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QUEENSLAND

APPROPRIATION BILL 2002

(Second Reading Speech, 18 June 2002)

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

The responsibility of Government comes with an obligation for the aspirations of current and future Queensland generations.

The Beattie Government's vision of a Smart State is delivering on this obligation.

This year's Budget, my second as Treasurer, is about growing Queensland the Smart State and at the same time ensuring a better quality of life for all Queenslanders.

It focuses on new investment in the vital areas of families, education and training, health and housing to provide opportunities for all Queenslanders.

The Budget builds on the foundations set in our first term in office which delivered strong employment growth and improved services and infrastructure. Delivering our Smart State vision for Queensland was not going to happen overnight. But the vision is becoming a reality. It is a reality in the way we are shaping the future of our State's education system and the growing investment in knowledge and innovation industries.

Since our re-election the Beattie Government has been delivering in full on our election commitments and on our social, fiscal, economic and Smart State priorities.

In this Budget, we are maintaining our commitment to invest in our people and communities.

A major funding boost will deliver better outcomes for children and families in contact with Queensland's child protection system recognising our responsibility to protect our most vulnerable members of the community.

Education and training reforms for the future will provide the platform for the Smart State.

Increased resources are being provided to deliver health services that improve quality of life for Queenslanders.

New housing initiatives will provide further support to those in need of secure and affordable housing recognising the contribution housing makes to a better quality of life.

In contrast to the priorities of the Commonwealth Government which are about reducing support to those most in need, the Beattie Government is about providing services and opportunities for all Queenslanders but most importantly those in greatest need.

ECONOMIC OUTLOOK

Our primary economic strategy objective is to raise living standards and employment opportunities for all Queenslanders.

Our strategy recognises the need to invest in people and innovation – the new drivers of growth in the Smart State. It builds upon the strong fundamentals of the Queensland economy and our fiscal strategy.

In 2001-02 the Queensland economy has maintained momentum despite facing a challenging external environment including subdued economic conditions in Queensland's major trading partners.

The difficult external environment was further exacerbated by the tragic events of September 11 which triggered a downturn in the United States with flow on effects to many Asian economies. Domestically, a number of corporate collapses affected confidence, with the demise of Ansett presenting an additional challenge for the State's tourism sector.

In the face of these challenges, the Queensland economy is estimated to grow by 3 ¾ % in 2001-02, in line with the national economy and well above expected growth for the entire OECD.

Domestic demand continued to underpin the State economy, with sustained growth in household consumption and a recovery in private investment. Looking ahead to 2002-03, Queensland growth is expected to lift with a forecast strengthening in economic growth to 4 ¼ %, exceeding the national growth rate of 3 ¾ %.

2002-03 will see forecast business investment reach an historical peak of almost \$13 billion in real terms, supported by our Government's facilitation of major projects such as Comalco and AMC.

Exports are also expected to pick-up as a strengthening global economy demands more of our commodities and improves the prospect for international tourists to visit Queensland.

Mr Speaker, proof of Queensland's fundamental economic strength and the Beattie Government's management of the economy is seen in employment growth.

Queensland is currently creating jobs at a much faster rate than the national average. Over the 12 months to May 2002, Queensland created over 30% of all the jobs created in Australia.

In terms of full time jobs, Queensland was responsible for almost 80% of national full time jobs. This compares with our population share of around 19%.

This strong performance is expected to continue into 2002-03 with a forecast year-average rise in employment of 2 ½% translating to an additional 43,000 jobs. As a result, Queensland's unemployment rate will fall to a year-average 7 ½%, the lowest in over a decade.

SAFER AND MORE SUPPORTIVE COMMUNITIES

Families are central to the Government's vision for the future of Queensland.

The Budget highlights the Government's continuing commitment to providing positive outcomes for children, young people and families across Queensland. Social services such as those provided by the Families Department remain one of the key priority policy objectives of the Beattie Labor Government.

In support of this commitment, the Department of Families will receive additional funding of \$188 million over four years for the implementation of a comprehensive program of new initiatives aimed at strengthening the capacity to assist Queensland families, youth and children in need – in particular child protection services.

Annual funding for the Families Department (excluding funding provided for concessions) is now \$194 million higher – that's 97% higher – than when the Beattie Government was elected and \$147 million higher than at the time of the 1999-2000 Budget when the Premier gave the commitment that the Government would revisit the Forde Inquiry funding recommendation year after year. The Government has now met its fiscal commitments flowing from the Forde Inquiry.

The first \$42 million instalment in 2002-03 of the Government's increased investment in family services will be broadly focused. It will include a greater emphasis on prevention and early intervention strategies, increased investment in supporting and enhancing the alternative care sector, and encouraging innovation in the provision of services.

Areas where the additional funding will be targeted include more support and assistance for foster and relative carers, increased funding of \$3 million to support children and young people in care who have high or complex needs, and additional funding of \$2.8 million for the development and implementation of responsive placement options for out-of-home care.

The prevention and early intervention strategies included in the package are seen by our Government as essential. Early identification and action to address issues before families reach crisis produces more effective outcomes and avoids costly more intensive, longer-term intervention which often is not as effective.

Further detail on the entire package of initiatives will be provided when the Premier and the Minister for Families launch the *Queensland Families: Future Directions* policy statement on Thursday. This statement will outline the Government's vision for the Department, and present in detail the package of initiatives being funded through this Budget.

Mr Speaker, strong policing and crime prevention are critical to achieving safer communities and this Budget provides for a range of initiatives including:

- 307 additional police;
- an additional \$40 million over two years to enhance the police services information management systems and capital infrastructure;
- \$21 million over three years to expand the Drug Court trial to Townsville and Cairns and to continue the trial in Ipswich, Southport and Beenleigh;
- \$13.7 million over four years to improve the effectiveness of the Coronial system;
- the staged commissioning of the Maryborough Correctional Centre; and
- \$6.2 million over four years for emergency helicopter services.

To enhance the safety of our children travelling to school, \$16.7 million over four years is provided for a program of annual school bus replacement in non-urban areas, seat belt trials in a number of school buses on steep and mountainous routes and a public education campaign to improve school transport and safety.

MORE JOBS FOR QUEENSLAND – SKILLS AND INNOVATION – THE SMART STATE

The Beattie Government is committed to growing the Smart State.

This means achieving high and sustainable levels of economic growth to drive job creation.

We have the fundamentals in place – a supportive business environment underpinned by a competitive tax regime, sound fiscal management and cost effective infrastructure.

Growing Queensland as the Smart State also demands a skilled and adaptable workforce. Educational opportunities provide this foundation.

Our Education and Training Reforms for the Future package will provide our young people with more opportunities to access high quality education and training.

The package includes:

- a long-term investment in information and communication technologies and teacher training in schools including a \$22.7 million investment in 2002-03;
- the trialing of a full-time preparatory year in 39 schools in 2002-03 and a further 20 schools in 2003-04; and
- community consultation on proposals to make senior schooling a clearer pathway to further education, training and work.

This Budget continues to implement election commitments such as our new centres of excellence in mathematics, science and technology, as well as the expanded New Basics program and the Triple R School Maintenance program. But it also provides for an additional \$60 million over four years to provide and support quality services to students with a disability.

In total, the Budget provides for 382 additional teachers for growth and other needs, including 158 teachers as part of the Government's election commitment to deliver an additional 800 teachers over four years.

The Beattie Government supports parents' rights to choose the most appropriate education for their children and this Budget provides \$284.4 million, a 6.9% increase, in State financial assistance to non-government schools to support them in delivering a quality education to students.

To ensure that grant and program funding provided to non-government schools maintains its real value, a further \$10.6 million will be provided over the next four years commencing with \$1.7 million in 2002-03 for the Capital Assistance Program, External Infrastructure Subsidy, Bus Fare Assistance and Transport for Students with Disabilities.

In addition \$1.6 million in ongoing funding will be provided towards the additional costs arising from the increase in the superannuation guarantee charge payable to the non-State school workforce.

Mr Speaker, our Breaking the Unemployment Cycle initiative provides a range of programs to create jobs and training opportunities particularly for those at risk of long-term unemployment.

To further this initiative, an additional \$10 million over two years has been provided for community employment programs and additional apprenticeship and traineeship places.

The Beattie Government's vision for the development of Smart State industries and jobs is clearly reflected in our commitment to research and development.

We have been a strong investor in molecular bioscience research, cancer research and biotechnology innovation.

Through our \$100 million Smart State Research Facility Fund we are committing up to \$20 million to support the establishment of an Australian Institute of Bioengineering and Nanotechnology. We are also allocating up to \$22.5 million for an Institute of Health and Biodomedical Innovation and up to \$7.4 million to support the establishment of a Centre of Excellence in Engineered Fibre Composites.

The Australian Institute of Commercialisation will be headquartered in Queensland and will focus on increasing value from commercialisation of Australian research and development.

The recently announced Queensland BioCapital Fund to be managed by the Queensland Investment Corporation will invest \$100 million in venture capital in biotechnology projects which have potential for high commercial returns.

In addition to positioning Queensland as a major biotechnology hub, we are building on our potential in industry sectors such as light metals, minerals processing and aviation.

The AMC Magnesium Smelter and Comalco Alumina Refinery, two of the most significant smart industry expansions being undertaken in Australia, are supported by State provided common user infrastructure. This is a significant milestone in our strategy to establish Central Queensland as an international centre for light metals.

The transformation of Queensland into a key aviation and transport hub is gaining further momentum with more aviation companies coming to Queensland including the Qantas subsidiary Australian Airlines in Cairns.

COMMUNITY ENGAGEMENT AND A BETTER QUALITY OF LIFE

Mr Speaker, we are committed to working in partnership with the community to deliver improved and integrated services that will further improve the high quality of life we enjoy in Queensland.

Good health care remains a fundamental priority.

Our Health Budget will grow by 6.7% including:

- an additional \$13.3 million in 2002-03 to address demand for a range of acute inpatient services across the State;
- up to \$7.3 million to improve access to Home and Community Care services; and
- \$4.8 million for blood transfusion services.

An additional \$50 million over four years is provided to meet health capital and technology needs.

Access to secure and affordable housing makes a significant contribution to individual, family and community wellbeing.

Over \$150 million is allocated for public rental housing providing for the completion of 260 dwellings under construction and the commencement of 300 dwellings. Upgrades to existing accommodation will further improve the amenity of public housing.

The State will support the further development of the Brisbane Housing Company, a joint initiative with the Brisbane City Council. This initiative aims to have 600 units of housing in inner and near city suburbs by the end of its fourth year of operation.

Our Home Assist Secure program aims to address some of the practical housing related difficulties experienced by older people and people with a disability who wish to remain living in their own home. This Budget provides \$10.8 million for this valuable program.

Funding of \$2 million has also been provided to construct and acquire crisis accommodation to assist those who are homeless or at risk of being homeless. It will also support preventative responses to homelessness.

Mr Speaker, the Beattie Government has a genuine commitment to advancing reconciliation to enable Indigenous and non-indigenous Queenslanders to move forward together.

We want to work with Aboriginal and Torres Strait Islander people to find practical ways to progress reconciliation and to improve living conditions and opportunities for Indigenous people across the State.

In the spirit of reconciliation and in recognition of past injustices the Government has made an offer of \$55.4 million to make reparations for decades of control by former Queensland administrations of the wages and savings of Indigenous people.

This demonstrates our genuine desire to heal the past.

The Cape York Justice study clearly identified issues which need to be addressed to improve the quality of life for Indigenous people.

This Budget provides \$15.1 million over four years to implement the Government's response to the Study. This includes funding for:

- the establishment of Community Canteen Alcohol Boards;
- expansion of the Local Justice Initiatives program;
- Indigenous economic development activities;
- Indigenous child and public health improvements; and
- additional financial aid to community councils.

To further the improvement of water supply, sewerage and health related infrastructure in Indigenous Communities, \$12 million in additional funding has been provided in the Budget for the next four years.

The Beattie Government believes that people with disabilities should have the opportunity to fully and actively participate in society.

This Budget builds on the 11.6% funding increase in our last Budget with a further increase of 8.8% in the Disability Services Budget to enhance support for people with disabilities, their carers and family and community groups.

Sport, recreation and cultural activities are essential ingredients for strong, vibrant and cohesive communities.

This Budget provides \$38.8 million towards the \$260 million five year Millennium Arts project including \$7 million for regional capital projects. Major elements of the Millennium Arts project for 2002-03 are the Gallery of Modern Art and the Millennium Library.

Our \$18 million redevelopment of the Tallebudgera Outdoor Recreation Centre will produce an aquatic centre of excellence.

As Minister for Sport, I am pleased to advise that the redevelopment of Suncorp-Metway Stadium into a world-class sporting stadium is proceeding to schedule. As the Treasurer, I am particularly pleased to advise that this \$280 million project is also on budget.

VALUING THE ENVIRONMENT

Protecting the environment and biodiversity is essential to our future.

The Beattie Government has put in place a range of strategies, policies and reforms to protect our environment for future generations while allowing the ecologically sustainable development of our natural resources.

We have already made substantial investments in the areas of vegetation management, water resource allocation and use and native forest management.

We are strongly supporting the National Action Plan on Salinity and Water Quality which will involve a State investment of \$81 million over seven years.

We are improving the presentation and management of our national parks with a further 60 rangers to be employed in 2002-03 to deliver our election commitment of up to 140 new rangers.

In addition to continuing to resource these major environmental initiatives, this Budget also provides for:

- \$9 million over two years as the State's contribution to the Great Artesian Basin Sustainability Initiative which will fund programs such as bore rehabilitation;
- \$3.3 million per annum to continue the regulation of timber harvesting and other production activities on public lands; and
- \$2 million to develop long-distance walking tracks as part of our \$10 million Great Walks of Queensland initiative.

BUILDING QUEENSLAND'S REGIONS

Queensland is Australia's most decentralised mainland State and our vision for a growing Smart State requires a strong commitment to supporting regional growth and improving the livability of our cities, towns, regions and remote communities.

The Budget includes \$437 million for grant and subsidy programs to support the provision of local government infrastructure and services.

This Budget also provides for:

- \$6 million to maintain an appropriate level of air and long distance bus services to remote and rural Queensland communities;
- co-operative marketing activities with Australian Airlines which will establish its hub in Cairns;
- \$20.3 million over four years to protect Queensland from foot and mouth disease; and
- \$12 million in joint Commonwealth/State funding to develop the skills of our primary producers.

Regional growth and development requires quality infrastructure provision.

The Queensland Government has been a strong investor in infrastructure and this year 56% of our \$4.8 billion capital program will be undertaken outside the Brisbane region.

Regional infrastructure projects funded in the Budget include:

- \$38.7 million for the Gold Coast Convention and Exhibition Centre;
- \$4.2 million to upgrade facilities for Rockhampton's triennial beef expos;
- \$9 million for the Cairns Tilt Train; and
- \$10 million towards a commitment of up to \$38 million for a Multipurpose Centre in Mackay.

As I have recently announced, the development of gas-fired power generation and gas delivery in Townsville will involve \$500 million of new public and private investment. This project will enhance industrial development in north and central Queensland and encourage further investment in Queensland's domestic gas industry.

The Beattie Government acknowledges the valuable contribution that our primary producers make to our State economy. A number of primary industries are facing difficult conditions. In particular, our sugar industry is being adversely affected by low commodity prices and significantly reduced yields due to drought and other factors.

The priority our Government places on primary production is reflected in the \$15 million underlying increase provided in the Budget for Primary Industries, including funding for drought assistance and enhanced Foot and Mouth disease preparedness.

The Government has a high level response team examining ways in which we can assist the sugar industry meet its current challenges. \$20 million will be available to provide low interest loans to cane growers to assist in covering the cost of planting and fertilising their 2003 cane crop.

GOVERNMENT FINANCES

Mr Speaker, the Beattie Government's *Charter of Social and Fiscal Responsibility* makes it clear that this Government is committed to delivering improved services and outcomes for the community in the context of sound fiscal management. The Charter reinforces the link between our strong financial position and achieving the Government's objectives for the community.

Accordingly this Budget provides for a net operating surplus of \$23 million (in GFS terms) together with surpluses over the forward estimates period.

Our balance sheet will continue to grow and total State net worth will increase to \$58.5 billion by end June 2003.

Our AAA credit rating continues to confirm the strength of our fiscal position.

Like the rest of the world, the State's financial position has been subject to international shocks such as international economic downturns and the impact of the September 11 terrorist attacks.

We foreshadowed in the Mid Year Fiscal and Economic Review that as a result of volatility in both domestic and international equity markets our investment earnings on funds set aside to meet future liabilities such as superannuation will be well down on normally expected levels. Unfortunately equity markets have not recovered leading to a forecast net operating deficit for 2001-02.

Periodically equity markets will under-perform and prudential reserves that have been built up in years of high returns mean that we are still able to cover our future liabilities. For a State with such significant financial assets, the nature of market forces will periodically adversely impact on our net operating position. Aside from the establishment of prudential reserves such situations do not warrant policy action by the Government to take countervailing revenue or expenditure measures.

In fact, adjusting for the impact of the lowest investment returns in 12 years, the underlying net operating position would be in strong surplus in 2001-02.

In aggregate terms, general government expenses will grow moderately in 2002-03 by 4.8% on last year's Budget. However within that aggregate growth we are giving a clear priority to key service delivery areas.

The Education Budget is growing by 5.8%, Health by 6.7% and Family Services by 15.5%.

The 2002-03 Budget also addresses service infrastructure needs with a total capital program of \$4.8 billion.

The 2002-03 capital program includes the first year of a \$400 million four year Priority Infrastructure Package which will be funded from higher stamp duty cash inflows achieved in 2001-02.

This four year package includes \$50 million for health technology priorities, \$40 million for police information systems and capital works and \$150 million for schools infrastructure. It will also support Burnett water infrastructure, and the Tugun Bypass.

REVENUES

Mr Speaker, Queensland has a very competitive tax regime and the Beattie Government's fiscal principles include a clear commitment to maintain our tax competitiveness.

For 2002-03, the Budget forecasts that Queenslanders will pay \$1,321 per capita in State taxes compared with \$1,757 for the average of the other States. Queenslanders pay 25% less than the average of the other States.

As I announced in last year's Budget, Queensland's payroll tax rate will be reduced to 4.75% from 1 July 2002.

This means that the Beattie Government will have reduced the payroll tax rate from 5.0% to 4.75%.

In contrast the payroll tax rate in Victoria will be 5.35% and 6.0% in New South Wales.

Mr Speaker, national tax reform has narrowed the tax base available to the States. While the States will share GST revenue in the future, it needs to be appreciated that no State will gain any benefit from GST revenue in 2002-03. As a result the Commonwealth is having to provide top up grants to all the States to ensure the States are no worse off than had the reforms to Commonwealth-State financial relations not been implemented.

These arrangements have seen Commonwealth payments to Queensland drop below our per capita share, as other States are compensated for the abolition of taxes that Queensland never imposed. In fact, the Commonwealth's basis for distributing these top up grants disadvantages Queensland by more than \$250 million in 2002-03.

Despite the fact that the States are yet to benefit from access to GST revenues and a reduction in Queensland's share of funding, the Commonwealth is already starting to signal its intentions to cost shift to the States.

Various Commonwealth Ministers are suggesting that the States should fund an increasing proportion of services ranging from roads to disability services.

What they are really saying is that the Commonwealth plans to reduce its relative contribution to these areas at the expense of the States.

This poses a major fiscal risk to the States and the Beattie Government will vigorously oppose such Commonwealth moves.

In an environment where the States have become increasingly dependent on Commonwealth funding – including grant revenue sources from the Commonwealth's Goods and Services Tax – it is critical that we maintain an appropriate and effective State tax base to ensure we are in a position to continue to meet the Queensland community's need for core services.

Accordingly, this Budget includes changes to land tax for companies, trustees and absentees.

With effect from 1 July 2002, the present 15% rebate for companies, trustees and absentees will be abolished.

To assist small business land tax payers, the land tax exemption threshold will be increased for companies, trustees and absentees from \$100,000 to \$150,000.

The phasing-in rebate will be restructured and expanded to include absentee landholders.

The effect of these changes will see some 7,800 current land tax payers no longer pay land tax and over 4,000 pay less tax. This represents around 40% of companies, trustees and absentees that currently pay land tax.

Individual landholders will not be affected by these changes and will continue to receive the 15% general land tax rebate.

Following these changes Queensland's per capita land tax collections will still be well below those of Victoria and New South Wales.

STRONG, STABLE AND RESPONSIVE GOVERNMENT

Mr Speaker, the Beattie Government is a responsible and accountable Government committed to delivering cost effective services to our community.

Through Access Queensland we are building an integrated service delivery platform to provide seamless access to Queensland Government information and services. Funding of \$15 million is provided in this Budget to continue this initiative.

The Government wants to pursue value for money opportunities to deliver infrastructure through the private sector and we have recently released a draft framework for Public Private Partnerships or PPPs. This framework sets out clear processes for the thorough consideration of PPP opportunities, and paves the way to incorporate private sector innovation in the delivery of public infrastructure.

We are also pursuing strategies to ensure that Government service delivery remains cost effective and efficient and relevant to meeting community needs.

Corporate service activities are being reviewed to adopt a shared services model of delivery and options for how the Government manages and delivers its strategic information obligations are being developed. These are clear examples of the Government looking to do things smarter.

As part of our commitment to accessible and responsive Government, we will hold a history-making sitting of Parliament in Townsville during 2002-03.

We are also responsive to the needs of the community sector arising from the crisis in public liability insurance through our actions to implement a package of legislative reforms and to facilitate a group insurance scheme to ensure community groups can continue their valuable contribution to community life.

In addition, the Government will move to provide stamp duty relief on public liability policies for non-profit community organisations following consultation with the insurance industry and relevant organisations on the most effective way to provide this relief.

GROWING THE SMART STATE AND DELIVERING OPPORTUNITIES

Mr Speaker, through this Budget we will continue to deliver sustainable economic growth and responsible fiscal management.

Our election commitments and priorities and our vision for the future are being delivered.

The platform laid by the economic strength of our State is helping achieve a generational change for Queensland.

This Budget will grow the Smart State and will deliver opportunities for all Queenslanders.

Opportunities for jobs.

Opportunities for a better quality of life.

Opportunities for all Queenslanders to reach their full potential.

Mr Speaker, I commend the Bill to the House.

