

Budget Highlights

State Budget

05-06



Smart State



2005-06 Budget Papers

1. Budget Speech
2. Budget Strategy and Outlook
3. Capital Statement

Budget Highlights

Appropriation Bills

Ministerial Portfolio Statements

The Budget Papers are on sale through Goprint, individually or as a set, phone (07) 3246 3500 and are online at www.budget.qld.gov.au

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Budget Highlights
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Budget at a glance

- ⊕ Tax abolitions amounting to \$3.5 billion over the next seven years.
- ⊕ Land tax relief package to save Queenslanders \$847 million over four years.
- ⊕ \$55 billion infrastructure blueprint for South East Queensland.
- ⊕ Record capital program of \$8 billion in 2005-06.
- ⊕ Economic growth of 4¼%.
- ⊕ Unemployment rate at 30-year low of 5%.
- ⊕ \$470 million in new funding to support the Smart State Strategy.
- ⊕ Operating surplus of \$934 million in 2005-06.

⊕ State Budget 2005-06

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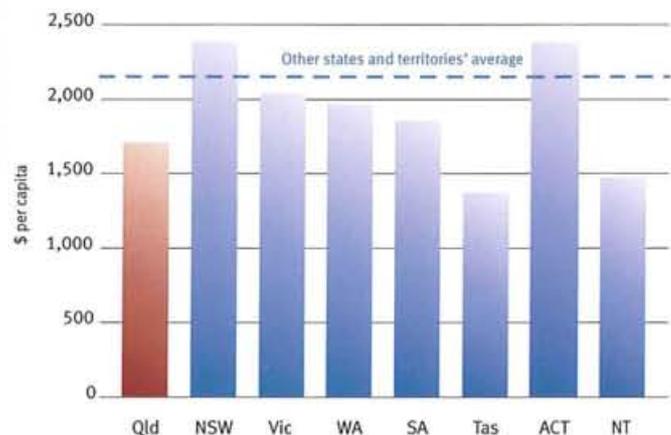
Queensland's for tax

+ Tax abolitions to save Queenslanders a total of \$3.5 billion over the next seven years

- Queensland state tax collections in 2005-06 are expected to be \$1,708 per capita, compared to a 25% higher average of \$2,135 per capita for the other states and territories.
- In this Budget, the Government continues its commitment to maintaining a competitive State tax system through introducing a land tax relief package. The package will simplify the land tax structure and reduce effective tax rates for all taxpayers.
- In recent years, the Government has:
 - » reduced the payroll tax rate from 5% to 4.75%
 - » abolished duty on quoted marketable securities and credit card transactions
 - » extended duty concessions for first and other home buyers
 - » reduced the insurance duty rate from 8.5% to 7.5%.
- In addition, over a six year period, the Government has committed to abolishing seven more State taxes. The taxes to be abolished are:
 - » debits tax from 1 July 2005
 - » lease duty and credit business duty from 1 January 2006

- » hire duty and marketable securities duty from 1 January 2007
- » half of mortgage duty in 2008, with full abolition in 2009
- » half of transfer duty on core business assets in 2010, with full abolition in 2011.
- The savings to Queensland taxpayers from the abolition of these taxes will rise from \$210 million in 2005-06 to over \$800 million per year by 2011-12, a total of \$3.5 billion over the next seven years. These measures will ensure the competitiveness of the Queensland tax system into the future.

Taxation by state and territory
(2005-06)





plan reform

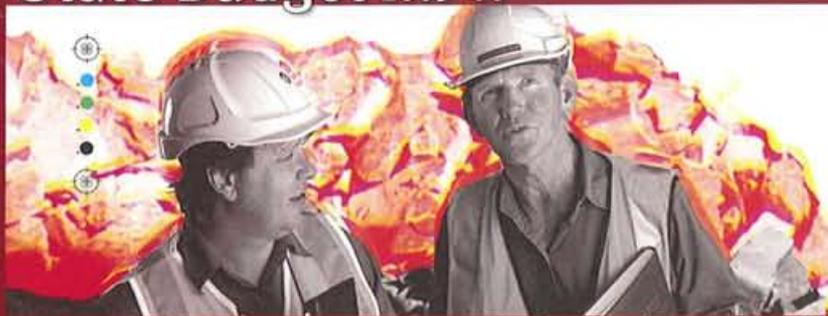
Revised land tax system to save taxpayers \$847 million over four years

- This Budget provides a land tax relief package, which includes higher thresholds and a new simplified tax structure which reduces effective tax rates. The land tax relief package will include:
 - » Changes to land tax thresholds for residents – resident individual taxpayers will not be liable to pay land tax until the unimproved value of their landholdings, excluding the home, amounts to \$450,000. The previous threshold was \$275,997.
 - » Changes to commercial land tax thresholds – companies, trustees and absentees will not be subject to land tax until their landholdings amount to \$300,000. Previously, the threshold was \$170,000.
 - » Assistance to caravan parks – those that have more than 50% long-term residents will be exempt from land tax.
 - » A simplified tax structure – this new tax structure will reduce effective tax rates for all taxpayers.
 - » Small business and resident investors will benefit from the largest rate reductions. 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 revised land tax system will:
 - » benefit all land tax payers
 - » reduce the number of taxpayers in the land tax system by 21,000 in 2005–06
 - » provide significant tax rate reductions to all land tax payers
 - » simplify the land tax system by replacing the current 19 step schedule, with its rebates and statutory deduction, with two new simplified schedules.
- The changes to the land tax system will take effect from 1 July 2005 and will cost \$147.5 million in 2005–06, with a total cost of \$847 million over four years.

The table below shows the taxpayer savings from the new tax scales.

Land tax payable

Unimproved land value (\$)	Resident individuals		Companies, Trustees, and Absentees	
	Current (\$)	Revised (\$)	Current (\$)	Revised (\$)
200,000	0	0	1,497	0
300,000	560	0	3,095	1,500
450,000	1,917	400	5,065	3,750
750,000	5,280	2,500	9,770	8,250
1,000,000	8,741	6,125	14,465	12,375
5,000,000	73,134	62,500	90,000	75,000

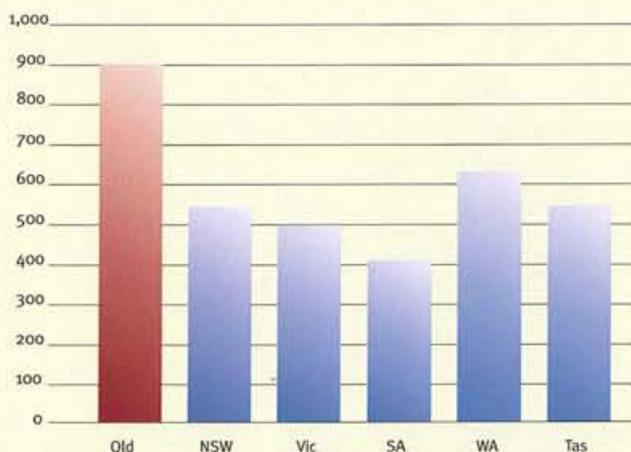


Building Queensland's infrastructure

+ *Investment in core infrastructure is a key feature with a record capital program of \$8 billion in 2005-06*

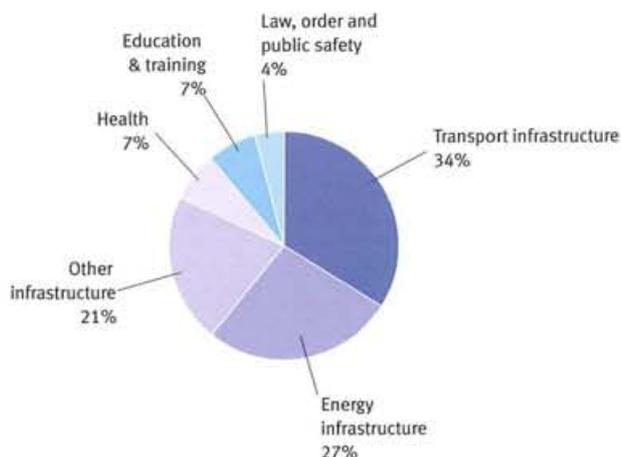
- Capital outlays are estimated to be \$8 billion in 2005-06, representing an increase of 32% or \$1.914 billion on estimated actual 2004-05 capital outlays and over 50% on budget outlays of 2003-04.
- Capital outlays will contribute to around 59,100 full-time jobs in Queensland.
- Almost 60% of capital expenditure will occur outside the Brisbane statistical division, reflecting the Government's ongoing commitment to rural and regional Queensland. For example, \$358.9 million over four years is allocated for roads outside the south east, including \$33.8 million for the North Ward Road duplication at Townsville and \$30 million to upgrade the Roma-Taroom Road.

General Government capital expenditure per capita
(\$, 2005-06)



- The capital outlays of Government-owned corporations constitute approximately 43% of total outlays in 2005-06. This includes a record \$1.332 billion in expenditure by ENERGEX and Ergon Energy.
- Capital outlays in 2005-06 will include:
 - >> \$2.83 billion for transport and main roads
 - >> \$2.275 billion for energy
 - >> \$556.7 million for education and training
 - >> \$574.4 million for health.

Capital outlays by purpose, 2005-06



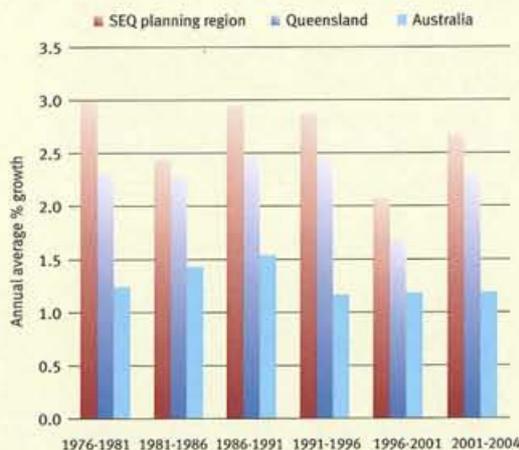


South East Queensland Infrastructure Plan

\$55 billion infrastructure blueprint maps the Government's vision for South East Queensland

- South East Queensland is experiencing the fastest growth rate of any urban region in Australia. By 2026, the population is expected to reach around 3.7 million people—an increase of more than one million people.
- To manage this growth, the Government released the draft *South East Queensland Regional Plan* (SEQ Regional Plan) in October 2004, with the final plan to be released on 30 June 2005.
- The SEQ Regional Plan sets out the pattern for the future development of the region. It outlines the preferred urban structure that will guide development, protect the environmental values and liveability of the region, and support economic development.
- The *South East Queensland Infrastructure Plan and Program* (SEQ Infrastructure Plan) outlines the Government's infrastructure priorities to support the SEQ Regional Plan. It establishes priorities for regionally significant infrastructure over a 20-year planning horizon.
- Strategically focused infrastructure investment will help lead and support the preferred pattern of development and achieve key policy outcomes. The SEQ Infrastructure Plan identifies projects amounting to around \$55 billion. The first phase involves an increase in capital spending over current Budget commitments of more than \$2 billion during the next four years.
- The SEQ Infrastructure Plan provides certainty to business and the community about the priorities and timing for major infrastructure investment in South East Queensland. This ensures infrastructure in the region is better planned and coordinated to achieve the maximum impact for the least cost.

South East Queensland population growth more than double the national average



Sources: ABS 3216.0, Queensland Year Books (various)





- \$151 million over four years for the prevention and treatment of chronic diseases.
- \$115.1 million in capital funding and \$120.4 million in recurrent funding over four years to further develop responses to homelessness.

Delivering on our priorities

+ Improving health care and strengthening services to the community

- A funding package of \$151 million over the next four years for the prevention of chronic diseases and their key risk factors, reducing avoidable hospital admissions, and improving the quality of life for people with chronic diseases.
- An additional \$60 million for cardiac services over four years. In 2005-06, \$5.8 million is committed to improve secondary and tertiary care.
- \$89.5 million over four years to improve the health of Indigenous Queenslanders, including renal and cancer services.
- \$62.5 million over the next four years to target cancer prevention and treatment.
- \$78 million over four years towards healthier ageing in Queensland. In 2005-06, \$9.6 million is allocated to a joint funding agreement with the Australian Government's Department of Health and Ageing to secure 200 transition care places in 2005-06, expanding to 351 places in 2006-07.
- An additional \$20 million over two years to reduce elective surgery waiting lists in public hospitals. This is on top of the 3½ year commitment of \$110 million already allocated to target waiting lists.
- \$146.2 million in 2005-06 for major hospital redevelopments, including emergency department upgrades and redevelopments at both rural and metropolitan centres.
- Additional capital funding of \$96 million over four years for the expansion of the Caloundra Health Service and integrated ambulatory and community health services in Robina and Caboolture.
- \$100 million over five years for construction and ongoing operations and maintenance of environmental health infrastructure in mainland Indigenous communities.
- \$180 million over four years to improve the delivery of disability services in Queensland. This commitment builds on funding of \$420 million provided in the last two Budgets.
- \$115.1 million in capital funding and \$120.4 million in recurrent funding to build on existing approaches to homelessness and establish new and innovative responses, including:
 - » redeveloping the Lady Bowen complex at Spring Hill to provide accommodation and support services
 - » additional crisis and transitional accommodation for homeless people in Cairns, Townsville, Gold Coast, Mount Isa and Brisbane
 - » establishing information and referral centres and specialist mental health, general health and drug and alcohol services for people who are sleeping in public places.
- Enhance the public rental housing program through a \$250.3 million capital investment, including funding for the commencement of 377 new dwellings and the completion of 316 dwellings.
- \$70.5 million for the construction and upgrade of housing in 34 discrete Indigenous communities.





- Increased funding of \$123.1 million in 2005–06 to enhance child protection services.
- Funding for an additional 228 police officers across Queensland by September 2006.
- \$180 million over four years to improve the delivery of disability services.



Delivering on our priorities

+ Protecting our children and enhancing community safety

- An overall funding increase of \$123.1 million in 2005–06 to enhance child protection services. The range of initiatives include:
 - » an additional \$28.8 million for frontline and child safety support staff
 - » continued recruitment of foster carers and indexation of foster care allowances
 - » funding of \$19.6 million for non-government partners, including for further alternative care places, family reunification services, extended support services to foster carers and sexual abuse counselling services
 - » an additional \$25 million in capital funding over two years to expand the number of child safety service centres across the State.
- Funding for an additional 228 police officers across the State by September 2006, including \$16.2 million recurrent funding over four years and \$2.1 million capital funding over two years to employ an additional 50 Juvenile Aid Bureau officers.
- \$8.8 million over four years for volatile substance misuse 'place of safety' services. These services focus on improving the safety of people intoxicated in public places, helping to reduce conflict or crisis in public places and enable recovery in a supervised, controlled environment.
- Funding of \$8.4 million over four years to enhance service delivery outcomes for adults with impaired decision-making capacity, their families and carers.
- \$231 million of additional capital funding over three years for the upgrade and extension of various correctional facilities, including replacement of Townsville Women's Correctional Centre and expansion of the Arthur Gorrie Correctional Centre.
- Additional funding of \$3.8 million over four years to enhance early intervention services to help combat domestic and family violence.
- \$6.9 million over two years to construct a new courthouse at Sandgate and to purchase land and commence planning for a new courthouse, watchhouse and police station at Ipswich.
- Additional funding of \$10 million over four years to expand the capacity of Queensland's youth justice conferencing program to meet increased demand following the State-wide rollout.
- An additional \$3.3 million over four years to provide additional community, volunteer and staff training and education, which will help to enhance bushfire response capability.
- An additional \$20 million in capital funding over three years to expand the Queensland Combined Emergency Services Academy at Whyte Island in Brisbane as an integrated, multi-service, multi-agency emergency service training facility.



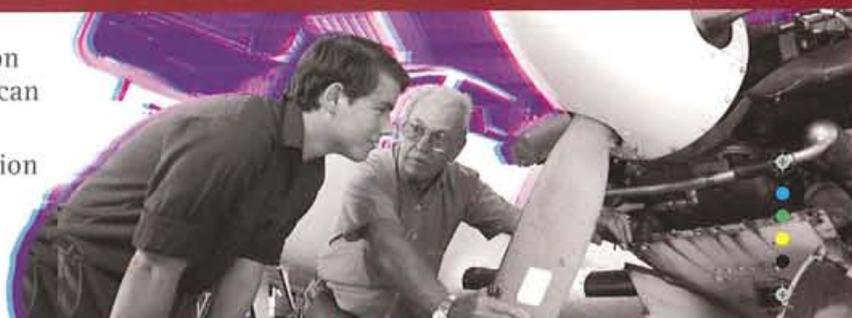
Delivering on our priorities

+ Growing a diverse economy and creating jobs

- \$136 million in recurrent and \$64 million in capital funding over four years, for three new Smart State grants programs to build research centres and support innovation in a broad range of fields, including health and medical, agriculture and mining.
- Increased funding of \$20 million under the current and final round of the Smart State Research Facilities Fund, bringing the total funding committed since the Fund was launched in 2001 to \$170 million.
- An additional \$1.5 million over three years to lead a horticultural export drive into Asian markets. In partnership with industry, the Government will prioritise market potential for fresh and value-added products and develop and implement initiatives to facilitate exports.
- An additional \$4 million over four years to Queensland's Aquaculture Development Initiative.
- Increased funding of \$2.2 million per annum over four years to ensure market access and to maintain consumer confidence for primary products. The increased funding will strengthen Queensland's biosecurity preparedness relating to national threats such as exotic fruit flies, foot-and-mouth disease and tuberculosis.
- Increased State funding support for enhanced interest subsidy assistance for farmers suffering from prolonged drought conditions.
- Additional funding of \$20 million over four years (\$5 million in 2005-06) for the Smart Exploration initiative to expand the amount and quality of mineral exploration in Queensland.
- \$7.3 million over two years to implement Ethanol Industry Action Plan initiatives designed to progress growth and investment in the ethanol industry.
- Additional funding of \$18.8 million over seven years to implement the Western Hardwoods Plan, which will develop sustainable forest management and Crown timber supply options.
- An additional \$0.5 million in 2005-06, as well as ongoing funding, to increase the Government's capacity in delivering viticulture advice and technical services to Queensland's wine industry.
- \$6 million in recurrent and \$0.7 million in capital funding in 2005-06 to plant a further 1,000 hectares of hardwood plantations, and maintain existing plantations in South East Queensland to facilitate the phase out of native forest logging by 2024 and strengthen the growth potential of the timber industry.
- The Breaking the Unemployment Cycle initiative will continue to contribute to the achievement of the Smart State vision for Queensland through a range of employment programs aimed at alleviating skills shortages and improving the employability of job seekers.



- \$455.1 million in 2005–06 for an education capital works program to ensure students can thrive in quality learning environments.
- \$291.9 million in recurrent and \$62.7 million in capital funding for a range of training initiatives in 2005–06 as part of the three-year, \$1 billion SmartVET Strategy.



Delivering on our priorities

+ Realising the Smart State through education, skills and innovation

- The 2005–06 education capital works program of \$455.1 million (including \$67.8 million for expensed items) will invest substantial funds in educational facilities to ensure students can thrive in quality learning environments. This allocation includes:
 - » \$147 million for the construction of classrooms at new and existing schools in growth areas throughout the State and acquisition of additional land
 - » \$38.3 million for the four-year, \$80 million Smart Schools Renewal Program
 - » \$81.6 million to continue the delivery of facilities supporting phase-in of the preparatory year
 - » \$27.9 million in 2005–06 to enhance special education facilities.
- \$7.2 million in 2005–06 as part of a 10-year, \$120 million accelerated asbestos replacement program, replacing all asbestos roofs in State schools.
- \$80.1 million to improve the information and communication technology (ICT) environment in schools and improve ICT access and skills of both students and teachers.
- To nurture excellence among our best students, \$45.8 million is provided to establish two new Queensland Smart Academies for senior students who excel in science, maths, technology and the creative arts.
- \$7.8 million over two years will support the State's four agricultural colleges. This will help ensure sustainable and affordable rural industries training for future generations.
- \$139.9 million in 2005–06 to ensure the Education and Training Reforms for the Future becomes a reality for more young Queenslanders. Initiatives include:
 - » preparatory year phase-in for an additional 25 State and non-State schools in 2006
 - » \$18.8 million for a range of initiatives aimed at improving outcomes for senior students, including supporting local education and training programs.
- A projected additional 286 teachers will be employed from Semester 1, 2006 to cater for enrolment growth.
- As part of the three-year, \$1 billion SmartVET Strategy, \$291.9 million in recurrent and \$62.7 million in capital funding will be invested in 2005–06 to support a range of training initiatives. This includes a further injection of funds for additional traineeship places in new and emerging industries under the Industry Partnerships Program pilot, and further funding for the Mining Centre of Excellence to assist in alleviating skill shortages affecting the Queensland mining industry.
- \$114.5 million for the User Choice program, focusing on apprenticeships in the building and construction and engineering industries.
- \$78.4 million to further develop a highly skilled manufacturing workforce in priority industry sub-sectors including aviation, biotechnology, meat processing and engineering.



- \$58 million in recurrent funding and \$25 million in capital funding over four years to manage an additional 3.4 million hectares of Queensland Parks and Wildlife Service estate.
- \$10 million over four years to assist Queensland industries to adopt resource-efficient practices.

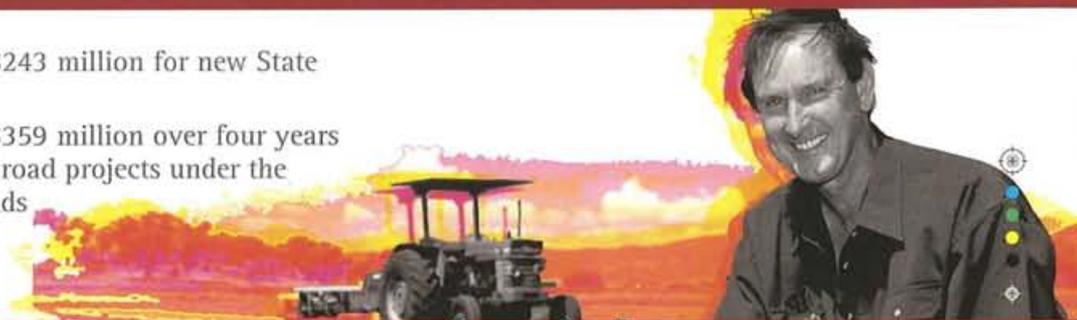
Delivering on our priorities

+ Protecting the environment for a sustainable future

- \$58 million in recurrent funding and \$25 million in capital funding over four years to manage an estimated additional 3.4 million hectares of Queensland Parks and Wildlife Service estate.
- The Government is also working with the Australian Government, traditional owners and other stakeholders to finalise tenure resolution of State-owned lands in Cape York Peninsula. Investment in the management of the Cape York protected area estate will bring substantial benefits in terms of regional development, tourism, community renewal, Indigenous engagement, Indigenous employment and native title reconciliation outcomes.
- \$10 million over four years under the ecoBiz program to support Queensland organisations to adopt resource efficient practices to improve the way they do business. This program assists businesses to reduce costs and eliminate waste through efficient water, energy and material management.
- Additional funding of \$4.4 million over four years for the Queensland Sustainable Energy Innovation Fund to foster the development, demonstration and commercialisation of sustainable technologies by Queensland organisations.
- To support the Government's commitment to phase out broad-scale land clearing by December 2006, additional funding of \$9 million over two years will be provided to implement the New Vegetation Management Framework.
- Additional annual funding of \$2.5 million to enhance the Government's capacity to address non-compliance with natural resource management legislation, including illegal clearing of vegetation.
- Additional funding of \$1 million over three years to fund biotechnology research into a solution for controlling the cane toad.
- \$2.1 million in 2005-06 to continue the eradication of red imported fire ants in South East Queensland. The six-year, \$175.4 million program is jointly funded by all Australian governments.
- Additional recurrent funding of \$4 million and \$0.4 million in equity funding, over four years, to continue the management strategy of acid sulfate soils on East Trinity property near Cairns. The strategy is aimed at bringing acid and metal discharges under control.



- Additional funding of \$243 million for new State water infrastructure.
- Additional funding of \$359 million over four years for significant regional road projects under the Rural and Regional Roads Funding Initiative.



Delivering on our priorities

+ Managing urban growth and building Queensland's regions

- Additional funding of \$243 million for new State water infrastructure, including two new weirs on the Mary and Logan rivers, a new dam at Wyaralong and new water storage options on the Mary River.
- \$89.9 million over 10 years to fund high priority dam safety upgrades and to improve dam safety regulation.
- Additional recurrent funding of \$31 million and \$4.5 million in capital funding, over four years, for a package of water-related projects to:
 - >> ensure security of supply
 - >> maximise efficiency of use
 - >> promote recycling
 - >> improve knowledge of water systems, demand and use.
- \$691 million over four years for road projects such as the duplication of the Houghton Highway at Redcliffe, extension of the Centenary Highway corridor from Springfield to Yamanto and the upgrade of the Mt Lindesay Highway.
- Additional funding of \$359 million over four years from 2005-06 for the Rural and Regional Roads Funding Initiative in Southern, Central and North Queensland.
- Additional funding for busway networks, including \$27 million in 2005-06 to commence construction of a two-lane Eastern Busway corridor connection from Buranda to Boggo Road to Green Bridge.
- Construction of the \$360 million four-lane bypass on the Pacific Motorway between Tugun and Tweed Heads.
- An extra \$88 million over three years as part of the Accelerated Road Rehabilitation Program to rehabilitate 71 kilometres of the Dawson Highway and replace 36 timber bridges in Central and Southern regions.
- \$191 million for the further expansion of the RG Tanna Coal Terminal at Gladstone.
- \$50 million for the expansion of the Abbot Point Coal Terminal.
- \$57 million for a major upgrade of the Cairns Airport, including \$10.8 million for the construction of a new baggage reclaim hall within the International Terminal Building and the construction of a Central Services Building at the airport.
- \$19 million for refurbishment work at Barron Gorge Hydro Power Station.
- A further \$28.7 million in capital funding in 2005-06 towards the implementation of TransLink - providing the integration and co-ordination of bus, ferry and rail services in South East Queensland by progressing integrated ticketing, the use of smart card technology, together with standardising concessions and fares.
- \$145.6 million in additional funding over five years, for local governments outside South East Queensland for water, sewerage and water recycling infrastructure.
- \$100 million over three years towards a joint program with Queensland local governments for capital projects which are practical tributes to Queensland's 150th birthday in 2009.



Delivering services

The Government is delivering essential

Far North Queensland

- Redevelop Innisfail Hospital, including replacement of four buildings.
- Provide new primary health care centre at Yarrabah.
- Redevelop Weipa Hospital to integrate acute, primary health and community health services.
- Provide additional student accommodation at Weipa's Western Cape College.
- Major upgrade of Cairns Airport.

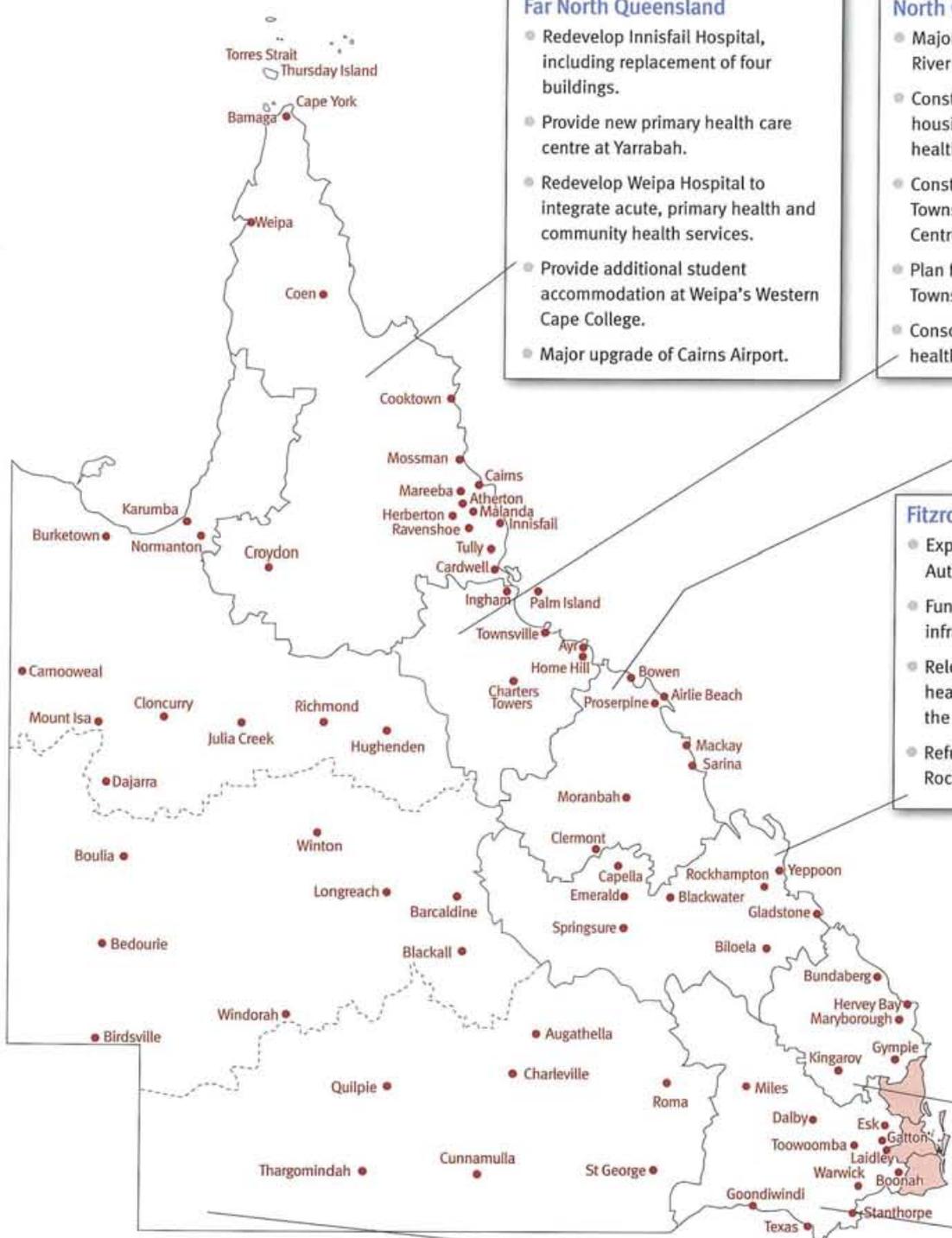
North Queensland

- Major repair and upgrade of the Ross River Dam.
- Construct an integrated facility housing acute and community-based health services at Ingham Hospital.
- Construct a separate 150 bed Townsville Women's Correctional Centre.
- Plan for the future expansion of the Townsville Correctional Centre.
- Consolidate community and mental health services at Thuringowa.

Fitzroy

- Expand the Central Queensland Port Authority RG Tanna Coal Terminal.
- Fund Queensland Rail Coal infrastructure projects.
- Relocate community health, oral health and mental health services to the Gladstone Hospital Campus.
- Refurbish oral health facilities at Rockhampton Base Hospital.

See detail map above



to the regions



infrastructure, community facilities and services State-wide

Mackay-Whitsunday

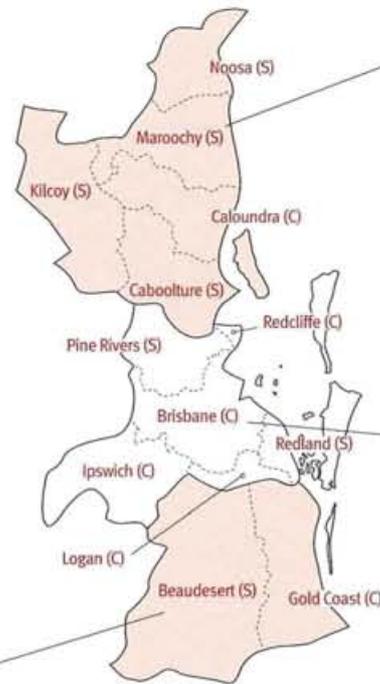
- Upgrade facilities at Mackay airport.
- Upgrade drainage, buildings and equipment at Mackay seaport.
- Complete Sandy Creek and Sawn Creek bridge replacements along Peak Downs Highway between Nebo and Mackay.
- Construct additional amenities at Proserpine State High School.

South Coast

- Establish the Coomera Educational Precinct of the Gold Coast Institute of TAFE.
- Upgrade the Pacific Highway.
- Upgrade Springbrook Road to four lanes between Palm Meadows Drive and Bourton Road.
- Upgrade the Waterford to Tamborine Road.
- Integrate ambulatory and community health services in Robina.

Detail map

(S) Shire (C) City



North Coast

- Develop industrial land west of Caloundra.
- Construct new two-lane road between Caloundra and Mooloolaba.
- Upgrade Sunshine Coast Motorway.
- Redevelop Nambour Residential Aged Care Facility.
- Funding for the new Caloundra West State College.

Greater Brisbane

- Major redevelopment and infrastructure works at the Port of Brisbane.
- Upgrade the Gateway Arterial Road.
- Fund an emergency department at the Prince Charles Hospital, and expand the Hospital's capacity with the addition of 120 beds, operating theatres and renal dialysis facilities.
- Continue to develop the Herston Hospitals Complex.
- Site preparation and infrastructure works for the Boggo Road precinct redevelopment.

Wide Bay-Burnett

- Complete the design and construction of a major dam and several weirs in the Burnett River catchment.
- Redevelop and extend the Wondai Hospital to create 46 new nursing home and five acute hospital beds.
- Construct a 96 bed residential aged care facility at Maryborough Hospital.
- Upgrade the D'Aguilar Highway, including paving work between Kilcoy and Yarraman and replacement of Sandy Creek Bridge between Yarraman and Kingaroy.
- Refurbish the emergency department at Gympie Hospital.

Darling Downs & West Moreton

- Continue the construction of the Kogan Creek Power Station.
- Upgrade the Surat Basin railway track between Dalby and Rosewood.
- Refurbish facilities for outpatient, maternity and emergency departments at Dalby Hospital.
- Construct nursing home facilities at Dalby and Warwick.
- Upgrade the Miles Hospital.
- Provide funding for the Queensland College of Wine Tourism at Stanthorpe State High School.

Western Queensland

- Overhaul the Mica Creek Power Station.
- Upgrade Mount Isa water supply infrastructure.
- Upgrade the Warrego Highway.
- Construct a new 40 bed nursing home at the Roma Residential Aged Care Facility.
- Upgrade Glenore Weir and Normanton's water supply plants.



Smart Queensland: Smart State Strategy 2005-2015

- The Smart State Strategy is the centrepiece of the Queensland Government's broader economic development strategy. It provides a stimulus to the Government's strong track record of providing a sound fiscal environment and its low-cost tax and regulatory framework.
- The Smart State Strategy is about investing in skills and innovation to increase our productivity, so Queenslanders can enjoy the benefits of a strong, prosperous economy and a better quality of life.
- The Government commenced the first stage of its Smart State Strategy in 1998 with a focus on:
 - » strengthening Queensland's research and development base
 - » broadening and diversifying the economy to create new export industries and jobs
 - » improving the productivity and export performance of established industries
 - » reforming Queensland's education and training systems.
- Launched on 18 April 2005, *Smart Queensland: Smart State Strategy 2005-2015* is the second stage of the Smart State Strategy. It builds on the momentum and successes of the first stage of the Smart State Strategy. Smart Queensland is backed by more than \$470 million in new funding.
- The expenditure is aimed at boosting knowledge, creativity and innovation and building Queensland's economic capacity through investing in education and training. This investment will help drive future growth to improve prosperity and quality of life for all Queenslanders.
- Initiatives supporting the Smart Queensland vision include:
 - » \$128 million in capital funding over four years for an Innovation Building Fund to stimulate research, development, commercialisation and technology diffusion
 - » establishing a \$60 million, four-year Innovation Projects Fund to provide operational funding for collaborative research projects that are strategically important to established and emerging Queensland industries
 - » \$12 million over four years for an Innovation Skills Fund to provide scholarships and fellowships to attract and retain top research talent
 - » establishing an integrated knowledge precinct focusing on eco-science, as part of the redevelopment of the former Boggo Road Gaol site.



How the money is raised

Major tax initiatives to moderate revenue growth

- General Government revenues are budgeted at \$26.604 billion in 2005–06, a small decrease on 2004–05 estimated actual revenues. Growth in areas such as royalties will be offset by moderation in tax revenues (including the impact of tax initiatives) and the assumption of investment returns in line with long-run averages.
- Australian Government payments include GST revenue grants of \$7.7 billion. This is an increase of \$347 million on the 2004–05 estimated actual. The moderate increase reflects underlying growth in the tax base.
- In 2005–06, specific purpose payments from the Australian Government to Queensland fall short of a full per capita share by \$269 million.

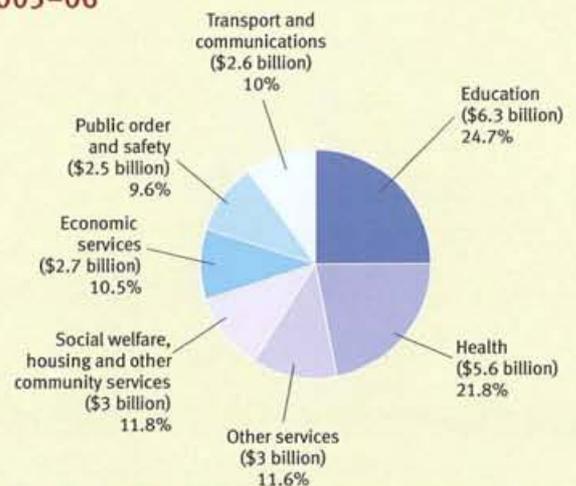
General Government operating revenue, 2005–06



How the money is spent

- General Government operating expenses are budgeted at \$25.670 billion in 2005–06. This represents an increase of \$1.624 billion (6.8%) over the estimated actual for 2004–05.
- Expenditure is forecast to increase on last year's Budget in key priority areas, including health (up \$413 million), disabilities (up \$68 million), child safety (up \$123 million), police (up \$132 million) and education (up \$306 million).

General Government expenses by purpose, 2005–06





Our sound operating position

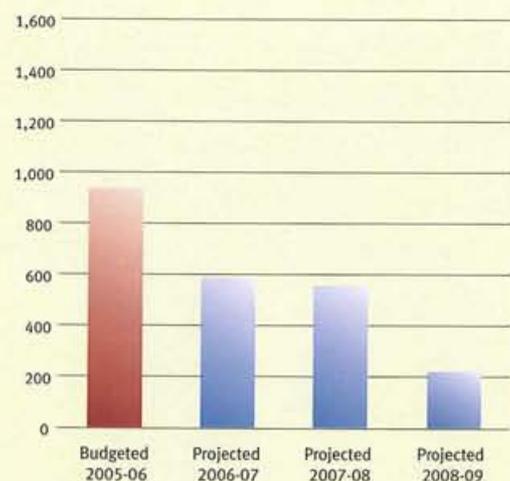
+ *Strong surpluses have provided the platform for a significant increase in infrastructure investment over the next four years*

- Queensland is budgeting for a General Government net operating surplus of \$934 million and a cash surplus of \$98 million in 2005-06.
- Beyond 2005-06, smaller operating and cash surpluses are forecast, primarily reflecting expenditure associated with a significant investment in new infrastructure and the abolition of a number of State taxes.

- The expected 2004-05 operating result of \$2.725 billion reflects the strength of the economy and investment markets and follows a surplus of \$3.340 billion in 2003-04. These surpluses have provided the platform for the major capital expansion over the next four years.
- The underlying operating result for 2004-05 (adjusted for comparable superannuation arrangements) is a surplus of approximately \$2 billion.

General Government operating surplus (GFS Basis)

(\$ million)



General Government operating position

	Estimated actual 2004-05 (\$ million)	Budget 2005-06 (\$ million)
Revenue	26,771	26,604
Expenses	24,046	25,670
Net operating result	2,725	934
Cash surplus	3,127	98



Strong balance sheet growth

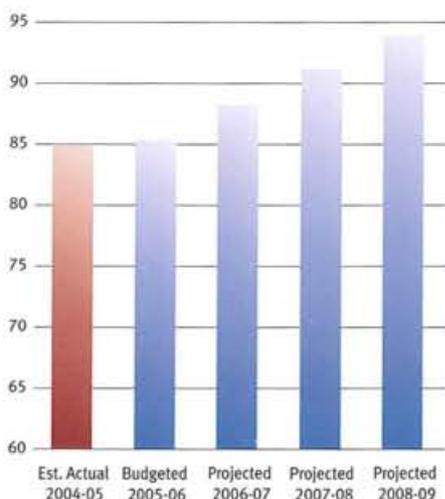
The State's balance sheet to remain strong in 2005-06

- The State's net worth is budgeted to grow from \$85.005 billion at 30 June 2005 to \$85.344 billion by 30 June 2006. By 30 June 2009, it is expected to increase to more than \$93 billion.
- Net worth of Government-owned corporations will increase from \$16.129 billion in 2004-05 to \$20.245 billion in 2008-09.
- General Government assets are projected to exceed \$100 billion by 30 June 2005.

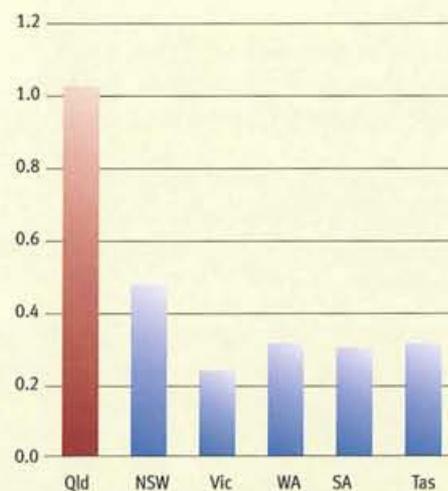
- Even after excluding investments in Government-owned corporations, General Government financial assets exceed total liabilities in 2005-06.

"Queensland's balance sheet is one of the strongest among the Australian states and territories and its international peers."
Standard & Poor's, November 2004

Queensland net worth
 (\$ billion)



Financial asset ratio¹
 (by State, 2005-06)



1. Ratio of financial assets (excluding investments in public enterprises) to financial liabilities

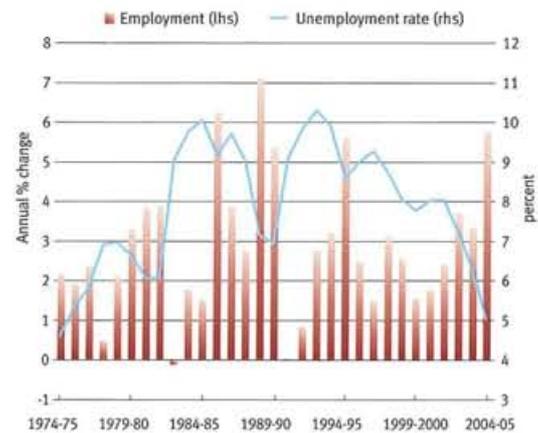


Unemployment drops to 30-year low of 5%

Queenslanders benefit from exceptional labour market conditions

- As a result of strong economic growth, Queensland employment levels are expected to grow by 5¾% in 2004-05. This represents the highest employment growth in 16 years.
- This employment growth has resulted in the creation of approximately 104,000 jobs in the State, which accounted for around 40% of job gains nationally during 2004-05.
- Increased levels of employment have reduced the unemployment rate to an estimated 5% in 2004-05—its lowest rate in 30 years. Queensland's unemployment rate is now below the national rate for the first time in 10 years.
- Unemployment has fallen rapidly, despite significant growth in the labour force, with the participation rate reaching an estimated historical high of 65¾% in 2004-05.

Unemployment rate at a 30-year low⁽¹⁾

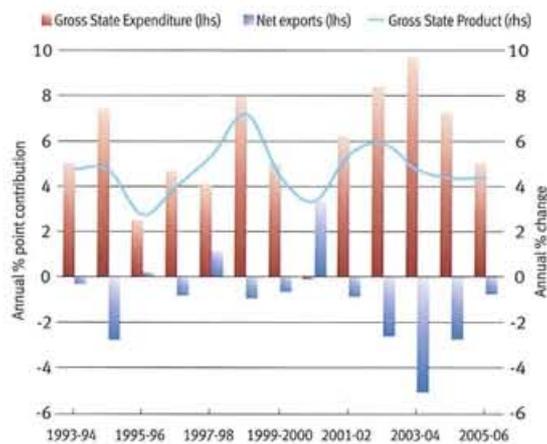


Note:
1. 2004-05 estimated actual
Sources: Queensland Treasury and ABS 6202.0

The domestic economy drives growth in 2004-05

- A strong domestic sector has underpinned Queensland's performance with estimated economic growth of 4¼% in 2004-05—more than double the national growth of 2%.
- Business investment is estimated to rise by 13¼%, as a result of improved corporate profitability, low borrowing costs and a strong global economy.
- Following rises in household wealth and wages, consumer spending is expected to increase by 5%, representing the third year in a row of above-average growth.
- Defying the national trend, housing investment in Queensland is estimated to rise again, by 5%, driven by high levels of migration and strong growth in renovation activity.

Domestic sector underpins overall growth⁽¹⁾



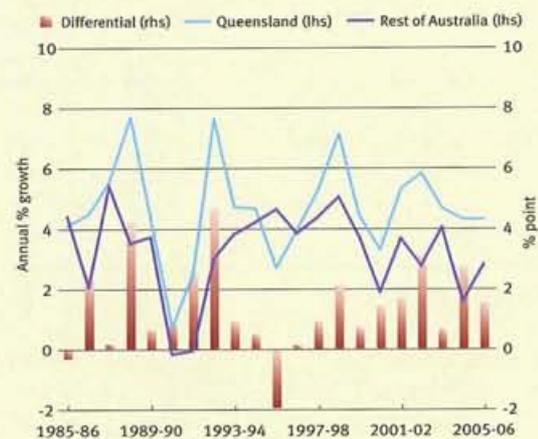
Note:
1. 2004-05 is estimated actual; 2005-06 forecast
Sources: Queensland Treasury

Queensland to outperform Australian economy for 10th year

Queensland economy to maintain strong momentum in 2005-06

- The Queensland economy is forecast to expand by a further 4¼% in 2005-06, exceeding national growth for the tenth consecutive year.
- With economic growth remaining strong, the State's unemployment rate is forecast to stay at its 30-year low of 5%.
- Complementing a further rise in private investment, public spending is forecast to rise 10%, reflecting the Government's significant investment in energy and trade-related infrastructure.
- Queensland's household consumption growth for 2005-06 is again forecast to exceed the nation's. This reflects Queensland's more rapid growth in population and employment levels.

Queensland to exceed national economic growth⁽¹⁾

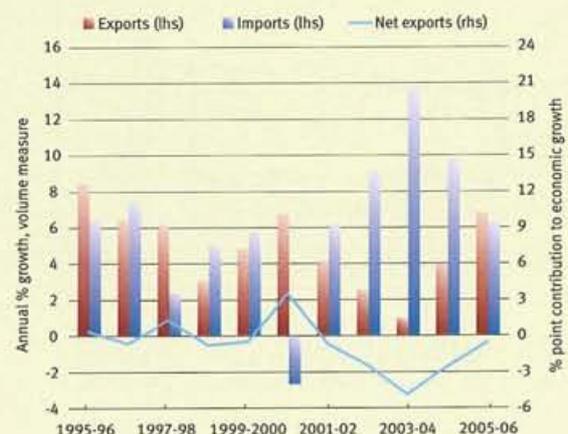


Note:
1. Gross State Product (GSP)/Gross Domestic Product (GDP).
2004-05 estimated actual; 2005-06 forecast
Sources: Queensland Treasury, Australian Treasury

Exports to bolster trade sector performance

- Exports growth is forecast to strengthen to 6¾% in 2005-06, representing the highest rate of growth in five years.
- A strong global economy is anticipated to underpin further rises in mineral exports, as well as encourage expansions in domestic production capacity.
- Overseas service exports, such as tourism, are also forecast to rise, due to growth in world incomes and the passing of external shocks, such as SARS.
- With stronger exports, the trade sector is forecast to detract only ¾ percentage points from growth in 2005-06, its smallest detraction from growth in five years.

Exports growth to strengthen⁽¹⁾



Note:
(1) 2004-05 estimated actual; 2005-06 forecast
Sources: Queensland Treasury

Economic forecasts

Outlook for components of growth

	2004-05 ^(e)	2005-06 ^(f)	
Domestic production¹			
Household consumption	5	4½	● Household consumption growth to remain solid, sustained by growth in real incomes and positive employment conditions.
Private investment	7	2½	
Dwellings	5	-3	● Dwelling investment to remain near historically high levels, supported by strong population growth.
Business investment	13¾	4¾	● Business investment to grow, due to improved corporate profitability and strong global demand.
Other buildings and structures	12¾	5½	
Machinery and equipment	13½	4½	
Public final demand	10	10	● A record capital works program to underpin continued rapid growth in public expenditure.
Gross state expenditure	6¾	4½	
Exports of goods and services	4	6¾	● Strong global demand and expansions in domestic production capacity to boost exports growth.
Imports of goods and services	9¾	6½	● Import growth to moderate as growth in consumption eases.
Net exports ²	-2¾	-¾	
Gross state product	4½	4½	● Queensland to record faster growth than nationally for the tenth year in a row.
Other State economic measures			
Population	2	2	● High levels of interstate and overseas migration to drive population growth.
Inflation	2¾	2¾	● Inflation to remain within the Reserve Bank of Australia's 2-3% target band.
Average earnings	4½	4	● Real wages to increase further.
Employment	5¾	2½	● Employment growth to remain well above that in the rest of Australia.
Unemployment (% , year-average)	5	5	● Unemployment to remain at its lowest rate in 30 years.

Note: Unless otherwise stated, all figures are annual percentage changes.

(1) Chain volume measure, 2002-03 reference year

(2) Percentage point contribution to change in gross state product

(e) Estimated actual

(f) Forecast

Source: Queensland Treasury