



Budget Speech

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APPROPRIATION BILL 2004

(Second Reading Speech, 15 June 2004)

TREASURER

The Honourable Terry Mackenroth MP
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 Budget that I present today sets the agenda for the third term of the Beattie Government.

A Government with a clear vision for building the new Queensland for all Queenslanders.

A strong stable Government which delivers disciplined fiscal and economic management.

A Government delivering on its promises to improve the quality and range of services and infrastructure to the Queensland community.

We clearly articulated our policies and priorities at the election and through this Budget we keep faith with the trust that Queenslanders placed in us.

Our election commitments were targeted at our key priorities and were affordable.

This Budget fully funds all of our election commitments to the Queensland community.

This Budget continues to build the Smart State.

Today I will announce substantial improvements in services and infrastructure for Queensland, including:

- a record \$6 billion capital program for 2004-05 to meet the challenges facing the growth State, including initiatives announced as part of our Smart State Building Fund;
- full implementation of child safety reforms which will involve additional funding of approximately \$214 million per annum by 2006-07; and
- new funding of \$220 million over four years to enhance disability services, well above our election commitment.

Given the strength of our finances, this Budget also provides for \$300 million of tax concessions involving the abolition of debits tax, the abolition of credit card duty, a reduced rate of duty on general insurance and stamp duty concessions for home purchases.

ECONOMIC OUTLOOK

In 2003-04 the Queensland economy has again outperformed the rest of the nation, with year-average growth in gross state product estimated to be 4%, the eighth consecutive year that Queensland has recorded higher growth than the rest of Australia.

This growth has been underpinned by the stellar performance of the domestic economy. Dwelling investment has continued to grow strongly driven by a mix of new house and unit construction and a surge in renovation activity as home owners have capitalised on exceptionally strong increases in house prices.

This increase in house prices and related activity in dwelling investment has also supported rapid growth in household consumption over the past year.

Businesses have also shared in the strength of domestic demand, with business confidence at record levels during the year and business investment enjoying another year of solid growth. Major projects investment also rose 4% to \$56.8 billion in the March quarter, the highest growth of any State.

Queensland has once again been the engine room for job creation in Australia. Since our Government came to power in June 1998, more than a quarter of a million jobs have been created in Queensland.

The State accounted for a quarter of the jobs created nationally over this period, compared with our population share of around 19%.

Employment in Queensland this year is expected to grow by an estimated 3¼%, more than double the estimated growth in the rest of Australia. In the eleven months to May this year, almost 65,000 jobs have been created in Queensland, almost 27,000 more than forecast for the entire year.

With such strong employment growth, the trend unemployment rate has continued to fall, reaching a 22 year low of 6% in May this year.

This has occurred despite strong population growth.

Queensland is currently experiencing population growth of 2.3%, more than double the rate of the rest of Australia.

In 2004-05 economic growth in Queensland will strengthen to 4¼%, underpinned by the expected improved performance of the State's trade sector.

Increased world demand for our exports and improved competitiveness are forecast to lead to a 5% growth in exports of goods and services. Meanwhile, growth in imports is forecast to moderate in line with a return to more normal domestic demand conditions, with household consumption forecast to grow by 4¾% following its exceptionally strong growth of 8½% in 2003-04.

Dwelling investment is forecast to stay at its current record levels. Demand for new dwellings continues to be supported by our strong population growth, while demand for renovation activity by home owners will remain high.

Business investment is also forecast to continue to grow solidly with a further 8½% increase in 2004-05.

In line with the forecast of continued strong economic growth, employment growth in Queensland is once again expected to outperform the rest of Australia in 2004-05. Employment is forecast to grow by 2¼%, with the creation of more than 40,000 jobs, compared with forecast employment growth of 1¾% nationally. The State's year-average unemployment rate is forecast to remain unchanged at 6¼%, the lowest since 1981-82.

Mr Speaker, I confidently expect that Queensland will maintain its reputation as Australia's growth State.

GROWING A DIVERSE ECONOMY AND CREATING JOBS

Our Smart State vision is about using knowledge, creativity and innovation to maintain prosperity and quality of life for all Queenslanders.

The Beattie Government has established new world class research institutes in biotechnology, medical research, cancer research, fibre composites, nanotechnology and other emerging areas.

A range of Cooperative Research Centres with strong links to Queensland are driving innovation in agriculture, fisheries, forestry, mining, satellite communications, environmental management and medicine.

As announced earlier this year, our Government will invest \$20 million in a new \$60 million world-leading Brain Institute to be built at the University of Queensland to research diseases such as Alzheimer's, stroke and mental illness.

The Premier recently announced the latest round of funding commitments under the Smart State Research Facilities Fund. These commitments, of \$33.8 million, include:

- \$9.5 million for the Centre for Advanced Animal Science;
- \$8.1 million for the Queensland Preclinical Drug Development Facility;
and
- \$5 million for the Medical Engineering Research Facility.

The investments under this fund, \$130 million since its establishment, are providing Queensland's brightest students and researchers with the opportunity to realise their potential – opportunities that historically were sadly lacking in this State.

Additional funding of \$3.2 million over four years has been provided for a range of programs to help grow Queensland's small business sector, including the establishment of a technology incubator in Cairns.

The Beattie Government's Manufacturing Strategy will be expanded with an additional \$11 million over four years to develop manufacturing excellence, improve manufacturing training and education programs and to provide a more highly skilled workforce for the manufacturing sector.

The 2004-05 Budget includes an additional \$3 million over four years to provide specialist advisory services to support Information and Communications Technology uptake by businesses and the development of industry clusters.

This Budget allocates \$9.8 million over four years to support the Queensland Biotechnology Strategy which will include measures to promote the Clinical Trials Network to assess new drugs, vaccines and therapies.

The Beattie Government has a clear focus on creating jobs. Our unemployment rate has dropped to the lowest level in over 22 years. However, it is important that long term unemployed Queenslanders are able to get their share of the jobs being created.

The Breaking the Unemployment Cycle initiative commenced in 1998 with a key focus to help the most disadvantaged job seekers to get jobs and acquire new skills. Through this initiative more than 71,000 unemployed people have been placed in jobs.

An additional \$3 million over three years will be invested in the Strategic Employment Development program, taking total funding for the Breaking the Unemployment Cycle initiative up to \$278 million over three years.

REALISING THE SMART STATE THROUGH EDUCATION, SKILLS AND INNOVATION

Building on the success of our preparatory year trials, this Budget provides for the introduction of a universally available Prep Year in 2007.

Investing in the early years of schooling pays dividends throughout a person's life and the Prep Year will strengthen the foundation of our education and training reforms.

As part of the move to full implementation in 2007, the Prep Year will be phased-in at a further 40 State schools and 10 non-state schools over the next two years.

Late last week, agreement was reached with the non-State schooling sector in relation to the capital funding for facilities for the implementation of the Prep Year. The findings of the Independent Review Team appointed by the Government were accepted with a total of \$56 million being allocated for new and refurbished facilities for students attending independent and Catholic schools across the State.

Building on the Government's commitment in the 2002-03 Budget to provide an additional \$60 million over four years for students with disabilities, a further \$14 million will be allocated in 2004-05, bringing 2004-05 funding up to \$32 million for this important program.

This year a total of \$329 million will be invested in Education capital including upgrades of classrooms, libraries and administration blocks, Prep Year requirements and to complete the air conditioning of up to 560 classrooms in the Cooler Schools zone.

This Budget provides additional new and growth funding of \$118 million over three years for the SmartVET strategy – an approach to vocational education and training that targets skill shortages and the skilling and workforce needs of industry.

Over the next three years the SmartVET strategy will create an estimated 17,800 new training places in priority industry areas that are central to the economic growth of the Smart State. Approximately 11,800 of those new training places will be apprenticeships and traineeships.

New entrants to Queensland's growing aviation industry will benefit from an additional \$3.8 million over three years to fund aeroskills training.

This additional funding will bring total investment including specialist infrastructure and training funding over the next three years to an estimated \$15.9 million under Queensland Takes Off – the Government's Smart State strategy to establish Queensland as the aviation hub of the Asia Pacific region.

MANAGING URBAN GROWTH AND BUILDING QUEENSLAND'S REGIONS

During 2003, Queensland's population grew by an estimated 86,000 including 37,600 interstate migrants and 23,600 international migrants.

Queensland's growth brings benefits but it also brings challenges for transport systems and other infrastructure, services and our environment.

With around 80% of this population growth occurring in south east Queensland, the Beattie Government is making the management and co-ordination of urban growth in south east Queensland a priority.

An Office of Urban Management has been established with funding of \$6.7 million in 2004-05.

The Office will coordinate regional planning in south east Queensland and work with councils and the community to expedite the review of the existing framework for growth management and implement a South East Queensland 2021 Regional Plan.

Regional planning outside south east Queensland will be maintained and further enhanced with additional funding of \$3.6 million over four years.

Last year we committed to an additional investment in infrastructure of \$1.4 billion over three years through our Smart State Building Fund to assist in meeting the needs of a growing State. This additional investment was made possible by a prudent approach to managing the State's finances through a period of difficult equity market conditions.

Reflecting this commitment and additional infrastructure initiatives in this Budget, our capital program for 2004-05 is \$6 billion – a record capital program. Around 60% of this investment will be outside the Brisbane region.

Funding for the State's roads program has been significantly increased. The Smart State Building Fund provided an extra \$186 million for road projects over three years from 2004-05. An additional \$301 million was committed in the election for road infrastructure.

This Budget provides a new four-year \$571 million Arterial Roads Infrastructure Package, including \$19.8 million in 2004-05.

Over the next four years the Beattie Government will spend an extra \$1.9 billion on road and rail infrastructure while the Australian Government's AusLink total five year funding to Queensland is less than \$1.5 billion.

On current projections, passenger rail services in south east Queensland will require the capacity to carry an additional 13 million passengers a year by 2011. By 2007-08, over \$900 million will be spent by our Government on increasing the capacity of Citytrain.

The Government will also continue its investment in the Busway network. In 2004-05, \$27 million will be allocated as part of a \$200 million, four-year program of bus infrastructure initiatives.

Mr Speaker, an efficient transport system is vital for our exporters operating in increasingly competitive markets.

In 2004-05, Queensland Rail will spend over \$300 million on track infrastructure and rolling stock, largely to support the State's coal industry.

The RG Tanna Coal Terminal at Gladstone will be expanded at a cost of \$167 million over three years, and a further \$34 million will be spent in 2004-05 on the Port of Brisbane expansion.

Reliable, inexpensive electricity is fundamental to Queensland's ongoing development. Over the next 5 years, Queensland's consumption of electricity is forecast to significantly increase.

In 2004-05 alone, energy GOCs will be spending approximately \$1.7 billion on energy infrastructure throughout Queensland, including \$1.2 billion on expanding and upgrading Queensland's transmission and distribution network.

Another major highlight is the commencement of the \$1.1 billion Kogan Creek power project near Chinchilla. Queensland continues to lead the country in investment in power generation.

IMPROVING HEALTH CARE AND STRENGTHENING SERVICES TO THE COMMUNITY

Queenslanders enjoy a world-class health system and the Beattie Government is committed to improving health services.

In contrast, the Australian Government is putting bulk-billing General Practitioners out of the reach of many Queenslanders, putting more pressure on our emergency departments and not putting in their fair share of hospital funding.

The Beattie Government wants to improve the standard and accessibility of hospital and health services for Queenslanders.

Consistent with this priority, the 2004-05 Health Budget will increase by \$500 million or 10.8% over last year's Budget.

After the State election we immediately began to implement our elective surgery commitment and Queenslanders today are benefiting from the extra \$20 million injected this financial year with a further program of \$90 million over the next three years.

Over the next four years this Budget provides for additional funding of:

- \$20 million for cardiac services;
- \$44 million for cancer care;
- \$13.2 million for oral health care; and
- \$37.8 million to relieve pressure on public hospital emergency departments.

There is also an additional \$24.2 million over two years for replacement of three Royal Flying Doctor Service aircraft operating from bases in Brisbane, Rockhampton and Townsville.

In 2004-05, the Budget also includes funding for:

- an additional \$13 million for mental health services including the establishment of additional community, clinical and administrative support positions;
- an additional \$8.5 million to ensure Queensland patients continue to have access to a safe and sufficient supply of blood and blood products;
- an increase in State funding for the Home and Community Care program of over \$8 million;
- an additional \$7.2 million for child health initiatives; and
- an additional \$4 million to improve access to health services for Indigenous Queenslanders.

The Beattie Government is also continuing to address the key infrastructure needed to deliver quality health services, beyond what we have delivered through our massive hospital building program.

Over the next three years more than \$1 billion is allocated for the Health capital program including:

- \$77 million for a new emergency department and 120 extra beds at Prince Charles Hospital;
- \$200 million as part of the Smart State Building Fund initiative for the integration of community and hospital based health services, hospital redevelopments and emergency department upgrades and staff accommodation upgrades across Queensland;
- \$249 million will be invested in information and communication technologies to improve access to clinical information in both community care and hospital settings, and continue the development and replacement of technical infrastructure;

- \$148 million for medical technology;
- \$10 million to enhance renal services across the State; and
- \$10 million to develop a 24 Hour Health Hotline to assist the community to access appropriate health services.

The Government will also finance the \$88 million public component of the Mater Hospital Reconstruction Project, which will include construction of a new Mater Mother's Hospital, refurbishment of the Mater Adult Hospital and deliver an additional 112 public beds, 11 neonatal cots and 2 delivery suites.

Mr Speaker, in last year's Budget the Beattie Government committed \$200 million in new funding over four years as part of our agenda to deliver a better deal to people with disabilities, their families and carers.

Expenditure on disability services has been a priority of our Government so I am pleased to announce that this Budget provides an additional \$220 million over four years to further advance our agenda for disability services. This goes much further than the commitment we made in the recent election.

This new funding will be targeted towards priority areas such as the Adult Lifestyle Program, Support for Children and Families, enhancing the viability of service providers, respite services and alternative services to support people with high support needs and challenging behaviours.

Safe, secure and affordable housing is essential to individual wellbeing and helps lay a foundation of stability in the lives of Queenslanders and the communities they live in.

This is why the Budget allocates:

- \$76.9 million for public rental housing allowing for the commencement of 320 dwellings and the completion of 285 dwellings;
- \$11.9 million to the Brisbane Housing Company for the completion of approximately 150 units of accommodation, taking the total stock to over 300;

- \$30 million over three years including \$10 million in the first year to improve the supply of affordable housing; and
- \$30 million over three years as part of the Smart State Building Fund initiative for the construction of Boarding Housing accommodation and for public housing upgrades across Queensland.

The Beattie Government's successful Community Renewal Program will continue at a cost of \$75 million over five years and will be expanded into nine new areas from Cairns to the Gold Coast.

Infrastructure in the Torres Strait and the Northern Peninsula area will be further improved with funding of \$16.2 million over three years, matched by the Australian Government. We will also be seeking the Australian Government's support for infrastructure improvements in mainland aboriginal communities throughout the State.

PROTECTING OUR CHILDREN AND ENHANCING COMMUNITY SAFETY

The Crime and Misconduct Commission inquiry into the abuse of children in foster care identified that over a long period of time the Queensland child protection system had failed to deliver the necessary support and services.

The Beattie Government is absolutely committed to changing that by reforming foster care and enhancing the child protection system in Queensland.

We have a Blueprint for implementing the Crime and Misconduct Commission's recommendations and are committed to its implementation.

The resources committed in this Budget and through the last Mid Year Budget Review involves approximately \$214 million in additional annual funding by 2006-07.

This additional funding provides for a range of initiatives, including:

- over 500 additional staff for the new Department of Child Safety;
- additional staff for the Commissioner for Children and Young People, including an expanded community visitor program;

- increasing the number of alternative care places to 680 over the next four years for young people not suited to conventional foster care;
- more training and recruitment and retention strategies for staff;
- staged increases in payments for foster carers;
- more therapeutic services such as counselling and disability support for children in care; and
- enhanced Suspected Child Abuse and Neglect Team arrangements.

The Beattie Government is committed to ensuring our police are properly resourced and equipped.

In 2004-05 the number of sworn officers will grow by 350 reaching our target of 9,100 officers by September 2005. That represents over 2,300 extra police since we came to Government.

On achieving this target the Beattie Government will maintain the police to population ratio above the national average.

The Budget also provides \$29.5 million for new and replacement facilities for the Queensland Police Service.

The Community Ambulance Cover is now giving the Queensland Ambulance Service a solid funding base.

Over the next three years ambulance services will be improved through:

- the employment of 240 extra paramedics;
- 22 new or refurbished ambulance stations; and
- 200 new or refurbished ambulance vehicles.

PROTECTING THE ENVIRONMENT FOR A SUSTAINABLE FUTURE

Mr Speaker, it is essential that we manage the development of our natural resources in an ecologically sustainable way.

The sustainable use of natural resources will secure the future of key industries and the maintenance of biodiversity will secure the integrity of the natural environment for future generations.

Historic new laws were recently passed to phase out broadscale land clearing in Queensland by December 2006.

This is the most significant environmental decision in Queensland's history.

In the absence of Australian Government support, the Beattie Government will double its previous funding commitment to provide a \$150 million adjustment assistance package.

This package will include funding to help landholders build up existing enterprises or establish new enterprises on their land, to support rural industry groups in promoting best practice sustainable agriculture and for incentives to support landholders willing to manage and maintain native vegetation as part of their operation.

To enhance the protection of Queensland's natural heritage, this Budget commits funding of \$15 million over three years to buy strategic parcels of high conservation value land to add to the protected estate. This includes \$12.5 million for land acquisition in Cape York and the Daintree.

We will also contribute \$5 million to the Queensland Trust for Nature to initiate the establishment of a public fund which will purchase land for conservation purposes.

An additional \$6 million over three years is also provided to upgrade visitor facilities in our National Parks.

GOVERNMENT FINANCES

Mr Speaker, the fiscal principles that have been the foundation of successive Beattie Government budgets have allowed us to manage the effects of external factors, the impact of geopolitical events on equity markets and maintain our AAA credit rating.

While the equity markets in recent years adversely impacted our investment returns and our operating result, 2003-04 has seen a major upturn in global equity markets.

This equity market upturn, coupled with strong property market activity, has contributed to a revision to the forecast operating surplus for 2003-04 to over \$2.3 billion. Even after adjusting for the structure of Queensland superannuation arrangements, our underlying surplus is estimated at over \$1.4 billion.

This result more than offsets the two deficits recorded in 2000-01 and 2001-02.

Based on our longer term investment return expectations and allowing for a moderation in property market activity, the 2004-05 Budget provides for a net operating surplus of \$646 million with surpluses of the order of \$400-\$500 million over the forward estimates period.

The improved operating result forecast for 2003-04 and over the forward estimates period has provided both the capacity for a major boost to the expansion and upgrading of our service infrastructure and an enhanced capacity to manage external impacts on our operating position.

REVENUES

Mr Speaker, every Queenslander and every Queensland business benefits from our competitive tax regime.

Based on Budget forecasts if you live in Queensland you will pay \$1,614 per capita in State taxes compared with \$2,056 per capita for the average of the other States. In other words taxpayers in other States pay 27% more than Queenslanders.

Our payroll tax rate is 4.75% - the lowest in Australia.

We have committed to abolishing the Bank Account Debits Tax from 1 July 2005 at a cost to revenue of around \$190 million.

The Beattie Government has already honoured our election commitment to help young Queenslanders who are finding it hard to buy their first home by providing stamp duty relief.

From 1 May this year first home buyers buying a house up to \$250,000 pay no transfer duty and no mortgage duty and between \$250,000 and \$500,000 receive a transfer duty rebate on a sliding scale.

Most states and territories in Australia do not provide a transfer duty concession for a home purchase that is not the first home.

Currently in Queensland a concessional transfer duty rate of 1% applies for the first \$250,000 of the purchase price for homes other than first homes.

As announced from 1 August 2004 the threshold for this concessional duty rate will be increased from \$250,000 to \$300,000.

This enhanced concession will mean that Queenslanders purchasing a home valued at \$300,000 or more will pay \$1,250 less in transfer duty.

From 1 August 2004 the duty rate for Class 1 general insurance will be reduced from 8.5% to 7.5%. This reduced rate will particularly benefit policyholders of building and contents cover.

In addition, credit card duty, currently applied at 10 cents per credit card transaction, will be abolished from 1 August 2004.

Together, the abolition of debits tax and credit card duty, the reduced rate of duty on general insurance and our stamp duty concessions for home purchases will save taxpayers approximately \$300 million per annum from 1 July 2005.

DELIVERING RESPONSIVE GOVERNMENT

The Beattie Government is a responsive Government.

We listen to the community through our regional community forums and regional Cabinet meetings. We have held a history-making sitting of Parliament in Townsville and, as the Premier has already announced, we will be taking a sitting of Parliament to Rockhampton.

A number of e-democracy initiatives designed to use information technology to enhance community access to and participation in government decision making processes have been successfully trialled and will be continued.

A significant part of being responsive and accountable is ensuring that the community gets value for money through cost effective services.

We are continuing to develop and expand services available to the public through our single access point, Smart Service Queensland.

Value for money opportunities to deliver infrastructure are being pursued through our Public Private Partnerships framework.

Value for money is also being driven through our shared services model for the delivery of corporate services within Government.

CONCLUSION

Mr Speaker, at the State election we asked the voters to support the Beattie Government to keep our State moving and to keep building the new Queensland for all Queenslanders.

This Budget delivers on our election commitments and goes beyond that.

We are improving core services particularly for those most in need including vulnerable children and people with a disability.

We are boosting infrastructure spending, including essential transport infrastructure.

Our fiscal position is stronger and confirms the Government's fiscal management over recent turbulent times.

Our economy is growing, diversifying and performing strongly.

We are building the new Queensland for all Queenslanders.

I commend the Bill to the House.