set for Work* program which will target 500 early school leavers in communities with high unemployment for specialised intensive employment and training assistance; and
- \$6.9 million over three years for programs for mature aged workers including wage subsidies and the provision of job search and information technology skills.

In addition, spending on the capital program in 2001-02 will support some 46,300 jobs.

Our capital program remains high relative to other States with a total program of over \$5 billion providing important social and economic infrastructure.

By the end of 2001-02 the Beattie Government will have invested some \$20 billion over four years through our capital programs.

SKILLING QUEENSLAND – THE SMART STATE

As we move into the 21st Century the Beattie Government is developing Queensland as the Smart State by positioning us at the forefront of innovation in the information economy.

To drive this priority, we have established an Innovation and Information Economy ministerial portfolio.

Innovation in the form of new or improved products, processes and services, will be fundamental to securing future growth and prosperity for Queenslanders.

We are building a workforce with the skills to revitalise our traditional industries and to grow new industries.

We need to promote a culture of innovation to strengthen our current industries and support the development of knowledge industries.

In this context it is fundamental that we prepare our children for the 21st Century Smart State.

This Budget provides for:

- \$10 million over three years for eight new centres of excellence in mathematics, science and technology;
- \$3 million over three years to expand the *New Basics* program to 20 new schools; and

- an additional 395 teachers to provide for growth, reduce class sizes, support students with disabilities and special needs and behaviour management.

To enhance the school learning environment \$50 million is provided over three years for the *Triple R* school maintenance program and \$15 million is provided in 2001-02 for networked learning communities in schools.

Vocational education and training is also core to a skilled workforce and \$490 million is allocated for this purpose in 2001-02.

During our first term the Beattie Government set the direction and foundations for the development of Smart State industries and jobs including:

- supporting the construction of the Institute of Molecular Bioscience and the Centre for Biomolecular Research and Drug Discovery;
- enhancing super computer facilities;
- developing a Comprehensive Cancer Research Centre at Queensland Institute of Medical Research;
- establishing a Queensland Biotechnology Innovation Fund; and
- implementing information technology and telecommunication industry development initiatives.

This Budget continues to establish Queensland as the Smart State.

This Budget establishes an innovative \$100 million Smart State Research Facility Fund.

This Fund will be used to develop the essential science and technology infrastructure we need to play a leading role in the new knowledge economy.

Through this Fund we will make strategic investments in world-class research assets to fuel the development of knowledge rich industries such as biotechnology, aviation and advanced manufacturing.

Importantly, it will also stimulate innovation in our traditional industries such as food and fibre production.

When QANTAS was established in Longreach, Queensland became the birthplace of aviation in Australia. The Beattie Government believes it's time for Queensland to once again lead the nation in a new era for the aviation and aerospace industry.

We believe South-East Queensland has the potential to be a key aviation and transport hub of the Asia Pacific region. Already QANTAS has announced that it will establish a major maintenance facility at Brisbane Airport.

To further the growth of this industry we will provide \$10 million to support the establishment of an Aviation Centre of Excellence to provide training including for air traffic control, flight simulation and cabin crew instruction.

This Budget also delivers on the Government's commitment to support the establishment of a Pharmacy Centre of Excellence adjacent to the Princess Alexandra Hospital. Our vision is for a Pharmacy Precinct where all phases of pharmaceutical development take place.

BUILDING QUEENSLAND'S REGIONS

Queensland is a highly decentralised State so the Beattie Government has made a strong commitment to building Queensland's regions.

We will continue to improve the livability of cities, towns, regions and remote communities.

We will continue to support regions to capitalise on their strengths for regional growth.

In particular, this Budget provides:

- \$437 million to improve local government infrastructure and services through grant and subsidy programs;
- \$33 million for the Queensland Heritage Trails Network;

- up to \$30 million over three years in combined State and Commonwealth funding to further develop the skills of our primary producers;
- \$1.6 million to progress the necessary approvals for Paradise Dam and other water infrastructure in the Burnett Region;
- \$3 million over three years for the *Queensland Regional Events* program; and
- \$1.2 million over three years to capitalise on trading opportunities for Queensland beef products.

We are also prepared to commit up to \$8 million to upgrade facilities for Rockhampton's triennial beef expos, subject to the Commonwealth Government providing equal matching funding and local government contributing \$2 million.

The provision of new and improved infrastructure is critical to the development of our regions. This year 58% of our \$5.1 billion capital program will be undertaken outside the Brisbane region.

Regional infrastructure projects funded in the Budget include:

- \$30 million for the Gold Coast Convention and Exhibition Centre;
- \$3 million for a Turtle Interpretive Centre in Bundaberg;
- \$57 million to renew rail track between Rockhampton and Townsville; and
- \$19 million for bridge construction and road widening in various sections of the Barkly Highway between Cloncurry and the Northern Territory border.

In an important step towards improving environmental health infrastructure in Torres Strait communities, the State intends to formalise an agreement to provide \$15.3 million over the next three years to be matched by the Torres Strait Regional Authority. This agreement is the second stage of a program that will improve sewerage, water supplies and solid waste disposal in 17 Island communities. The State and the Authority will also jointly fund the ongoing operation and maintenance of this important infrastructure.

To coincide with the lead-up to the Goodwill Games, \$2 million is allocated for tourism marketing. The aim will be to promote the games in southern markets and showcase Queensland more broadly as a tourism destination.

In order to identify and coordinate regional development priorities across the State a Queensland Regional Development Framework will be established.

SAFER AND MORE SUPPORTIVE COMMUNITIES

The Beattie Government is committed to building a stronger police service, maintaining secure prisons and getting smarter about crime prevention.

This Budget implements a range of election commitments and service initiatives including:

- 300 additional police;
- \$2.8 million over four years to establish ten additional police beats and police beat shopfronts;
- \$2.5 million additional annual funding for legal assistance services;
- \$49.9 million in 2001-02 to continue building the new Maryborough Correctional Centre;
- \$45 million over three years to continue the *Community Renewal* program; and
- \$1.2 million to continue the trial of drug courts.

Mr Speaker, our Government is committed to developing supportive communities where people feel safe and respected, where children are protected from harm and where diversity and social justice are valued.

We are continuing to respond to the Forde Inquiry recommendations to nurture and protect Queensland children. This Budget includes a cumulative allocation of \$41.3 million for the ongoing implementation of our response through a range of improved services.

Our Government recognises the valuable support volunteer carers provide vulnerable children and young people. To assist them, \$8.4 million is provided over three years to increase the foster care allowance and double the clothing allowance.

This Budget also continues to fund compensation to those indigenous Queenslanders who suffered discrimination by being paid less than award wages by the Queensland Government between 1975 and 1986.

The Queensland Ambulance Service is a key link in the chain of support for the community. However, the growing and ageing population and increasing costs of medical technology have placed significant pressure on the Ambulance Service. This Budget includes additional funding of \$20.1 million for the Ambulance Service. A review will be undertaken in 2001-02 to address the impacts of these issues, focusing on the ambulance subscription scheme and potential partnerships between the Service and health funds to improve its funding base.

BETTER QUALITY OF LIFE

The Queensland community enjoys a quality of life among the best in the world.

To maintain and improve the quality of life for all Queenslanders, our Government places particular priority on providing access to high standards of education, health, housing and family services.

Good health care is fundamental so in addition to continuing our \$2.8 billion health building program, the Budget includes:

- an additional \$120 million over five years to rebuild and redevelop State Government nursing homes;
- \$5 million in 2001-02 to reduce waiting lists for dental health services; and
- an additional \$20 million over two years to reduce the percentage of long wait elective surgery patients at public hospitals across the State.

Providing support and assistance to people with disabilities is essential to enable them to actively participate in society. This Budget continues to deliver our commitment to support people with disabilities, their carers and families and community groups with an 11.6% increase in operating expenditure.

Over the next three years \$20 million is provided to enhance disability service infrastructure within Government and community based facilities including capital and equipment upgrades, new respite and family support services and innovative accommodation options for people with high support needs.

Safe secure and affordable housing is an essential element of good quality of life. This Budget will provide further support to those in need of housing assistance with:

- \$74.6 million for public housing, including the commencement of 300 new dwellings;
- \$39.9 million in capital grants to Aboriginal and Torres Strait Islander Councils to construct new houses and upgrade existing dwellings; and
- an additional \$3 million over three years to extend the *Home Assist/Home Secure* program.

Sport, recreation and cultural activities greatly contribute to the richness of our lives. This Budget provides:

- \$50.3 million to the Millennium Arts Project including \$8.5 million for regional capital projects; and
- \$18 million over three years to redevelop the Tallebudgera Outdoor Recreation Centre and \$1.5 million to improve other recreation centres.

As Minister for Sport I am proud to say that by mid-2003 Queensland will have a world class sporting stadium in the redeveloped Suncorp-Metway Stadium. Our capital program provides for \$119 million to be expended in 2001-02 towards this \$280 million project.

VALUING THE ENVIRONMENT

A healthy and sustainable environment is essential to our future. The Beattie Government is committed to protecting the environment and its biodiversity for current and future generations. We aim to manage the development of our natural resources in an ecologically sustainable way.

The Beattie Government is already implementing:

- a vegetation management framework;
- a water resource allocation and management framework; and
- a South East Queensland Forestry Agreement that is a landmark in native forest management.

To further our environmental priorities this Budget provides for:

- \$32 million in State funding over four years to be matched by the Commonwealth to implement the National Action Plan on Salinity and Water Quality as part of a seven year \$162 million joint program;
- \$10 million over five years for our Great Walks of Queensland initiative;
- \$3 million to acquire properties with high biodiversity value in central and northern Queensland;
- \$10 million in additional annual funding to enhance our national park maintenance including up to 140 new park rangers; and
- \$2.8 million over four years to manage and remediate acid sulphate affected soils at East Trinity Inlet at Cairns.

PROMOTING STRONG AND STABLE GOVERNMENT

Mr Speaker, strong and stable Government is about articulating a vision, listening to the community, setting priorities and being held accountable.

We have set our vision and priorities through our *Charter of Social and Fiscal Responsibility* and we are reporting our performance through our *Priorities in Progress* report.

We continue to listen to the community through our regional and country Cabinet meetings, regional forums and a range of other mechanisms.

This Budget provides \$3 million over three years for our E-Democracy initiatives through which we are seeking to facilitate and extend community involvement in the democratic process through the use of the Internet.

As part of our Smart State vision we are building an integrated service delivery platform to enable Government to provide the community with seamless access to information and services. \$16.6 million is allocated in this Budget to continue work on our Access Queensland initiative.

The Beattie Government is also encouraging the private sector's involvement in infrastructure projects where value for money can be achieved through private sector delivery of infrastructure which supports Government-provided services to our community.

The Government continues to actively partner with the private sector on projects such as the Gold Coast Convention and Exhibition Centre, the Dalrymple Bay Coal Terminal and a range of electricity generation projects.

DELIVERING ON OUR COMMITMENTS AND PRIORITIES

This Budget meets the pledges made by the Beattie Government to Queenslanders during the recent election campaign, delivering on all our commitments.

We have a clear set of priorities that we are acting on and jobs remains our key priority.

We are committed to economic, fiscal and social responsibility and leadership.

The Beattie Government has a clear plan and vision for the future of our State – a Smart State – which requires investment in our people and communities.

Mr Speaker, this Budget delivers on that plan and it delivers on our election commitments to the people of Queensland.

I commend the Bill to the House.