

QUEENSLAND BUDGET 2019–20

Budget Speech

Budget Paper No.1

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Appropriation Bill 2019

(First reading speech, 11 June 2019)

The Honourable Jackie Trad MP

Deputy Premier

Treasurer

Minister for Aboriginal and Torres Strait Islander Partnerships

Mr Speaker,

I move that the Bill be now read a first time.

Today I deliver a Queensland Budget unashamedly focussed on our regions.

I do so because Queensland is the most decentralised state in the federation.

A state that relies – more than any other – on the strength of its regional cities and towns.

On the prosperity of its regional economies.

And on the character and resilience of its regional communities.

Mr Speaker, our regions define who we are as Queenslanders.

When our regions do well, all of Queensland does well.

And so in shaping this Budget, it is regional Queenslanders who have been at the forefront of our thoughts.

Mr Speaker, this is **a Budget for regional Queensland.**

Our tourism regions. Our agricultural regions. And our coal and resource regions.

And it builds on a significant ongoing commitment by the Palaszczuk Government to regional Queensland.

Since 2015, the Palaszczuk Government has invested \$29 billion in infrastructure outside of Greater Brisbane.

That's almost 70 per cent of our entire capital spend – to strengthen our regional economies and improve hospitals and schools.

Mr Speaker, the list of projects completed or underway is too long to mention in detail, but the investment across our state includes:

- The Smithfield Bypass in Far North Queensland
- The Berth 4 upgrade at the Port of Townsville
- The Mackay Ring Road
- The Rockhampton Ring Road
- The Capricornia Correctional Centre expansion
- Major upgrades to the Bruce Highway
- The Sunshine Coast University Hospital
- The Gold Coast Light Rail extension; and
- The Kingaroy and Roma Hospital redevelopments.

And Mr Speaker

We're not about to stop investing in regional Queensland.

Staying the Course

Budgets are about choices.

Today, through this Budget, the Palaszczuk Government is choosing to stay the course.

We choose to continue our strategy of investing in jobs and in front line services to meet the needs of a growing state.

We choose to support business, particularly small and medium sized business, to create jobs.

We choose to prepare our state for the future by investing in new industries and skills.

We choose **not** to cut, sack and sell.

And we make these choices because our economic plan is working to create jobs.

The proof is in the numbers.

Since 2015, 199,000 jobs have been created.

And the gap between unemployment in the regions and SEQ is narrowing.

Because of this Government's focus on delivering infrastructure and creating jobs, in recent years this gap has fallen from 2.5 per cent to just 0.7 per cent.

In fact, in the last year alone in regional Queensland jobs are being created twice as fast as the population is growing.

Infrastructure

Mr Speaker,

These outcomes are no coincidence.

They have been achieved as a result of the Palaszczuk Government's focus on our number one priority – jobs for Queenslanders.

And in this Budget, we stay the course.

We continue our focus on job generating infrastructure with an investment of \$49.5 billion over four years.

This year the capital program will invest almost \$13 billion in job generating infrastructure, directly supporting more than 40,000 jobs.

And more than 25,000 or 63 per cent of those jobs will be in regions outside of Greater Brisbane.

This contrasts sharply with the Federal Government's Northern Australia Infrastructure Facility, which is yet to spend a single cent – or deliver a single new job – in regional Queensland.

Here's a sample of what our Government is delivering right across Queensland:

- Continuing the work on the Mackay Ring Road
- Expanding the Townsville Port
- Upgrading to the RG Tanna Coal Terminal in Gladstone
- Upgrading the M1 at key congestion points including the Pacific and Gateway Motorway merge

- Improving regional roads including the Kennedy Development Road and the Barkly Highway from Mt Isa to Cloncurry
- Delivering Cross River Rail to double our rail network capacity across the river meaning more trains from the Gold Coast and the Sunshine Coast
- Building the new North Queensland Stadium due to open ahead of the NRL Premiership Season next year
- Making a multi-million dollar investment in train manufacturing jobs in Maryborough at Downer EDI
- Developing a new export hub for regional Queensland
- Building a new counter-terrorism training facility at Wacol

And so much more.

In this Budget we are investing another \$70 million in the Building our Regions Program bringing our total commitment in this job generating program to \$515 million.

Building infrastructure creates good jobs in construction.

But it also builds our economic capacity, attracting new industry and private investment.

Our Economy Today

That's why, Mr Speaker, now is not the time to change course.

Despite the challenges of natural disasters, Canberra's cuts and an unfair GST distribution – it's not the time to diminish our investment in Queensland's economic prosperity.

Our commitment to keep building job-generating infrastructure and capital projects will see our borrowing with Queensland Treasury Corporation remain at affordable levels – \$72 billion in 2019-20.

Mr Speaker, Queensland can afford this continued investment.

The General Government debt-to-revenue ratio is a key measure of our capacity to sustain our investment.

The Government's careful management of borrowings means that this ratio will remain lower than any other major state except New South Wales.

And it is only lower in New South Wales because they have chosen to privatise assets.

Mr Speaker, Queensland's economy – and our Budget – are strong.

Counting the total value of everything we produce, Queensland is a \$350 billion economy – three times what it was in 1990.

And Queensland's economic growth is forecast to strengthen next financial year to 3 per cent and then 2 and three-quarter per cent for the following three years.

In fact, 2019-20 is expected to be the third year in a row that Queensland's growth rate outperforms national growth.

We will achieve surpluses in every year of the forward estimates period.

And this will see revenue growth outpace expenses growth over the forward estimate period.

We will continue to see the net worth of the state grow.

And by 2021, for the first time, the state's net worth will be more than \$200 billion.

Sectors & innovation

Mr Speaker,

As our economy grows, we also need to underpin its strength through diversification.

That's why the Palaszczuk Government is committed to developing new industries.

Advanced Manufacturing

Queensland is emerging as an advanced manufacturing state – creating new products for a new decade.

For example, together with industry and the community, we won the \$5.2 billion Land 400 contract with Rheinmetall at Ipswich.

This will see advanced manufacturing activity never before undertaken in Queensland.

With new skills and new capabilities contributing to a more diverse economy.

Energy

As well, Queensland is at the forefront of the global energy revolution – another opportunity to diversify our economy.

No state has more to gain from gas and hydrogen, solar and wind.

We lead the nation when it comes to energy supply and reform.

We power the nation with our energy exports to the national grid.

We help to power the globe with Queensland's coal and now our LNG exports which total \$15 billion a year.

All thanks to a Labor Government with the foresight more than a decade ago to create an entirely new resource industry for our state.

And now we have the opportunity to do it again with hydrogen.

Global demand for hydrogen is increasing, with the market expected to reach an astonishing US\$155 billion by 2022 – only three years away.

We want Queensland to be the home of this new industry. In the same way as we've become a key player in LNG.

Our renewable resources of solar and wind, combined with the existing gas pipeline infrastructure and port facilities gives us a competitive edge for the future production and export of hydrogen.

That's why this Budget provides \$19 million to help kick start the hydrogen industry in Queensland.

Innovation

Mr Speaker, this Government continues to support the entrepreneurs who are helping to diversify our economy.

Like the entrepreneurs from RedEarth Energy Storage at Darra who have developed battery systems which can store excess electricity for use after the sun goes down.

Like the social entrepreneurs who founded Orange Sky in Brisbane.

This enterprise has now expanded to 29 services across the country. Each week their vans do 10 tonnes of laundry and provide 122 showers for people in need.

Like the home-grown start-up company, Didgigo – based in Cairns and delivering new and exciting bespoke solutions in the tourism industry.

And the amazing work of Immunologist Professor Ian Frazer – who is investigating the use of a new therapeutic vaccine he invented to treat head and neck cancers.

Our \$175 million Jobs and Regional Growth Fund is helping Queensland to be at the forefront of a developing biofuels industry.

For example, the latest biorefinery pilot project in the Gladstone region will target production of four tonnes of renewable diesel and jet fuel daily, creating an estimated 50 jobs.

Resources

Mr Speaker, our efforts to build innovative new industries rests on the shoulders of Queensland's continuing traditional strengths.

Queensland is a resources state.

In the past four years we have attracted more than \$20 billion worth of new investment in resources and created more than 7,000 jobs.

And we will continue to innovate in mining and exploration.

The North West Minerals Province contains approximately 75 per cent of Queensland's base metal and mineral endowment, including copper, lead, zinc, silver, gold and phosphate deposits.

These are the very resources the world's new economy is demanding.

We want to unlock this potential.

That's why this Budget invests in new initiatives to promote exploration, mining and exports in the North West Minerals Province.

This includes common-user facilities at the Port of Townsville – open for use by any above-rail operator.

It means that wagons of mineral concentrate that are destined for the world's markets will no longer have to be unloaded more than 12 kilometres away and transported by truck through Townsville to the Port.

Our investment also includes a reduction in rail access charges on the Mt Isa line.

This means our resources will get from pit to port in the most competitive and cost-effective way.

This is a clear signal to global markets that we are serious about opening up the North West Minerals Province to the world and we've backed it with a half-a-billion-dollar investment in this year's Budget.

Agriculture

Mr Speaker,

Queensland is an agricultural state.

And we are meeting the rising demand for clean and green food from the growing Asian middle class.

This has helped us set trade records – with total exports rising more than 16 per cent to \$85 billion in the year to April 2019, including almost \$10 billion of rural exports.

In the face of instability and uncertainty in international markets we have worked with the agricultural sector to secure jobs and opportunities.

For example, this Budget dedicates \$14 million towards securing an international investor in Mackay Sugar Limited to secure more than 800 jobs on top of the proposed private investment of \$120 million.

Tourism

Mr Speaker,

Queensland is a tourism state.

Tourism numbers in our state are at an all-time high. We have seen record highs in international visitor numbers, with nearly 2.8 million visitors spending \$6 billion in Queensland.

Queensland's tourism is thriving by offering new experiences – and more visitors than ever have fallen in love with our natural beauty and cherished lifestyle.

That's how we have created thousands of tourism jobs, investing in direct flights from key locations in Asia whose people want to come straight to Queensland.

Our Budget again invests in a wide range of initiatives to attract tourists to Queensland and support jobs.

From the South East Corner, to the Outback we have our plan for jobs in tourism, backing it in with a more than \$600 million investment in major events, programs and projects, including:

- Completing the Wangetti Trail
- The rejuvenation of Great Barrier Reef Island Resorts
- Outback tourism infrastructure, including an investment in a new glass bridge spanning the Cobbold Gorge
- The rejuvenation of Airlie Beach
- Infrastructure for Great Keppel Island
- Premium ecotourism facilities on Whitsunday Island
- The continuation of the World Science Festival; and
- Funding for exclusive Queensland blockbuster exhibitions.

Payroll tax relief

Mr Speaker,

Queensland is the place to do business.

What we have achieved as a state – in our emerging and traditional industries – we have achieved in partnership with business.

We know that the private sector creates most jobs in our economy.

And more than four in ten private sector workers in the state work in small and medium businesses. These businesses are the beating heart of our economy.

Small and medium-sized enterprises make up more than 99 per cent of all businesses in this state.

And if even one in five of them was able to employ just one extra person, that would be more than 80,000 new jobs.

That is why a centrepiece of this Budget is help for small and medium sized businesses, especially in the regions.

Today, I announce a payroll tax relief package worth \$885 million to assist small and medium sized businesses to create jobs for Queenslanders.

From July, the exemption threshold for payroll tax will be increased for all Queensland businesses from \$1.1 million to \$1.3 million.

This will mean 1,500 additional businesses will no longer pay any payroll tax.

Queensland's new tax-free threshold for business is double Victoria's.

This means a business in Queensland can employ twice as many people – and operate at twice the size of a business in Victoria – before paying a single dollar in payroll tax.

As well, regional business who employ 85 per cent or more local workers will receive a payroll tax discount of 1 per cent off the set rate.

Our combined payroll tax threshold increase and the regional discount will mean an estimated 13,000 businesses are better off.

This demonstrates our continued determination to create jobs in regional communities.

Mr Speaker,

We will also keep our Back to Work incentive program which has provided support to more than 9,000 Queensland businesses who have been able to take on 19,000 previously unemployed Queenslanders.

And to further help address youth unemployment, the 50 per cent payroll tax rebate for apprentices and trainees – due to expire on June 30 – will be extended to June 2021.

Since the scheme started in 2015, more than 5,300 businesses have claimed a total of \$76 million.

In addition to payroll tax relief and Back to Work programs, we are driving down electricity costs for regional businesses.

The latest Queensland Competition Authority decision will see energy prices drop by almost 6 per cent for regional small businesses and 4.4 per cent for regional households.

This is a direct result of this Government's facilitation of renewable energy generation into the grid right across our state.

Health

Mr Speaker,

As I have said, budgets are about choices.

We have chosen to stay the course on our economic plan to create jobs.

And we are staying the course on building – not cutting – our frontline services.

In 2015 Queenslanders made the choice to stop the LNP's cuts and we have rebuilt the services the previous Government stripped away.

In health we have employed almost 6,000 nurses, more than 2,000 doctors and 500 ambulance officers to provide frontline health services for Queenslanders across the state.

This Budget provides a more-than \$18 billion operating budget for Queensland Health and more than \$770 million in capital investments to help keep Queenslanders healthy.

Regional hospitals in Roma and Gladstone will receive \$78 million for redevelopments that support local jobs and improve healthcare for our regions.

Community helicopter providers like CareFlight will receive more than \$58 million to help rapidly transport our most critically ill patients.

There will be even better mental health care at Hervey Bay and Maryborough Hospitals, along with new MRI and CT scanning equipment for Redcliffe Hospital.

And this Budget commits \$80 million over four years for a range of initiatives under the Shifting Minds Suicide Prevention Flagship program.

Mr Speaker, tragically, too many young Indigenous Queenslanders are taking their own lives.

Of this \$80 million investment, the Palaszczuk Government will direct almost \$7 million toward the specific circumstances of Indigenous mental health and wellbeing.

Education and training

Mr Speaker,

Good education and training transforms lives by unlocking opportunity.

And it transforms the economy by creating a future-ready workforce.

The Palaszczuk Government has:

- mandated that apprentices or trainees make up at least 15 per cent of the workforce on large-scale Government projects.
- provided a payroll tax rebate for businesses that take on apprentices
- made TAFE free.

Never forget those four words:

Labor. Made. TAFE. Free.

And we have restored education services previously cut.

In this Budget we again deliver a record investment in education and training.

We are increasing our investment in education infrastructure by a massive 80 per cent on last year's budget.

This means better and new schools, with world class learning environments and facilities.

We have committed an additional \$30 million over two years to support universal access for kindergarten in the year before school.

Mr Speaker, we know that early intervention can make all the difference to how a life is led.

That's why this Budget continues our commitment to vulnerable youth.

In addition to our historic \$330 million youth justice package, we will support at-risk young people through the expansion of our FlexiSpace program.

This program provides support to keep at-risk young people engaged in learning. Our \$17 million investment over coming years will see this program expanded to up to 52 state schools across the state.

Mr Speaker, it's hard to learn on an empty stomach. That's why we will fund Foodbank to expand their proven school breakfast program to an additional 70 schools throughout our state.

Climate change, natural disasters, renewable energy

Mr Speaker,

This has been another tough year for Queenslanders enduring extreme weather events.

In the long term, there is no greater threat to job creation than climate change.

And it is places like Queensland – where regional jobs matter so much – that stand to lose the most.

You only have to look at the natural disasters that have hit our communities and our Budget over the past year to see the very real impact we are facing.

The bushfires in Central Queensland in November last year.

The unprecedented February flood events in Townsville and the North.

We think of our farmers in areas like Cloncurry, Normanton and Julia Creek, who battled drought for years to keep their farms productive.

And how their happiness at the first sight of rain turned to devastation as their stock was wiped out by the deluge.

We remember Cyclone Trevor hitting our communities in the Cape York Peninsula hard.

Then crossing the coast further south as a low-pressure system, flooding our communities in Central and Western Queensland.

Communities like Barcaldine, Tambo and Longreach.

As Queenslanders we take pride in the fact that we band together in times like this – we lend a helping hand to those in need.

And Queenslanders know better than anyone how these events devastate the economy and damage the Budget bottom line.

All told, 84 disasters in the past decade have now caused more than \$15 billion in damage to public infrastructure.

Including an estimated \$1.3 billion in damage since November 2018 alone.

So that is reality today. Extreme weather events already cost us through direct government expenditure, lost revenue and lost production.

We are paying the price of climate change right now. And it will only grow over time.

So because of the environmental emergency unfolding over decades, the Government has an immediate economic responsibility.

We must act to mitigate the climate risk to the state's economy and the livelihoods of Queenslanders.

We must heed calls from business leaders within our economy – from energy and mining to retail, insurance and finance.

We must not ignore warnings from the Reserve Bank of Australia.

In March, Deputy Governor of the RBA, Guy Debelle, warned of the serious consequences of climate change to our economy when he said:

“... the physical impact of climate change and the transition are likely to have first-order economic effects ... [including] ... challenges for financial stability...”.

Mr Speaker,

In short, if we don't act now, climate change will cut jobs and growth, lift prices and inflation, and destabilise our insurance and banking systems.

The problem is environmental *and* economic, urgent *and* important.

In response, our leadership must be global *and* local.

And that's why we are pursuing a range of initiatives to lower emissions and create more renewable energy.

For example, next financial year, the Government's renewable and low-emissions electricity generator – CleanCo – will begin operating and trading in the national electricity market.

CleanCo will assist in the provision of a cleaner, more affordable, sustainable and secure energy supply for Queensland.

Alongside the Government's existing generation businesses, CleanCo will play a key role in the Government's commitment to generate 50 per cent of the state's energy from renewable sources by 2030.

As always, Queensland will carry its weight.

We will do our part.

Canberra

And Mr Speaker,

That's what makes Canberra's treatment of Queensland all the more disappointing.

As we struggle with natural disasters and the challenges of funding the needs of a growing state, the Federal Government is intent on being a ball and chain around our ankle.

Mr Speaker, this Government was not counting on a federal Labor win at the recent election.

But we cannot underestimate the impact of what another term of a Morrison LNP Government means for our state.

Less investment in Queensland's infrastructure.

Less for our schools and hospitals and other services.

And less revenue from GST.

Let's take the GST distribution, for example.

The Federal Government earlier this year announced a new approach to distributing GST revenues to the states.

As a result of these changes – and Mr Frydenberg's directions to the Grants Commission – Queensland will be the only state to receive less in GST revenue next year than last year.

In fact, Queensland's share of the GST has been slashed by \$866 million as a direct result of interference by Canberra.

As a result of Canberra's cuts, there will be an increase in land tax rates for companies and trusts of 0.25 per cent.

This change is forecast to raise \$238 million over the forward estimates and apply only to land holdings over the value of \$5 million.

Land tax rates for individuals will not change.

We will also bring the land tax absentee surcharge adjustment in line with NSW and Victoria. This will see an increase in the surcharge from 1.5 per cent to 2 per cent, along with a widening of the definition to include foreign companies and trusts.

The estimated revenue for this measure is \$540 million over the forward estimates.

The measures will help buffer Queenslanders from Canberra's rip-off.

Mr Speaker, the Government makes these land tax changes reluctantly.

And so I make this commitment.

If Canberra fixes the current bias in their GST calculations and returns what we are owed, we will repeal these land tax measures.

I urge Queensland business to lobby their State and Federal LNP Members of Parliament.

Demand they return Queensland's fair share of GST.

Petroleum Royalty

Mr Speaker, earlier I spoke of the achievement of creating an entire LNG industry from scratch.

This relatively new industry is providing jobs and economic prosperity for regional Queensland.

However, the current royalty regime has been in place essentially since the industry commenced operations 10 years ago.

A feature of the arrangements is that different organisations are operating under separately struck royalty arrangements.

We intend to review royalty arrangements with a view to levelling the playing field.

In the process we will also increase royalties overall by 2.5 per cent – to 12.5 per cent for petroleum.

This is still a very fair outcome for a global industry operating in an international market in circumstances where other royalty rates, for example Canada, are as high as 30 per cent.

We will bring industry and producers together to work out a new scheme which is fair for all and will get us the best outcome.

These resources are from our regions and it's only fair that Queenslanders get a dividend. Our petroleum resources are in high demand, internationally and domestically.

The petroleum dividend returned to Queenslanders for their resources will be \$476 million over the forward estimates.

CONCLUSION

Mr Speaker,

Let me conclude where I began.

Budgets are about choices.

The Palaszczuk Labor Government chooses to stay the course.

We do so because all of the evidence points to the fact our economic plan is working.

Our promise to Queenslanders was that we would not cut, sack and sell.

This Budget delivers on that promise.

We will continue our plan to back Queensland jobs and stand by our communities.

To invest in our regions and build critical infrastructure.

To grow and diversify our economy.

To encourage small and medium businesses to grow.

To deliver the frontline services Queenslanders rely upon.

And to never shy away from the tough challenges.

Mr Speaker, this is a Budget for all Queenslanders.

But particularly, this is a Budget for Queensland's regions.

I commend the Bill to the House.

