

# Budget Speech

State Budget

05-06



Budget Paper No.1

Smart State



# 2005-06 Budget Papers

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## **APPROPRIATION BILL 2005**

(Second Reading Speech, 7 June 2005)

### **TREASURER**

The Honourable Terry Mackenroth MP  
Deputy Premier, Treasurer and Minister for Sport

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## TREASURER

The Honourable Terry Mackenroth MP  
Deputy Premier, Treasurer and Minister for Sport

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

### INTRODUCTION

The Budget that I present today will do more than any other in living memory to shape the future of Queensland.

Seven years of sound, disciplined financial and economic management by the Beattie Government has built the foundation for the future prosperity of the State.

The Beattie Government, from the outset, has had a clear vision for the future of Queensland.

We have been delivering our vision to create the Smart State.

The quality and range of services has been enhanced.

The Smart State Building Fund has seen our capital program grow.

Our economy has grown and strengthened and our unemployment rate is now the lowest in 30 years.

This Budget represents a landmark in the delivery of our vision for Queensland by providing for:

- a first ever long-term plan for infrastructure development for South East Queensland including an additional investment of approximately \$2 billion over four years for the first phase of the plan;

- more than \$470 million over four years to support a 10 year Smart State Strategy; and
- comprehensive measures to assist the most disadvantaged people in our communities, including an additional \$180 million over four years for disability services, further funding to support our child safety reforms, initiatives to improve indigenous health and a package of initiatives to address homelessness.

In addition, this Budget provides an unprecedented commitment to the progressive abolition of six stamp duties together with a significant land tax relief and simplification package.

## **ECONOMIC OUTLOOK**

Mr Speaker, the Queensland economy has once again outperformed the national economy – for the ninth consecutive year. Economic growth in 2004-05 is estimated to be 4¼%, more than double the 2% growth estimated nationally.

This growth has seen a number of records being set in Queensland in 2004-05:

- the unemployment rate has broken through the 5% barrier to its lowest rate in 30 years;
- 104,000 jobs have been created in the past year, more than in any other year in Queensland's history. Indeed, Queensland's estimated jobs growth of 5¾% during the year is the highest since 1988-89;
- almost two thirds of the adult population are participating in the labour force; and
- there are more people employed as a share of the working age population.

During 2004-05, Queensland has been responsible for around 40% of all jobs created in Australia – double our population weight of just under 20%.

A booming domestic sector has driven overall economic and employment growth in Queensland in 2004-05.

Consumer spending is estimated to grow at an above-average rate for the third consecutive year, underpinned by increases in household wealth, strong growth in incomes and exceptional labour market conditions.

Housing investment in the State is expected to rise a further 5% in 2004-05 and business investment by an estimated 13¼% .

The Queensland economy is forecast to maintain momentum into 2005-06, with economic activity predicted to rise a further 4¼%, exceeding forecast growth nationally for the tenth consecutive year.

With Queensland's economic growth remaining strong, overall employment in the State is forecast to grow a further 2½%, well above the 1¾% growth forecast nationally in 2005-06.

As a result, the unemployment rate is forecast to remain around its 30-year low of 5% in 2005-06.

Growth in consumer spending in Queensland, at 4¼%, is forecast to again outpace that nationally in 2005-06, reflecting our faster rate of population growth and superior labour market performance.

Capital investment is expected to make a significant contribution to growth in 2005-06, with both private and public sector investment forecast to continue to grow solidly.

Importantly, strong global demand and increases in domestic production capacity are forecast to see exports grow at a five-year high of 6¾% in 2005-06, despite Queensland's current drought conditions. Being Australia's major coal producer, Queensland is forecast to continue to reap the benefits from the global resources boom, while other mineral exports are also forecast to rise.

This excellent performance of the Queensland economy has not been by accident. Since 1998, the Beattie Government has laid the foundations for Queensland's strong growth in its Smart State vision. Initiatives such as our Smart State Strategy and our commitment to investment in infrastructure will see the Queensland economy continue to grow strongly.

## **GROWING A DIVERSE ECONOMY AND CREATING JOBS**

Our 10 year Smart State Strategy is founded on a vision of Queensland where knowledge, creativity and innovation drive economic growth to improve prosperity and quality of life for all Queenslanders.

As part of our Strategy, the Beattie Government will speed up industry innovation through substantial investments in research and development and boosting commercial capacity for global export and trade gains.

We have already invested heavily in innovation infrastructure establishing a range of new world class research facilities.

Building on the success of the Smart State Research Facilities Fund, this Budget provides \$128 million over four years for an Innovation Building Fund to stimulate research, development, commercialisation and technology diffusion. The fund will support the establishment of pioneering research and innovation institutes, facilities and centres of excellence as well as fund major items of research equipment.

This Budget also increases funding for the Smart State Research Facilities Fund by \$20 million which will bring the total committed under the Fund since it was launched to \$170 million.

The Innovation Building Fund will be complemented by the establishment of a \$60 million four year Innovations Project Fund which will provide operational funding for collaborative projects and research projects that are strategically important to Queensland both in terms of established and emerging industries.

To help ensure Queensland research facilities have access to top researchers and PhD students, we will invest \$12 million over four years in an Innovation Skills Fund to provide scholarships and fellowships to attract and retain top research talent.

As part of the redevelopment of the former Boggo Road Gaol site, we will establish an integrated knowledge precinct focussing on ecoscience. A Health and Food Sciences Precinct will be developed at Coopers Plains by co-locating and integrating the research capabilities of several research organisations.

Support will also be provided for the development of a facility to manufacture pharmaceuticals to international regulatory standards for use in pre-clinical and clinical trials.

Mr Speaker, 60% of Queensland is currently drought declared under our Drought Relief Assistance Scheme. The Beattie Government will participate in and contribute funding to the expanded Commonwealth-State Exceptional Circumstances Scheme recently announced by the Australian Government which will provide much needed additional support to farmers suffering from prolonged drought conditions.

The Beattie Government is committed to supporting and strengthening the international competitiveness of our established industries such as agriculture, mining, tourism and business services.

As well as continuing to support a range of industry development and export programs, this Budget will provide for initiatives such as the Queensland Aquaculture Development Initiative, the development of new Asian markets for horticulture and \$20 million over four years to establish the Smart Exploration Program to identify and support new opportunities for mineral exploration in Queensland.

## **REALISING THE SMART STATE THROUGH EDUCATION, SKILLS AND INNOVATION.**

In addition to providing an immediate stimulus for innovation, our Smart State Strategy takes a long-term view of investing in knowledge and skills to build our capacity as an innovative society.

We are reshaping Queensland's education system as part of our Education and Training Reforms for the Future Initiative.

Full implementation of the Prep year will occur in 2007. Leading up to 2007, an additional 25 State and non-State schools will phase-in the preparatory year in 2006, bringing the total number of schools with the new preparatory year program to 121. In addition, a major building program for the Prep year forms part of our record education capital program of \$455 million.

Our \$56 million over four years Smart Classrooms initiative will enable our 1,300 State schools to allow students, their parents and teachers to have access to class work and on-line learning materials anywhere, anytime.

Laptops or personal computers will be provided to 1,500 teachers in 2006 as part of a \$3.5 million trial to improve learning and communication through technology.

To nurture excellence among our best students, this Budget provides \$40 million for the construction and fit-out of two new Queensland Smart Academies for senior students who excel in science, maths, technology and the creative arts.

A new Queensland Curriculum Assessment and Reporting Framework will be developed and progressively implemented at a cost of \$8.25 million over three years. The Framework will provide a consistent approach to assessing and reporting student achievements and performance.

The Vocational Education and Training (VET) sector is critical to the State's prosperity. We will continue to implement our three-year Smart VET Strategy which is increasing training places in priority industry areas.

As outlined in our Smart State Strategy, we will also undertake a comprehensive review of the VET system in order to develop a range of strategies to make the system flexible and responsive to rapidly changing skills needs in the economy.

## **MANAGING URBAN GROWTH AND BUILDING QUEENSLAND'S REGIONS**

By 2026 the population of South East Queensland is expected to reach around 3.7 million – an increase of over one million people.

Mr Speaker, the Beattie Government has made the management and co-ordination of urban growth in South East Queensland a priority.

We have released the draft South East Queensland Regional Plan which sets out the future pattern of development for the region. The final plan will be released later this month.

We have also released the South East Queensland Infrastructure Plan and Program which outlines our infrastructure priorities to support the regional plan.

Our infrastructure plan identifies projects amounting to around \$55 billion over the next 20 years.

The first phase of the plan involves an increase over current Budget commitments of approximately \$2 billion over the next four years including:

- \$691 million for road projects such as the duplication of the Houghton Highway, extension of the Centenary Highway corridor from Springfield to Yamanto and the upgrade of the Mt Lindsay Highway;
- \$584 million for busway infrastructure projects; and
- \$574 million for rail projects including a new line from Darra to Springfield.

In addition to dealing with the population growth challenge for South East Queensland, the Beattie Government is addressing the need for infrastructure and services for Queensland's regions.

This year the overall capital program is \$8 billion, \$1.9 billion more than last year's record program. Almost 60% of this investment is outside the Brisbane region, including:

- a Rural and Regional Roads Funding Initiative involving additional funding of \$359 million over four years;
- \$88 million over three years as part of the Accelerated Road Rehabilitation Program to replace 36 timber bridges in central and southern regions and rehabilitate 71 kilometres of the Dawson Highway; and
- \$145.6 million in additional funding over the next five years for local governments outside South East Queensland for water, sewerage and water recycling infrastructure.

Our capital program for 2005-06 includes \$2.28 billion for energy projects, \$1.25 billion for roads, \$538 million for ports and \$760 million for rail infrastructure which will support State economic growth and build Queensland's regions.

We have also committed \$100 million over three years for a joint program with local governments throughout the State for capital projects which will be practical tributes to Queensland's 150<sup>th</sup> birthday in 2009.

## **IMPROVING HEALTH CARE AND STRENGTHENING SERVICES TO THE COMMUNITY**

Mr Speaker, the Beattie Government is strongly committed to the ongoing improvement of hospital and health services for Queenslanders.

The Health Budget will increase by \$413 million or 8.4% on last year's comparable Budget.

To ensure that this substantial investment is producing the best possible health outcomes for Queenslanders, we have initiated a comprehensive review of Queensland Health's administration, management and performance systems.

As part of our third term agenda, the Beattie Government is delivering on our commitments in areas such as elective surgery, cardiac services, oral health care, emergency departments, mental health services and child health initiatives.

In addition, this Budget provides service enhancements and expansions including:

- an additional \$60 million over four years for cardiac services;
- \$62.5 million over four years for cancer prevention;
- a \$65 million four year program to enhance community mental health services; and
- \$78 million over four years for healthier ageing initiatives.

Queensland's health infrastructure is world class and we will continue to invest strongly in this area.

Additional capital funding of \$96 million over four years is provided for the expansion of the Caloundra Health Service and integrated ambulatory and community health services in Robina and Caboolture.

Our health capital program also includes the reconstruction of the public component of the Mater Hospital, continuation of our residential aged care upgrade program and the construction of six new primary health care centres across the State.

Mr Speaker, the Beattie Government is very committed to improving the quality of life for Indigenous Queenslanders through partnership with Aboriginal and Torres Strait Islander communities.

This Budget provides an additional \$89.5 million over four years for Indigenous health initiatives, including measures to reduce demand for alcohol and other substances, renal and cancer services and to build enhanced capacity to address Indigenous health issues by increasing the number of Aboriginal and Torres Strait Islander people employed in the health system.

Good basic infrastructure is essential to improving health in our Indigenous communities and we have allocated an additional \$100 million over five years for new environmental health infrastructure such as water supply and sewerage in mainland Indigenous communities. We will also be seeking the support of the Australian Government to provide a matching funding contribution to this key priority.

Our last two Budgets have provided for major enhancements to disability services and this Budget is no exception.

New funding of \$180 million over four years will further advance our program of enhancing respite care, emergency and crisis care, early intervention and viability support for service providers.

The Disability Services Budget for 2005-06 will be \$520 million. This is 90.2% higher than in 2000-01.

In addition to supporting non-Government providers of disability services, the Budget allocates an additional \$24.3 million over four years to support non-Government organisations providing Government funded services in areas such as family support, domestic violence and homelessness.

People who are homeless are among the most disadvantaged in our community. Over the next four years, we will provide \$120.4 million in recurrent funding and \$115.1 million in capital funding to build on existing responses to homelessness and to establish new and innovative responses including:

- redeveloping the Lady Bowen complex at Spring Hill to provide accommodation and support services for homeless people in the inner city of Brisbane;
- additional crisis and traditional accommodation for homeless people in Cairns, Townsville, Gold Coast, Mt Isa and Brisbane; and
- initiatives to address the complex health needs of people with mental illness, alcohol and drug problems who are homeless or at risk of homelessness.

## **PROTECTING OUR CHILDREN AND ENHANCING COMMUNITY SAFETY**

Last year's Budget included a major funding increase to implement our child protection Blueprint. This Budget builds further on that funding commitment.

The Budget for the Department of Child Safety will total \$395 million in 2005-06, an increase of 45% on the previous year's comparable Budget.

The increased funding provides for accelerated implementation of key Blueprint recommendations including complete funding by the end of 2005-06 of the two main elements, increased frontline staff and additional alternative care placements, which were previously planned for 2007-08.

The Beattie Government is on track to achieve our target of 9,150 police officers by September 2005 and we will continue to grow the number of police officers consistent with our commitment to keep the police to population ratio at or above the national average.

We are also implementing a three year police civilianisation program which will see 500 police officers return to operational policing duties.

As well as enhancing staffing resources, policing infrastructure and resources are being enhanced including additional capital funding of \$60 million over four years for new and upgraded police stations, watchhouses and police housing and \$16.9 million additional funding in 2005-06 for police information and communications technology.

Queensland's successful Youth Justice conferencing program will be expanded at a cost of \$10 million over four years.

Early intervention services for men who perpetrate domestic and family violence are a critical preventative measure and will be improved with additional funding of \$3.75 million over four years.

Over the next three years \$231 million of additional capital funding has been provided for the replacement of Townsville Women's Correctional Centre, the expansion of the Arthur Gorrie Correctional Centre and the redevelopment of the Sir David Longland Correctional Centre.

## **PROTECTING THE ENVIRONMENT FOR A SUSTAINABLE FUTURE**

The actions of the Beattie Government show the priority we give to protecting the environment.

Sensitive South East Queensland native forests are being protected.

Water resource management is being reformed.

Broad scale land clearing is being phased out.

The management of national parks has been enhanced.

To support recent initiatives, this Budget provides an additional \$9 million over two years for the implementation of the New Vegetation Management Framework and \$10 million over four years to improve capacity to address non-compliance with our natural resource management legislation.

The Queensland Parks and Wildlife Service estate will grow by an estimated 3.46 million hectares as a result of our election commitments including the Western Hardwood forest transfer process and Daintree land acquisition. The management needs of the expanded estate will be addressed with additional operating funding of \$58 million and \$25 million in capital funding over four years. This includes funding for the employment of 50 former Western Hardwood's timber workers.

Our EcoBiz program will continue with \$10 million funding over four years to support Queensland industries adopting resource-efficient practices, particularly in water, energy and materials management.

An additional \$4.4 million over four years is allocated for the Queensland Sustainable Energy Innovation Fund which will encourage local innovation to develop, demonstrate and commercialise world-best sustainable technologies.

## **GOVERNMENT FINANCES AND REVENUES**

The Beattie Government has demonstrated its financial management credentials over the last seven years.

Queensland's fiscal position is now stronger than it has ever been.

Fiscal strength is not an end in itself, but it provides the means for the long-term service and infrastructure commitments that this Budget provides.

Queensland's strong economic and employment growth coupled with a boom in our coal mining industry and strong investment returns have contributed to a forecast operating surplus in 2004-05 of over \$2.7 billion.

The Budgeted operating surplus for 2005-06 is \$934 million with lower forecast operating surpluses over the forward estimates reflecting a combination of long term investment return expectations, tax reductions, service enhancements and growing operating expenses flowing from our record infrastructure program.

We will finance our record capital program through a prudent combination of borrowings and operating sources which will see our AAA credit rating comfortably maintained.

Mr Speaker, Queensland has and will continue to have a competitive tax structure.

In last year's Budget, we improved stamp duty concessions for home buyers, reduced the duty rate for Class 1 general insurance, abolished credit card duty and committed to the abolition of the Bank Accounts Debits Tax from 1 July this year.

This Budget provides for an unprecedented commitment to the abolition of a further six taxes.

Over a five year period from January 2006 to January 2011 we have committed to a staged program of abolishing:

- stamp duty on leases;
- stamp duty on credit business;
- stamp duty on non-quotable marketable securities;
- stamp duty on mortgages;
- stamp duty on hiring arrangements; and
- stamp duty on business conveyances other than real property.

In aggregate the abolition of these stamp duties will save taxpayers around \$1.6 billion over the next five years.

Queensland's property market has enjoyed a sustained boom period bringing enormous benefits to property owners and investors.

It has also meant that as property prices have risen, many property owners have been faced with increased land tax bills or have had to pay it for the first time.

I am pleased to announce that this Budget provides a substantial package of land tax relief and simplification at a cost to revenue of \$847 million over the next four years.

Having watched with interest the land tax changes in other state budgets, it is clear that none come near the scope and breadth of the changes I am announcing today.

The key features of our relief package which will take effect from 1 July 2005 are:

- resident taxpayers will not be subject to land tax until their landholdings (excluding their principal place of residence) amount to \$450,000 compared to around \$276,000 currently;
- companies, trustees and absentees will not be subject to land tax until their landholdings amount to \$300,000 compared to \$170,000 currently; and
- effective land tax rates will be reduced for all taxpayers.

In addition, caravan or residential parks which have more than 50% long-term residents will be exempted from land tax. This will complement our existing exemption for retirement homes.

Currently, a land tax exemption applies where a principal place of residence is used exclusively as a home. In recognition of changing work arrangements, we will develop legislation which will have effect for land tax in 2005-06 to allow a full exemption where certain working arrangements are incidental to the residential use and where there is limited letting of a home for residential purposes. An apportionment of the exemption will apply in other circumstances.

This relief package will reduce the number of taxpayers in 2005-06 by around 50,000 relative to the number of taxpayers in the absence of these changes and around 21,000 fewer taxpayers compared to 2004-05.

Two new simplified tax schedules, one for residents and one for companies, trustees and absentees will replace the current 19 step schedule, statutory deductions, resident rebate and phasing-in rebates.

The effective reduction in land tax rates will be greatest for smaller business and resident investors. Nevertheless, companies, trustees and absentees with high value landholdings will have their tax rate reduced from 1.8% to 1.5% and higher value resident investors will have a tax rate of 1.25%.

The scope and capacity for further land tax relief will be reviewed in each annual Budget context, taking into account future property market conditions.

## **CONCLUSION**

Mr Speaker, this is a landmark Budget for Queensland.

We have committed to an unprecedented program of tax reform which will secure our competitiveness.

We have maintained our focus on improving services, particularly for those most in need in our community.

Our South East Queensland Regional Plan and our long-term infrastructure plan will shape the future development of the fastest growing urban region in Australia.

Our 10 year Smart State Strategy will shape the way we develop our skills and innovate to secure a better quality of life.

All of this will be achieved without jeopardising our strong financial position.

This Budget, more than any other Budget before, will shape the future of Queensland.

I commend the Bill to the House.

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