



Queensland  
Government

smart

statebudget

2003-04



# Budget Speech

Budget Paper No.1



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## **APPROPRIATION BILL 2003**

(Second Reading Speech, 3 June 2003)

### **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 Beattie Government has a clear vision for Queensland and a clear set of priorities.

We are giving Queensland a strong identity as Australia's Smart State by improving the lives of all Queenslanders and creating sustainable opportunities for everyone.

We are acting on our priorities to deliver our vision for Queensland.

The Beattie Government has:

- generated average annual economic growth of over 5%;
- maintained a strong fiscal position despite turbulent world events;
- reduced the unemployment rate to levels not seen for 13 years;
- invested \$24 billion in improved infrastructure;
- enhanced and improved key services; and
- taken action to protect the environment.

Our Government has fully funded all our election commitments and we continue to deliver more for Queensland.

This Budget builds on our vision through further investment in health and disability services as well as increased investment to foster innovation which is at the heart of our Smart State vision.

This Budget provides:

- an increase in the Health Budget of \$300 million or almost 7% as part of a cumulative four-year increase in spending on health of over \$2.6 billion;
- \$290.5 million in increased State funding over four years to Disability Services including \$200 million in new funding; and
- \$100 million over four years to build upon the investment in our Smart State Strategy.

## **ECONOMIC OUTLOOK**

The State Government's economic strategy is aimed at maximising Queensland's economic performance and providing a better quality of life for all Queenslanders.

Our strategy focuses on the main drivers of productivity growth—improving economic fundamentals, fostering innovation and investing in human capital.

The Queensland economy has continued to outperform the rest of Australia and indeed most of the rest of the world in terms of economic growth in 2002-03. In year-average terms, estimated growth in gross state product will be 4¾% this year, 2 percentage points faster than growth in the rest of Australia.

This has occurred despite drought and a hostile external environment—terrorist attacks in Bali, war with Iraq, weak overseas equity markets, declining world growth and, more recently, SARS.

The resilience of the Queensland economy, however, is again clear.

Despite major international and national impacts in recent years State economic growth has been underpinned by the strength of domestic demand, particularly dwelling and business investment.

The Beattie Government has again delivered on its promise of jobs. Employment growth in Queensland has exceeded our expectations this year, growing by an estimated 3¼%, 1 percentage point faster than growth in the rest of Australia.

This means we have created an additional 55,000 jobs in 2002–03, some 12,000 more than our Budget forecast.

Since this Government came to power in June 1998, an additional 200,000 jobs have been created in Queensland.

Unemployment has continued to fall during the year, even with our strong population growth, to the lowest levels since 1990.

This growth was fuelled by Queensland's thriving economy. We attracted large numbers of people to the state from interstate and from overseas. A net inflow of 36,500 interstate migrants moved to Queensland over the 12 months to December 2002, the highest level recorded in over six years. Overseas migration to Queensland also reached a historical high over the same 12 month period, with a net balance of almost 26,000 international migrants settling in Queensland.

Turning to the year ahead, the Queensland economy is forecast to continue to grow solidly in 2003–04, with forecast growth of 4%. This is 1 percentage point faster than forecast growth in the rest of Australia.

While the Commonwealth's national forecast growth of 3¼% relies on an exchange rate of around US60c, our forecast incorporates the more recent appreciation of the Australian dollar, with a year-average exchange rate assumption for 2003–04 around current levels.

Business investment will continue to be a major driver of growth in 2003–04, with ongoing activity supported by low interest rates, improved profitability and strengthening equity markets. Business investment is forecast to increase by around 9½%, following extraordinary growth this year. Dwelling investment is forecast to ease slightly but remain at a high level.

Household consumption will also contribute strongly to growth, with rapid population growth, solid labour market conditions, continued growth in real earnings and low interest rates all driving growth of around 4¾% in this sector.

Labour market conditions will remain strong in the State, with employment forecast to increase by 2¼%. This translates to the creation of around 38,000 jobs in year-average terms for 2003–04.

Continuing strong population growth is forecast to result in labour force growth of 2¼%, matching employment growth and keeping the unemployment rate remaining broadly unchanged in year-average terms.

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

Our economic strategy recognises that fostering innovation and investing in the skills and capabilities of Queenslanders are critical to the future growth of the Queensland economy.

With initiatives in this Budget, spending on education by 2006–07 will have increased by 55% or more than \$1.6 billion since 1997–98.

The 2003–04 Budget in the area of education includes:

- \$300 million for capital outlays;
- \$155 million for continuing literacy and numeracy initiatives;
- \$6.8 million to extend the trialing of a preparatory year of schooling to an additional 25 schools including 20 State schools; and
- \$67 million for information and communication technologies in schools.

We are on target to achieve a student to computer ratio of 5:1 for Years 3-12 by 2005.



In aggregate, the Budget provides for 636 additional classroom teachers to meet enrolment growth, support students with disabilities, reform initiatives and enhancements. This will bring the total number of new teachers appointed since 1998 to around 3,000.

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

I am pleased to announce this Budget provides an additional \$85 million per annum commencing in 2004–05 to continue this initiative to 2006–07.

An additional \$19 million is allocated over four years for the employment of 300 public sector apprentices in targeted skill shortage areas.

Mr Speaker, innovation is a primary driver of productivity growth, improved living standards and better job opportunities.

The Beattie Government's vision for the development of Smart State industries and jobs is backed up by our investment in research and development.

Our Government's focus of building on the State's traditional strengths and fostering new innovative industries has delivered consistently higher rates of economic growth than the rest of Australia.

We have been a strong investor in molecular bioscience research, cancer research and biotechnology. Our \$100 million Smart State Research Facilities Fund is supporting initiatives such as the Australian Institute of Bioengineering and Nanotechnology.

Mr Speaker, the Government will shortly release a document, *Queensland – Smart State – Investing in Science, Research and Innovation*, which will include a \$100 million four-year package of initiatives across a number of sectors of the knowledge economy to underpin Queensland's delivery of the Smart State vision. Areas of investment will include medical and bio-discovery research, tropical marine science and clean coal technology.

The strategy will generate smart, sustainable jobs and investment opportunities and ensure that Queensland remains at the forefront of science and technology innovation.

## **COMMUNITY ENGAGEMENT AND A BETTER QUALITY OF LIFE**

Queenslanders enjoy a quality of life that is among the highest in the world.

The Beattie Government is committed to engaging the community in decision making processes to further improve our quality of life. We achieve this through Regional Community Forums, Community Cabinet meetings and our first regional sitting of Parliament.

Access to high quality health care is fundamental to quality of life and a clear priority for the Beattie Government.

Compared to the 2002–03 Health Budget, the next four years will see a cumulative increase in health spending of over \$2.6 billion for wage increases, operating cost increases and for increased and enhanced services for a growing and ageing population. This comprises around \$1.6 billion in State funding and around \$1 billion in Commonwealth funding.

By 2006–07 the Health Budget will grow to around \$5.4 billion, that is over \$1 billion or around 25% higher than the 2002–03 Health Budget.

In 2003–04 the Health Budget will increase by \$300 million or almost 7% over last year's Budget, providing:

- increased funding of \$40 million to manage demand pressures for oncology and cancer care, renal dialysis services, intensive care, cardiac services and emergency services;
- an additional \$10 million to continue the Elective Surgery Enhancement initiative beyond our \$20 million two year election commitment;
- an additional \$8.4 million for mental health services including funding for 40 additional community mental health staff;
- an increase in State funding for the Home and Community Care program of \$7.5 million;

- an additional \$5 million to manage the increasing demand for dental care including improved access and better management of waiting lists; and
- \$2 million in 2003–04 rising to \$8 million in a full year for additional medical services at the Logan and Caboolture Hospitals to relieve pressure on accident and emergency departments.

Over 10 years from 1994, \$2.8 billion will have been invested in rebuilding, modernising and re-equipping hospitals and community health facilities. This investment continues in 2003–04 with ongoing redevelopment including hospitals at Ayr and Gympie as part of a health capital program of over \$280 million.

In contrast to the Commonwealth Government, the Beattie Government is strongly committed to the principles of Medicare and providing Queenslanders with access to affordable, quality health care.

The lack of commitment by the Commonwealth is plain for all to see.

Their new Health Care Agreement funding offer to the states is, by their own admission, \$1 billion less than they factored into their forward estimates to continue the current five year agreement.

The Howard Government is making it more expensive for the average Australian to see a doctor. If your family earns more than \$32,000 you won't qualify for bulk billing.

As more families are denied access to free GP services they will increasingly turn to our emergency departments at hospitals for treatment increasing pressure on our public hospital system.

The Howard Government's lack of commitment to our public hospitals and to Medicare should rightly anger all Australians.

Queenslanders can be assured that the Beattie Government is committed to the retention of Medicare and the provision of accessible, affordable and high quality health care for all Queenslanders.

Mr Speaker, people with disabilities require support and assistance to enable them to actively participate in society.

In some cases specialised services are needed but it is important to recognise and support informal networks, families, carers and friends to ensure people with disabilities have the opportunity to fully participate in all aspects of everyday life.

This Budget delivers on the Beattie Government's commitment to providing a better quality of life for Queenslanders with a disability.

Last year, our Government initiated the Funding Reform Project – one of the most progressive and significant pieces of work in the history of disability services in Queensland. The results of extensive consultation with stakeholders showed the need for reform and provided a strong direction for the way we deliver disability services.

Our agenda for change is to deliver a better deal to people with disabilities and their families.

This Budget delivers \$200 million in new funding over four years including \$35 million in 2003–04 for a range of initiatives that will provide better outcomes for people with a disability, their families, carers and disability services providers. The details of these initiatives are set out in a new policy statement – *Future Directions for Disability Services*.

Together with funding for grant indexation, enterprise bargaining and other factors, an additional \$290.5 million in State funding will have been injected into the provision of disability services and support by 2006–07.

This increased funding will see the budget for Disability Services Queensland grow to \$385 million in 2003–04, an increase of 16.3% on last year's Budget.

Over the next four years State funding will grow by 43% compared to Commonwealth funding growth of 16%.

This again shows the stark contrast between the priorities of the Howard Government and those of the Beattie Government.

With the new four-year funding provided for in this Budget, the level of State funding for disability services will have increased from around \$125 million in 1997–98 – the year before the Beattie Government came to office – to \$330 million in 2006-07.

The Beattie Government recognises that safe, secure and affordable housing is an essential component of individual, family and community wellbeing.

This Budget allocates \$528 million for housing assistance programs for 2003-04 representing an increase of 11% on last year's allocation. This includes:

- over \$170 million for public rental housing allowing for the commencement of 300 dwellings, the completion of 239 dwellings and for upgrades to improve existing accommodation; and
- an additional 60 dwellings will be provided for transitional housing to improve options for homeless people in crisis. This is part of a \$15.5 million allocation for homelessness initiatives.

As part of the Beattie Government's strong commitment to enhancement of public transport, \$21.4 million is provided in 2003–04 to progress the introduction of an integrated ticketing system in South East Queensland together with \$42 million for the construction of the Inner Northern Busway.

The arts, culture and recreation are key elements of quality of life and essential components of a strong and vibrant Queensland society.

The Budget provides \$92.6 million for ongoing capital works for the Millennium Arts project, including \$3.8 million for the Musgrave Park Indigenous Cultural Centre. Additional funding of \$3.2 million is provided over four years for arts and cultural organisations and major performing arts companies.

## **SAFER AND MORE SUPPORTIVE COMMUNITIES**

Last year's Budget provided additional funding of \$188 million over four years to strengthen this Government's capacity to assist Queensland families, youth and children in need.

This increased investment saw 92 additional staffing positions created in the Department of Families in 2002–03 together with the establishment of trials of innovative approaches to prevention and early intervention which will be completed in 2003–04.

The trials will be carefully evaluated and a selection of successful approaches will be piloted with a view to implementation.

A key element of ensuring our communities are safe and secure is strong policing and effective crime prevention. This Budget maintains the Beattie Government's commitment to this priority with initiatives including:

- 300 additional police as part of our plan to have 9,100 officers by 2005;
- an additional \$30 million over two years to continue the upgrade and improvement of the Queensland Police Service's information technology systems; and
- an additional \$5.3 million over the next two years for the South East Queensland Drug Trial.

Mr Speaker, road safety is important to Queenslanders and our Government.

We are committed to implementing the National Road Safety Strategy which targets a 40% reduction in road deaths per 100,000 population by 2010 and additional funding of \$16.1 million is provided in 2003–04 to implement the Government's Road Safety Initiative Package.

As previously announced the Budget provides for the introduction of a Community Ambulance Cover to give the Queensland Ambulance Service a predictable, long-term funding source to maintain a world-class ambulance service.

Consistent with this objective the Budget provides an additional \$6.27 million for the Queensland Ambulance Service to support the employment of an additional 110 officers and additional capital investment.

The overall Queensland Ambulance Service capital program provides for the commencement or completion of 17 replacement ambulance stations and four new stations.

## **VALUING THE ENVIRONMENT**

Protecting the environment and biodiversity while allowing the ecologically sustainable development of our natural resources is a key priority for our Government.

We are addressing the areas of major challenge including land clearing, water resource management and salinity.

This Budget commits an additional \$75 million in State funding over five years as part of the recently announced \$150 million Commonwealth–State tree clearing reduction package.

The adjustment assistance package will involve \$130 million in financial incentives to assist landholders with transition or for exit assistance if necessary, \$12 million in incentives to improve the management of more valuable remnant vegetation and \$8 million to develop best practice farm management plans.

The Budget provides \$11 million as part of our \$81 million seven year funding commitment to the National Action Plan for Salinity and Water Quality.

Ensuring compliance with our natural resource legislation will be enhanced with an additional \$8 million over four years to support the necessary assessment, monitoring and enforcement of existing legislation concerning vegetation, water, land and pests.

An additional \$1.78 million is allocated in 2003–04 for the Great Artesian Basin Sustainability initiative to support more bore capping, rehabilitation and drain replacement projects.

This Budget also commits an additional \$3.5 million over four years to introduce and implement new cultural heritage legislation. This legislation seeks to effectively recognise and protect Aboriginal and Torres Strait Islander cultural heritage and to establish practical and workable processes for managing cultural heritage impacts.

Queensland's National Parks and protected areas represent an invaluable asset for all current and future generations of Queenslanders.

As promised we have delivered on our election commitment to employ 140 additional rangers as part of our Enhanced Park Maintenance initiative.

The 2003–04 Budget also provides \$3.2 million for the continued development of our Great Walks of Queensland initiative and \$1.3 million for the continuing acquisition of land for the State's protected estates and forests.

### **BUILDING QUEENSLAND'S REGIONS**

The Beattie Government has demonstrated a strong commitment to building Queensland's regions through the growth of regional economies, regional infrastructure and improving the liveability of cities, towns, regions and remote communities.

We have been a strong investor in infrastructure.

Our capital program for 2003–04 is almost \$5.3 billion with over 62% on projects outside the Brisbane statistical division.

Regional infrastructure projects funded in this Budget include:

- \$26.9 million to continue construction of the Douglas Arterial in Townsville;
- \$25 million towards planning and construction of the \$240 million Tugun Bypass;
- \$60.5 million for the Burnett Water Infrastructure Development; and
- \$49.8 million for the Rockhampton-Townsville-Cairns Rail Track Upgrade project.



Our *Regional Centres* program has supported the development of a range of infrastructure and community facilities across the State. This Budget provides \$50 million over four years to extend this successful program to 2006–07. This extension will support projects such as the Riverway project in Thuringowa, the Warwick Streetscape project, the Mount Isa Outdoor Events Park, and the Cairns Botanic Gardens and Tanks Precinct Redevelopment.

Mr Speaker, our primary industries form an essential part of Queensland's economic, social and environmental foundations.

The Beattie Government is committed to supporting and assisting our primary producers in meeting the challenges they face.

The Budget includes \$25 million for drought assistance and related activities, including farm financial counselling, climate modelling and research into drought resistant plants.

We will make available an additional \$30 million to the sugar industry over four years, on top of the \$55 million already committed, subject to the Commonwealth Government's continued commitment to the Memorandum of Understanding on the sugar industry. This additional \$30 million package includes a \$10 million Sugar Industry Innovation fund, a \$10 million Sugar Industry Change Management program and a \$10 million Farm Consolidation Loan program.

We are continuing to invest in the risk management of biosecurity threats such as foot and mouth disease and \$39 million is allocated to market assurance services, animal and plant health risk containment, surveillance and emergency response capability.

## **GOVERNMENT FINANCES**

Mr Speaker, the capacity for our Government to continue to improve the quality and range of services and infrastructure to the Queensland community is underpinned by our commitment to strong fiscal management.

This Budget provides for a net operating surplus of \$153 million with growing surpluses over the forward estimates period.

Our balance sheet is strong with total State net worth forecast to grow to more than \$60 billion in 2003–04.

All the major ratings agencies recognise the strength of our fiscal position by confirming our AAA credit rating.

In our Mid Year Fiscal and Economic Review we indicated that the continuing volatility in equity markets would impact on the 2002–03 operating result and a deficit of \$741 million was forecast on the basis of investment returns of zero.

Despite the fact that equity markets have continued to under-perform and a consequent revision to our investment return expectations to negative 3%, the forecast deficit for 2002–03 has improved to \$350 million. This reflects improvements in other revenues and reduced expenses.

Our policy of fully funding superannuation liabilities means that while we have stronger finances than any other State by a considerable margin, it does create volatility in annual budget results. This volatility is manageable given our very strong balance sheet and does not impact on our capacity to maintain and improve services.

This is highlighted by the fact that if Queensland's superannuation arrangements were structured on the same basis as other jurisdictions, the General Government sector underlying operating result for 2002–03 would be a surplus of \$587 million.

In aggregate terms, General Government expenses will grow by 5.3% on last year's Budget to \$21.2 billion. Importantly we are giving a clear priority to key service delivery areas.

The Health budget is growing by almost 7%, the Disability Services budget is growing by over 16 % and housing assistance programs by 11%.

## **REVENUES**

The Beattie Government has a clear commitment to maintaining a competitive tax regime.

The Budget forecasts that in 2003–04 Queenslanders will pay \$1,480 per capita in State taxes compared with \$1,892 per capita for the average of the other states.

This means that taxpayers in other states pay 28% more than Queenslanders.

Mr Speaker, Queensland's land tax regime is not onerous compared to the other States. According to the Commonwealth Grants Commission, Queensland's land tax effort in 2001–02 was the lowest in the nation at about 28% less than the national average.

Nevertheless, the Government recognises that rising land values will have a significant community impact with some 11,000 new taxpayers expected in 2003–04 under existing land tax provisions.

In order to provide a measure of land tax relief, particularly to those with lower land holdings, I am pleased to announce that with effect from 1 July 2003:

- the statutory deduction for residents will be increased from \$200,000 to \$220,000;
- the minimum tax payable by resident taxpayers will be increased from \$100 to \$350. In other words taxpayers with a tax liability of less than \$350 will not be liable for land tax; and
- the exemption threshold for companies, trustees and absentees will be increased from \$150,000 to \$170,000 with a consequential extension of the phasing-in rebate.

The combination of the statutory deduction increase and the increase in the minimum tax level will mean that residents with landholdings (excluding their principal place of residence) of less than \$275,997 will not be liable for land tax. Without these changes residents with landholdings of \$221,665 or more would have had to pay land tax.

This reduces the number of resident taxpayers in 2003–04 by around 11,400 relative to the number of taxpayers in the absence of these changes. In fact, there will be around 3,050 fewer resident taxpayers compared to 2002–03.

Further, all resident land taxpayers will benefit from the \$20,000 increase in the statutory deduction.

The \$20,000 increase in the threshold for companies, trustees and absentees will constrain the increase in the number of taxpayers to around 450. Without the threshold increase the number of company, trustee and absentee taxpayers would have grown by around 2,750.

In addition, companies, trustees and absentees with land holdings between \$170,000 and \$235,000 will benefit from an increased phasing-in rebate.

The Government will forgo revenue of \$11.6 million as a result of these concessions.

## **ACCOUNTABILITY LEADERSHIP AND INNOVATION**

Mr Speaker, in delivering on our social and fiscal objectives, the Beattie Government will continue to demonstrate high standards of accountability, leadership and innovation.

We are committed to delivering cost effective services to the community and to finding smarter ways to operate and deliver services.

This Budget provides \$4 million over two years to expand services available to the public through our single access point, Smart Service Queensland.

We are also investing in new information technology systems with an additional allocation of \$64 million over the next three years for an integrated justice information strategy, a single integrated revenue system for the Office of State Revenue, major upgrades to police information and communication technology systems and disability services information systems.

To provide high-quality and cost-effective corporate support services we are implementing a shared services initiative from 1 July this year. This initiative will consolidate corporate service functions such as finance and pay-roll into five large-scale and two smaller-scale shared service providers and a technology centre of skill.

The Beattie Government is also seeking to incorporate private sector innovation to achieve better value for money in the delivery of public infrastructure. The Government is currently considering a range of projects for private sector involvement and has recently sought expressions of interest for the delivery of the infrastructure and non-core services required for the Southbank Education and Training Precinct.

## **CONCLUSION**

Mr Speaker, I am very proud to have delivered the third Budget of the second Beattie Government.

The Budgets I have presented have:

- delivered on fully funding all the Government's commitments;
- delivered on education and training reforms for the future;
- delivered on funding for family services and particularly child protection;
- delivered improved health services;
- delivered a better deal to people with disabilities; and
- delivered a better quality of life for all Queenslanders.

Mr Speaker, I commend the Bill to the House.