

State Budget 2014-15

Budget Speech

Budget Paper No.1

Great state. Great opportunity.



2014–15 State Budget Papers

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The suite of Budget Papers is similar to that published in 2013-14.

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Budget Speech
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APPROPRIATION BILL 2014
(First Reading Speech, 3 June 2014)

TREASURER

The Honourable Tim Nicholls MP
Treasurer and Minister for Trade

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Madam Speaker

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

A STRONG PLAN FOR A BRIGHTER FUTURE

In February 2012, on the first day of the last election campaign the Premier and I launched the LNP's Economic Blueprint for Queensland. It was a key part of our plan to Get Queensland Back on Track.

In that plan we said we would;

- return the budget to surplus by 2014-15,
- ensure expenses growth does not exceed revenue growth,
- subject major projects to cost benefit analysis,
- put in place a plan to regain the AAA credit rating to reduce the cost of borrowing; and
- fully fund long term liabilities such as superannuation in accordance with actuarial advice.

We undertook to wage a war on waste in government by reviewing spending across departments to stop taxpayers' money being squandered.

We also promised to establish an Independent Commission of Audit to detail Queensland's current and long term liabilities and to chart a path back to the triple A credit rating.

Many informed commentators, and not a few critics, thought we would not achieve such an ambitious target. They thought perhaps we would lack the political will, the courage or the determination to do what after almost 20 years of Labor mismanagement so

obviously needed to be done. Perhaps they were jaundiced in their opinions by the obvious failures of discredited Labor Governments.

Nevertheless we started to implement our strong plan.

In our first week in office I appointed the Independent Commission of Audit. Following receipt of the Commission's interim report we finalised the first Budget of the new Government.

In my Budget speech in September 2012 I described that first Budget as the most important in a generation.

It delivered on our promise to help Queenslanders with cost of living increases. In all, the savings measures we announced saved families up to \$260 that year alone.

We also took the methodical and disciplined decisions to begin fixing the State's finances so we could deliver better services for Queenslanders. By starting to fix the finances we started securing a brighter future for Queenslanders.

It pays to remember why we had to make those tough decisions. Some so called experts have conveniently, or perhaps consciously, forgotten the parlous state Queensland's finances were in just two short years ago.

Queensland Treasury officers reported to the incoming government

“Queensland’s fiscal position and outlook is unsustainable and restoration must be an urgent priority of this term of government”

Queensland Treasury Corporation, the bankers to government, told us

“The States debt has reached unprecedented levels. Together with its published forward estimates showing an even greater volume of debt required, Queensland is now in uncharted waters with respect to the volume of debt on issue and the resultant interest bill”

And the Independent Commission of Audit reported

“Urgent fiscal repair is necessary just to stabilise debt which will continue growing in the absence of corrective measures. After that the State will need a very large amount of debt repayment to recover its AAA credit rating”

Of course the rest of the world had also told the former Labor government something was wrong when credit ratings agencies downgraded Queensland's prized triple A credit rating forcing taxpayers to pay hundreds of millions more in interest payments.

Madam Speaker, no one would now doubt that making those decisions and implementing our plan in that first budget has led to a better and more financially resilient Queensland today. As I said when I introduced the appropriation bills “This Budget starts to deliver a brighter future for all Queenslanders”.

In our second Budget we had to address the issues of growth, rebuilding and resilience following the cyclones and floods of 2013. We needed to lock in the gains of that first Budget as well as help our communities rebuild from the devastation of a summer of floods.

That second Budget also put in place the actions needed to boost growth to help pay off the debts of the past while supporting the jobs of the future.

We are now making significant progress in growing Queensland’s four pillar economy, revitalising frontline services and funding infrastructure projects and jobs, with more than 60,000 jobs created for Queenslanders in the last year. But to sustain this growth we must reduce the \$80 billion debt Labor burdened Queensland with.

In my Budget speech last year I said that the government would be upfront about the challenges we face and take the community with us on the choices we need to make. I also said we would not kick the can down the road for our children to solve our problems.

So Madam Speaker it is with great pleasure that today I deliver the third Budget of the Newman LNP Government. Today’s Budget continues delivering on our promises and our commitments to restore our great State’s finances.

I can report that today’s Budget shows we are meeting all of those commitments made that February day just over two years ago when we released our economic plan.

We are on track to deliver an operating surplus of \$188 million in 2014-15.

We will deliver a fiscal surplus in 2015-16, the first in a decade. Fiscal surpluses are also predicted in each year of the forward forecasts. No longer will Queensland have to go cap in hand to financiers meekly asking for loans. We will have stopped the long descent into debt that Labor charted with its locked in deficits of the last half dozen years.

We have reversed the trend of Labor governments past that saw General Government expenses grow on average at 8.9% per annum in the decade to 2011-12. Expenses growth in **every** year of this government has been less than revenue growth, despite revenue write downs of \$5.4 billion.

General Government expenses will only grow by 2.2% in 2013-14, after growth of only 0.2% in 2012-13. These are the lowest such increases since accrual accounting was introduced in Queensland in 1998.

As promised at the election, all major projects now undergo a cost benefit analysis. No longer do we have dams without pipes, pipes without dams, nurses without pay and trains without seats!

We are fully funding our long term obligations including to our hardworking public servants' superannuation.

The Budget I present today is not one of flashy new announcements and programs. It is not a Budget of big headlines or irresponsible spending sprees.

It is a Budget that is right for the times.

It is a Budget that underscores our commitment to responsible financial management. It lays the foundations for strong and sustainable economic growth into the future.

We are also getting on with delivering better services through good management.

Madam Speaker despite all these achievements more needs to be done. We cannot grasp the bright future that beckons while we are burdened by an \$80 billion debt that costs \$4 billion dollars in interest each year.

So today I am announcing our strong plan to secure our finances by making the strongest and smartest choice to reduce debt so we can sustainably invest in the schools, hospitals and other vital infrastructure that will secure our great State's bright future.

Madam Speaker, this year's Budget is a Strong Plan for a Brighter Future.

THE ECONOMY

The 2014-15 Budget has been framed in the context of an economy on the cusp of strong growth. In turn, good financial management will further boost our future economic prospects.

The Queensland economy is expected to be the strongest performing State economy in the nation in 2014-15 and over the forward estimates period.

In 2013-14, economic growth of an expected 3% has been underpinned by household consumption growth, a recovery in dwelling investment and a significant contribution from exports.

Following a strong rebound in 2012-13, tourism has again performed well in 2013-14.

Demand from China has driven double-digit growth in coal export volumes, which are expected to hit 200 million tonnes for the first time in 2013-14.

The harsh Queensland climate has again seen the agricultural sector face challenging conditions. The emergence of China as a key market has however supported the State's agricultural exports, particularly beef.

The Queensland economy is of course in a period of transition as the investment phase of the large LNG projects nears completion and the production and export of LNG begins. The transition is, in effect, the quantitative handbrake that constrains the headline growth rate in 2014-15.

In 2014-15, Queensland's economic growth is expected to be 3% - again, the strongest in the nation.

Dwelling investment in Queensland is forecast to grow 9½% in 2014-15 and a further 6% in 2015-16.

In 2015-16, the ramp up in LNG production is expected to underpin a surge in exports which, combined with an improved domestic economy, is forecast to boost economic growth to an 11 - year high of around 6%. This will be the highest in the nation.

Growth is expected to settle back to 4% in 2016-17 – reflecting a more even contribution from all sectors of the economy.

This Government understands that not all Queenslanders are experiencing the benefits of this growth. We know there is more work to do.

Employment growth has picked up during the course of 2013-14, supported by some recovery in the labour-intensive sectors.

The latest ABS figures show that Queensland is responsible for over half of the jobs created in Australia in the last twelve months.

This recovery is expected to support further improvement in labour market conditions in 2014-15 and beyond.

As employment opportunities improve, so too will participation, as workers are encouraged back into the labour market. This so called "encouraged worker effect", combined with the realignment of skills across the economy following the mining boom, will limit downward pressure on the unemployment rate.

So, while the employment growth is there, the improvement in the unemployment rate is expected to be slower and steadier, from 6% in 2013-14 down to around 5½% in 2016-17.

BUDGET OUTCOMES

Madam Speaker, the General Government fiscal balance is estimated to be a deficit of \$6.1 billion in 2013-14 compared to a forecast deficit of \$7.6 billion in the 2013-14 MYFER.

The improvement in the forecast fiscal balance since the MYFER primarily reflects deferral of some Commonwealth Government funding, changes to the timing of natural disaster expenditure and tight control over expenses.

As I said earlier, following on from growth in expenses of only 0.2% in 2012-13, expenditure growth of only 2.2% is expected in 2013-14. We continue to honour our commitment to the people of Queensland to keep costs down and cut waste and bureaucracy.

A fiscal deficit of \$2.27 billion is budgeted for 2014-15 compared to a forecast of \$664 million in the 2013-14 MYFER.

This is due to a downward revision to royalty and taxation revenue estimates, as well as changes in the timing of Federal Government natural disaster funding.

Madam Speaker, the revenue side of the Budget remains under pressure, and we have again had to write-down our projections.

Key revenue items such as payroll tax are weaker than expected.

Falling coal prices are adversely affecting our royalty receipts, and there has been no respite from the Australian dollar, which is stubbornly higher than we would like.

Yet, despite all this, we have resisted the temptation to hike taxes to boost revenue.

There are no new taxes in this Budget. We remain on track to achieve a balanced budget in 2015-16, the first time in a decade.

In the absence of unavoidable shocks, the 2014-15 Budget will be the last of the Labor legacy deficits and we can look forward to a future free of red ink.

Consistent with the plans I outlined in our first Budget in 2012-13, this Budget has us firmly on track to deliver Stage 1 of our strategy to deal with the State's debt.

The 2014-15 Budget has borrowings at \$80 billion compared to Labor's last projection of \$85.4 billion – an improvement of over \$5 billion achieved through careful management.

This stabilisation of the State's debt has been achieved despite large revenue write-downs over the last three years and the devastating impact of Cyclone Oswald.

SERVICES

Madam Speaker, through its renewal program, the LNP Government is committed to delivering better services for Queenslanders through good management, improved productivity and better value for money.

As a result of our strong decisions, disciplined approach to expenditure and better management we will not have to lessen the delivery of services to Queenslanders. Our response to the recommendations of the Commission of Audit is also paying dividends in improved service delivery across the state.

As I said at the launch of the new Youngcare housing project in the Clayfield electorate last week, great financial results are not an end in themselves, they are the means to an end. For this government that means delivering better services to all Queenslanders.

Madam Speaker, there is no issue more important or more difficult than that of child protection. The most significant new policy item in this Budget is the funding and implementation of the Carmody Inquiry's report into child protection.

It is an area that has challenged governments around Australia regardless of their political persuasion. Indeed, it is an area that is rightly considered beyond politics. We all want to do the right thing, but knowing what the right thing is can be tough.

This Budget commits the resources required to implement the Carmody Inquiry report named "Taking Responsibility". This roadmap reshapes our child protection system - to provide a platform for enhanced family support and early intervention. Non-government organisations will be a big partner in this effort. The Government will invest \$406 million over five years to ensure its successful implementation.

Madam Speaker, as Members know all too well, Queensland is a State of climatic contradictions. At any given point in time, we can be simultaneously fighting fires, floods, cyclones and drought. Much of rural Queensland is battling a prolonged drought and they need our help.

This Budget allocates \$62 million for drought assistance including fodder and water subsidies, fee and rent relief, and community and mental health support programs.

I am also pleased to announce that from the first of July this year the *Family Primary Production Concession* will be extended. Currently, the concession is limited to lineal descendants, most often this is parent to child.

Recognising that lineal descendant are not always the family member who chooses to continue the family business, the requirement of a direct lineal descendant will be removed. This opens up the opportunity for better succession planning for those on the land who want to keep their property in their family.

Now for example, transfers to nieces and nephews will benefit from the concession. It's important to note that a family relationship will still be required and that the transfer will still need to be by way of gift.

The Budget also provides a further \$11 million for reef protection in 2014-15, bringing total reef protection funding to \$55 million over five years.

At the last election, we promised to deliver 1100 new police officers on the frontline. This Budget sees funding allocated for 267 new police officers as we deliver our promise over four years.

The Government will invest \$44.5 million over four years to implement the *Safe Night Out Strategy*, to deal with alcohol and drug related violence in entertainment precincts.

Madam Speaker, no one doubts the Government's commitment to law and order. This Budget contains \$132 million over four years to address capacity constraints in correction centres and undertake security upgrades, including the recommissioning of the Borallon Correctional Centre.

I am particularly pleased that this Budget contains further funding for our Great Results Guarantee in Education.

With \$131 million set aside for the Great Results Guarantee, Principals and school communities are being empowered to decide how the money should be spent — depending on the unique situation in every Queensland school.

The Health budget will increase in 2014-15, by over 6%. But improvement is not always about spending more money.

The results of our hard work are evident in the figures that matter most to Queenslanders.

Since this Government was elected:

- The number of category one patients waiting more than 30 days for surgery has been cut by 83%
- The number of category two patients waiting more than 90 days for surgery has been cut by 69%
- The average time between ambulance dispatch and being available for the next job has been reduced by 18.75%.
- The number of long-wait dental patients has been reduced by 98.5% in the last 14 months and
- The long term social housing waiting list has been reduced by 37% over the last two years

Madam Speaker, real results matter most to Queenslanders. That is part of our strong plan delivering a brighter future.

FEDERAL FINANCIAL RELATIONS

The change of Government in Canberra has paid dividends to Queensland in terms of infrastructure funding.

We have been able to secure almost \$1.3 billion for the Toowoomba Second Range Crossing project – one of the largest regional roads projects ever to be undertaken in Australia. And today I announce that I have signed the much anticipated Memorandum of Understanding with the Federal Government ensuring funding for this great project. I can also announce that tomorrow the formal Expressions of Interest document will be released to the market.

Make no mistake, after 20 years of talk by previous Governments this LNP Government is delivering on its commitment to the people of Toowoomba and the Darling Downs to deliver this project.

I acknowledge the great work of local members Dr John McVeigh of Toowoomba South and Trevor Watts of Toowoomba North in supporting this project as well as Mayor Paul Antonio and the federal Member Ian McFarlane.

The Federal Budget will also provide nearly \$1 billion for the Gateway Upgrade North project, as well as funding to deliver critical works on the Bruce Highway – \$6.7 billion over ten years.

More than most, I know what it is like to inherit a Labor designed fiscal time bomb. But we, as the Queensland Government, have a problem with Canberra and that problem relates to the national partnership programs and agreements that have been unilaterally terminated as part of the Federal Budget.

States operate big service delivery systems that can't change course quickly. With nearly a quarter of our revenue coming from national partnership type payments, the unilateral cutbacks announced in the recent Federal Government Budget hit us hard.

In particular, the Federal Government has reduced its funding for concessions by some \$50 million per annum. The Queensland Government is increasing its funding for the affected concessions, but this will not be enough to offset the impact of the Federal Government's decision.

There are also other agreements that face an uncertain future.

At this point, a particular concern we have relates to Early Childhood Education. In 2008, the then Queensland Government signed up with the Federal Government to provide universal access to kindergarten programs delivered by qualified teachers. These programs are delivered to approximately 60,000 children in kindergartens and day care centres.

Unfortunately, the federal Budget provided no certainty of funding beyond the end of this calendar year. We are seeking urgent clarification from the Federal Government.

Without a doubt though, the most pressure relates to Health. The problem is serious:

- National Partnership on Preventative Health – terminated.
- National Partnership on Improving Public Hospital Services – terminated.

From 2017-18, the Federal Government is turning its back on the challenges of health funding. With the ageing of the population and rapid advances in medical technology, health expenditure is expected to grow by around 8% per annum into the future.

But the Federal Government thinks the States can survive with less. Their funding falls well short of what is required to meet the reasonable expectations of Queenslanders.

Queenslanders can be assured this LNP Government will engage in a robust and vigorous debate with the Federal Government to protect their interests.

This is the discussion we intend to have with the Federal Government over the coming months.

THE STRONGEST CHOICE IS THE SMARTEST CHOICE

On 13 April, I launched the Strong Choices campaign to ensure Queenslanders could access the information they needed to have their say about reducing the State's \$80 billion debt.

The centrepiece of this campaign was Australia's first interactive 'People's Budget'.

I know there are some for whom consultation with Queenslanders means assembling the usual suspects in George Street on the basis that they represent Queensland's so-called "key stakeholders". I have never subscribed to that theory.

Ultimately, more than 255,000 people visited the Strong Choices website, and over 55,000 Queenslanders submitted their own 'People's Budget' online.

Almost 20,000 people attended public forums or participated in virtual town hall meetings.

I travelled more than 19,000 kilometres to meet with Queenslanders personally to discuss the Strong Choices available.

The public response clearly showed Queenslanders recognise the debt and interest problem, and support a disciplined and methodical plan to reduce the State's \$80 billion debt and the accompanying \$4 billion interest bill.

I have always acknowledged that the decision as to how to best reduce the debt would be one for the Government to take and ultimately, and rightly, decided by the people at the next State election.

I am proud that this Government's approach to the issue in terms of its treatment of the people of Queensland stands in stark contrast to those opposite who took the "get elected first tell Queenslanders later approach".

The Government expected Queenslanders to have a mixed view about the Strong Choices campaign. Our research shows that 70 percent of Queenslanders approve of the campaign and recent media commentary supports this approval.

The popularity of some choices over others relies on one's individual circumstances. Analysis of the 'People's Budget' tool shows that 28 percent of submissions mostly favoured increasing taxes, while only 18 percent of submissions mostly favoured service reductions.

Most significantly, 46 percent of submissions chose to raise the majority of the \$25-30 billion required for debt reduction through the sale or lease of some assets.

Overall, raising taxes or reducing services were the least preferred options for achieving the \$25-30 billion in savings required to reduce debt to sustainable levels.

After cutting waste, reducing the size of the public service, and lifting some taxes and mining royalties to stabilise the Budget after coming to office, the Government recognises Queenslanders are concerned about service reductions or tax increases.

With spending cuts and increased taxes in the recent Federal Budget, it has become even more important to avoid fuelling cost of living pressures felt by everyday Queenslanders.

Now is not the time to burden people with taxes upon taxes, or to reduce services that have already been made more efficient.

The State Government has taken this new economic context, framed by the Federal Government's own debt reduction efforts, into consideration. The strongest choice for Queensland is also the smartest: the one that secures Queensland's future, without placing an undue burden on Queenslanders.

That is why the Government is now proposing a program of asset transactions. The transactions will vary, depending on the asset. Most transactions will involve either long-term leases or sales.

However, in some cases, the Government will propose an innovative option of private sector participation, where the Government will retain 100% ownership of the ordinary shares, with private sector investors funding future capital expenditure.

The Draft Plan I have released today as part of the Budget provides for debt reduction of \$25 billion down to \$55 billion. This new debt level would mean Queensland's annual interest bill would drop from \$4 billion to \$2.7 billion.

Significantly, this Draft Plan will also release \$8.6 billion for the Strong Choices Investment Program, a suite of new infrastructure and investment funds designed to build more schools, hospitals, roads and other vital infrastructure to ensure this State's growing population can enjoy a brighter future.

After a period of further consultation, in which Queenslanders will be invited to nominate projects in their communities that may qualify for funding from the Strong Choices Investment Program, the Government will deliver its final plan for the Strongest and Smartest Choice in September 2014.

None of these proposals will be implemented until the Government has taken this methodical and disciplined plan to the next State election.

Not everyone will agree with all of the choices this Government has made about how to pay for things into the future. But at least Queenslanders now know we will have funding certainty into the future, so we can invest in the things we need for a growing and ageing population.

Madam Speaker, the LNP Government was left a legacy of debt and deficits by the previous Government.

We do not intend to leave an ongoing debt legacy for our children and grandchildren.

Now is the time for decisive action and new investment to build a brighter future.

This is what the LNP Government pledges to the people of Queensland – A Strong Plan for a Brighter Future.

I commend the Budget to the House.

