

## A REAL ECONOMIC PLAN

# JOBS, ECONOMIC DIVERSITY & GROWTH





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# Leaders' Foreword



July 2015

Dear Fellow Queenslander

A secure future for all Queenslanders relies on a sustainable and growing economy which creates jobs, supports a diversity of industries and is insulated as best it can be from global instability.

**A sustainable and growing economy doesn't just happen.**

As with the careful management and experience of the Howard/Costello years, only a confident economy will grow and support the hopes, dreams and aspirations of all Queenslanders.

**The LNP has a plan for the Queensland economy that will deliver the security we all want now and into the future.** We will focus on growing a more diverse economy which delivers jobs and looks after those less fortunate.

Only with an LNP Government will Queenslanders know they have an experienced team at the helm, a team that knows what it's doing, a team that will pay careful attention to all sectors of the Queensland economy across regional, rural and metropolitan Queensland.

In Queensland, just like in other states across Australia, **without strong Government finances**, we can't invest in the schools, hospitals and infrastructure which support a growing economy.

When we were in Government we worked hard to put Queensland's finances back on track and back in the black after years of neglect by Labor. **Labor's decades of unsustainable debt and deficits have left Queensland poorer and less resilient.**

The LNP Government reined in Labor's \$85 billion debt and we were on track to deliver the first budget surplus in 10 years. These milestones are important because they mean Government is not wasting your hard earned tax dollars. We weren't increasing taxes and we were able to put downward pressure on the cost of living.

We have already seen that Labor is back to its old ways of debt and tax increases, like raising family car registration by 3.5 per cent - well above the inflation rate.

A growing economy and a confident business sector go hand in hand. Only the LNP will lower business taxes, freeing businesses to employ more people, more often. Only the LNP will keep your cost of living down and diversify the economy.

**Labor has no plan for our economy**, no plan for jobs, no plan to grow business confidence and no plan to avoid more debt, higher interest payments and more deficits.

The commitments we make in this real economic plan are for the term of the Parliament. If we are invited to form Government, should the minority Labor Government fail, these plans will be implemented.

Only the LNP has a clear plan to deliver a growing economy which creates jobs and provides a financially secure future for Queensland.

Yours Sincerely

**Lawrence Springborg**

*Leader of the Liberal National Party*

**John-Paul Langbroek**

*Deputy Leader of the Liberal National Party*

*Shadow Treasurer and*

*Shadow Minister for the Commonwealth Games*

# A Confident & Stronger Queensland Economy

A strong and secure Queensland needs a growing economy which is creating jobs, sharing opportunity, diversifying its industries and building resilience to global headwinds.

Economic management doesn't just happen.

**Queensland can't afford anything other than confident, experienced and careful management of the economy.**

Only an LNP Government would give Queenslanders an experienced team at the helm; a team that knows what it's doing, a team which has delivered real results. It's a team which will pay careful attention to all sectors of the Queensland economy across regional, rural and metropolitan Queensland.

Queenslanders and Queensland businesses need to have confidence in their political leaders. The LNP has a clear plan if we form Government during this Parliament. It's a plan that is pro-jobs, pro-stability, pro-growth and pro-sustainability. **There will be no surprises, so business can invest with confidence and get on with the job of employing Queenslanders.**

An LNP Government would grow a more diverse and resilient economy by focusing on five core priority areas to diversify and strengthen the economy to insulate it from world events and commodity price downturns. The five priority areas are;

- a. *Agriculture*
- b. *Tourism*
- c. *Resources*
- d. *Construction and Manufacturing*
- e. *Services and Knowledge Based Industries*

## Agriculture

While most of regional and rural Queensland suffers from its second or third drought in quick succession, we have a responsibility to sustain, where practical, those who sustain us, through the production of our food and fibre.

Only the LNP, with its deep roots in rural and regional Queensland, understands the potential flow on effects of prolonged droughts. **The LNP is committed to enhancing agricultural production and the opportunities that a growing middle class in Asia provides.** Enhancing agricultural production does not mean that the environment suffers or that we are selling off the farm. Farmers are environmentalists at heart, they need the ground they walk on to be rich and productive, as their livelihood depends on it.

## Tourism

With Tourism representing 70 per cent of Queensland's services exports, our proximity to Asia and direct connections to many of our Asian neighbours, is a real and tangible benefit which should be capitalised on.

With the potential to refresh our tourism offering with additional developments in Cairns, Townsville, Great Keppel Island, Brisbane and the Gold Coast, the future looks bright. We also have the opportunity to further develop our domestic tourism market including the growing Outback as a destination.

The former Government brought together the Tourism industry to chart a course for success which involved greater regional autonomy and destination marketing. **The DestinationQ plan should be fully implemented and supported by Government and industry.** In 2013, tourist visitor nights from China were over 2.2 million up from 1.3 million in 2011.

## Resources

Undoubtedly, the resources industry, in particular mine expansions and the development of the CSG to LNG, has sustained many regional and rural economies over recent years. With the impact of falling oil and coal prices, the resources sector has seen falling production and some operations have become unviable. The resources industry is very cyclical; it's this cyclical nature which is now leading to jobs losses.

Given Queensland's position in the resources cycle, Government should be doing all it can to boost investor confidence, keep costs down and expedite approvals for new developments with the appropriate environmental protections. **Queensland needs to be ready for the upturn in commodity prices and demand, which will come. The LNP's 'Royalties for the Regions' program also ensures continued investment back into resources communities.**

## Construction and Manufacturing

Queensland has always had a strong construction sector; our growing population has demanded more housing with interstate and overseas investors wanting their piece of Queensland's iconic lifestyle and opportunity.

**After contracting for the six years to 2012-13, the residential construction sector (as measured by Dwelling Approvals) is recovering.** It's not back to its pre GFC level but the signs are encouraging. An influx of new investors together with record low interest rates is stoking demand.

The Government needs to play its role through proper planning, land releases and by undertaking comprehensive reform of planning laws to reduce red-tape and costs and to fast track the approval process for non-controversial developments.

The last thing the construction industry needs is more red tape and higher taxes which ultimately get passed on to purchasers.

Manufacturing continues to play an important role in the Queensland economy. Over the last three years the value of Queensland's manufacturing industry has remained stable at around \$18 billion, despite a range of adverse factors including; input costs, the high Australian dollar, changing consumer habits and rapid technological change.

The LNP believes there is further growth potential by better supporting our value added manufacturing industry. As highlighted in the Annual Skills Priority Report, additive manufacturing is a sector for the future. Industry experts anticipate that over the next five years an increasing number of manufacturing workers will be employed in research and development and design occupations. We want to position our State for this new wave, while also supporting established manufacturing industries who want to export their product to the world.

Increasingly, manufacturing in Australia including Queensland, is moving away from heavy production lines and mass production to niche products and services based around strong intellectual property and innovation.

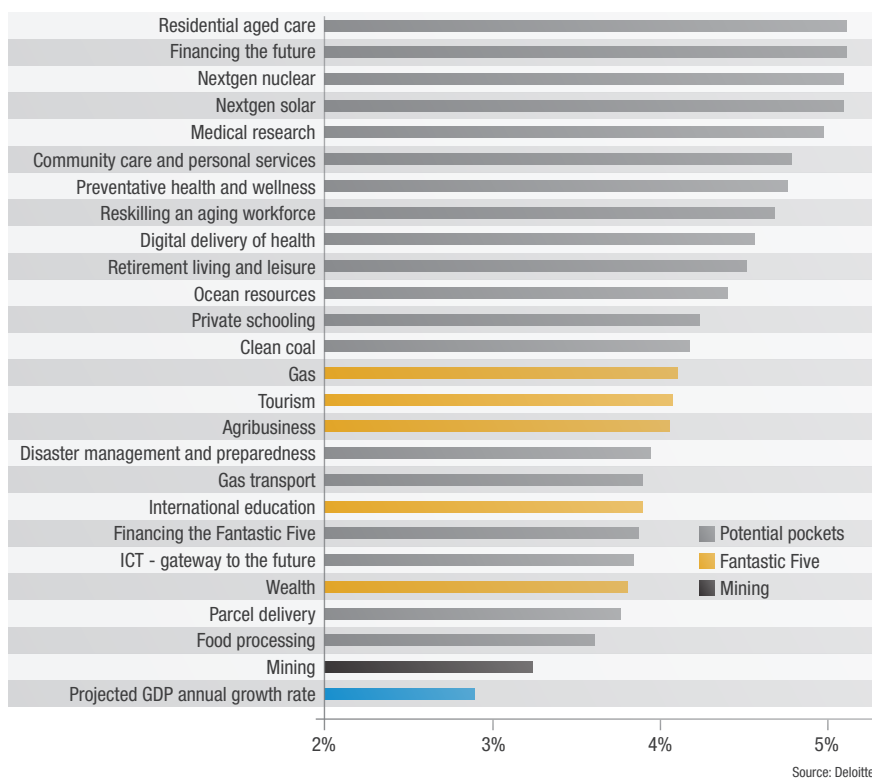
By reducing red tape and business taxation, Queensland's manufacturing industry can grow under an LNP Government.

## Services and Knowledge Based Industries

As the economies of many western nations transition towards more service and knowledge based industries, Queensland has a unique opportunity to capitalise on our proximity to Asia, our research and scientific base, advanced small manufacturers, existing service offerings and the services demanded by an ageing population as people look for anything from financial advice to home modifications.

The thirst for knowledge through education and training, as workers have more than one or two careers in a life time, has led to an increased demand for quality services. Whether it's Queensland's world class academic institutions or local registered training organisations the education and training sector has increased access, which will further aid the Queensland economy and create jobs.

### PROJECTED ANNUAL GROWTH RATES OF THE DELOITTE GROWTH 25





Queensland is home to some of the best services organisations assisting the mining, architectural, educational, and engineering, health and biomedical, scientific, energy and resource sectors.

The services and knowledge based industries in Queensland are exportable to the world and need Government to assist them in embracing new markets.

Over the last decade, the level of employment has increased significantly across Queensland. According to the Ministerial Industry Commission which publishes, the Annual Skills Priority Report, approximately 535,000 jobs have been created over the last decade. These jobs have been across a variety of sectors and are not location specific. The most significant gains were in:

- > Health care and social assistance (112,000)
- > Construction (75,000)
- > Professional, scientific and technical services (66,000)
- > Mining (55,000)
- > Education and training (44,000) and
- > Retail trade (37,000)

The Annual Skills Priority Report also found that *“Compared to Australia as a whole, Queensland’s industry structure has a higher share of activity devoted to mining, construction, and tourism related sectors such as accommodation, as well as public administration and health care.”*

**The LNP recognises that only through diversifying the economy and building an economy focusing on five priority areas, will it be able to support the same growth as experienced across the last decade.**

As the private sector plays a growing role in the provision of services to an ageing population; as the Australian dollar falls and retail trade continues its upward trajectory; as education and training are decentralised from the traditional structures to more flexible and customer - friendly organisations, Queensland can be at the forefront of real economic growth and job creation.

The Annual Skills Priority Report also identifies growing employment opportunities for specific industries over the next four to five years. Those industries being:

- > Health care and social assistance
- > Retail trade
- > Education and training
- > Professional, scientific and technical services
- > Construction and
- > Administrative and support services

Deloitte Access Economics recently published a study into the 25 industry sectors which will experience the highest



growth over the next 20 years (See graph on p. 4). With experience and careful management, Queensland is uniquely placed to capitalise on the growth industries.

*“As Asia’s boom evolves and new domestic opportunities arise, our research shows that Australia’s growth options remain excellent,” says the co-author of Deloitte’s study, Chris Richardson from the Deloitte Access Economics division. “Our future prosperity will come from a more diversified spread of sectors, enabling Australia to remain the fastest-growing developed Western nation in the world in the coming decade.”*

Only the LNP has a plan to harness these growth trends and turn them into real economic growth and jobs for Queenslanders.

There are still challenges for job creation in the Queensland economy. Falling commodity prices, a drought in most parts of Queensland, an Australian dollar above historical averages and low business confidence are all challenges. These challenges make the LNP’s plan for diversifying and growing the economy all the more important.

**Queenslanders should be proud to have a growing State which people from around Australia and the world want to call home.**

With an increasing population comes increasing demand. Demand is good for growth, good for jobs and good for business.

With demand also comes the need for Government to properly plan for the future. Without strong Government finances, we can’t properly plan for the future, or pay for it.

Only the LNP has a clear plan to deliver a growing economy which creates jobs and provides a financially secure future for Queensland.

# Labor's Economic Record

Labor's economic record is best summed up by the now Health Minister and former Attorney-General in the last Labor Government Cameron Dick, when he said;

*"I think Queenslanders, and I think what we misunderstood, we underestimated and we didn't keep a focus strongly enough on debt and deficit. I think Queenslanders have a strong attachment to the AAA credit rating and also to keeping debt levels low."*

4BC Brisbane 20 July, 2013

When questioned about the size of the public service, the Health Minister said;

*"The reality is the community has judged on that and judged us on the economic policy settings we made."*

*"The reality is Queenslanders didn't like what we did and we were judged accordingly."*

612 ABC Party Games 29 June, 2012

The current Treasurer is also a supporter of Labor's economic legacy which included huge cost of living increases, large rises in taxes and the fire-sale of assets while debt increased. The Treasurer stated;

**"In the last three [Labor] Budgets, the [Labor] government has taken significant steps across the board to fund new services. Already we have:**

- > raised land tax and stamp duty at the top end
- > increased taxes on casinos and introduced new liquor licensing fees – to help meet the costs of alcohol abuse
- > increased coal royalties
- > increased motor vehicle stamp duty and we have recently introduced a rise to car registration."

Cutis Pitt - Mythbusters Fact Sheet

Rightly, Queensland has always been a low taxing state - it's part of the LNP's economic demand plan. We can't be a low-taxing high-spending state. With low taxes comes the responsibility to spend accordingly. If Labor does not want to be a low taxing government, they should just tell Queenslanders and be open about it. In 2011-12, the last year of the former Labor Government, Queensland's tax competitive advantage had fallen to just \$387.

**Labor's record is unsurpassed when it comes to waste and mismanagement.** It includes:

- > \$1.2 billion on the failed Queensland Health Payroll System
- > \$600 million wasted on the failed Traveston Crossing Dam
- > \$1.2 billion spent on the white elephant that is the Tugun Desalination Plant
- > \$2 billion Western Corridor Recycled Water Scheme
- > \$700 million blowout in the cost of the new Children's Hospital
- > \$350 million spent on the Wyaralong Dam which Labor then decided not to connect to the SEQ Water Grid.
- > \$108 million on the failed Zerogen Coal Scheme
- > \$450 million wasted on the Northern Pipeline Interconnector 2
- > \$150 million blowout in the Smart Card Drivers Licenses
- > \$100 million on the Australian Magnesium Corporation
- > \$2.2 billion blowout in the cost of building three hospitals
- > \$6.1 million snow ski jump into a pool
- > \$16 million in public funds embezzled by the Fake Tahitian Prince.





Ultimately, Labor's inability to manage money means it reaches further and further into the pockets of taxpayers through increased taxes, fees and charges, to pay for its mistakes.

By March 2012, Labor left Queensland with;

- > A depressed and unco-ordinated Tourism sector
- > A residential construction sector which had contracted for six years in a row
- > Rising unemployment, equal highest on mainland Australia
- > Soaring debt which had reached unsustainable levels
- > No end to a decade of budget deficits
- > Increased taxes and charges
- > Queensland was the only mainland state without a AAA credit rating
- > Waiting lists for the hospital waiting lists
- > Increasing Ambulance waiting times
- > Trains that could not run on time
- > The purchase of trains with no seats
- > Dams without pipes
- > Pipes without dams
- > Health payroll system that couldn't pay people

- > An unsupported and misunderstood agriculture sector, without its own Department
- > No plan for the economy outside promoting the CSG/ LNG sector
- > No plan to boost regional economies
- > Skyrocketing cost of living, in particular water and electricity costs
- > Depressed retail trade
- > A fake Tahitian Prince

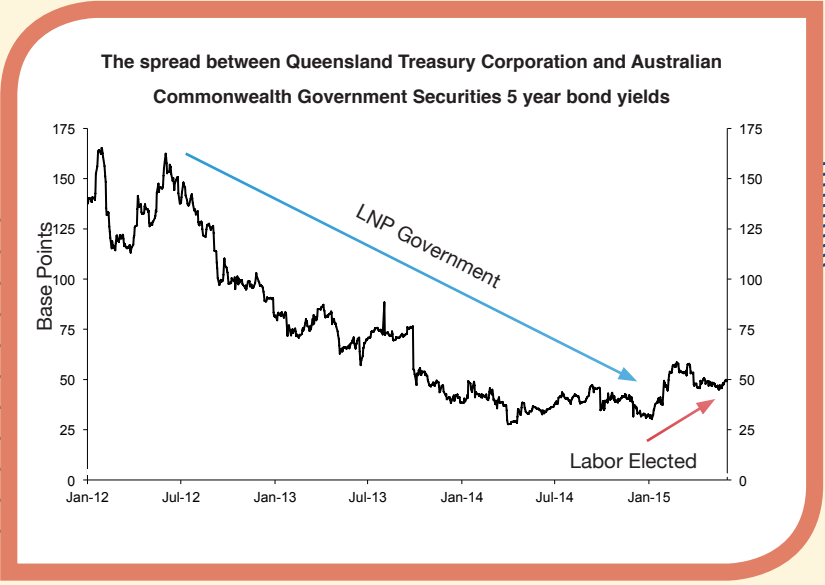
## Labor – Is Already Costing Money and Jobs

After only five months in Government, Labor is already costing Queenslanders money.

The recent announcement of a 3.5 per cent hike in the cost of registering the family car is sadly a return to type for Labor. This increase is more than double inflation.

How do we know there will be more? The Treasurer said so following the release of the 2014-15 Budget;

*“Well, the Labor Opposition will release its economic and fiscal policies before the next election. Of course, we will be dealing with the issues this Government doesn't want to deal with and that is of course revenue...”*



Financial markets and Queensland's debt holders have also cast a dark shadow over the Government's ability to repay debt and keep debt from blowing out again.

**The graph on the previous page demonstrates that the price paid by Queensland for its debt, has increased since the election of the Labor Government.** This is yet another vote of no confidence for this Government. If continued, this means the State's annual interest bill will rise above \$4.1 billion. When debt is \$80 billion every basis point matters. At a time when the Reserve Bank of Australia is lowering interest rates, Queensland's interest rate is again going up under Labor.

## Fall in Business Confidence

Business needs confidence to invest, grow and build. As businesses employ the majority of Queenslanders, without confidence there cannot be broad based economic growth.

Following the election of the LNP Government in 2012, business confidence as measured by the 12 month outlook in the CCIQ Pulse Survey of Business Conditions rose to a 10 year high.

Queensland Outlook			
	Mar-11	Dec-11	Mar-12
Weaker	42	27	17
Same	31	42	28
Stronger	28	31	55
Index	44.8	50.4	60.8

Australian Outlook			
	Mar-11	Dec-11	Mar-12
Weaker	31	28	32
Same	36	50	43
Stronger	33	23	25
Index	49.5	48.1	48.0

Following the election of the Palaszczuk Government in 2015, business confidence as measured by the 12 month outlook in the CCIQ Pulse Survey of Business Conditions, fell dramatically to a level below the national outlook.

**Businesses anticipate weaker economic growth over the next 12 months.**

As well as business confidence over a 12 month period being significantly weakened, the immediate general business conditions also hit a 10 year low, the largest decline in a decade. Forecasts for the June quarter also point to lower levels of economic activity.

The March 2015 CCIQ Pulse Survey stated;

***“Businesses point to the Queensland Government’s change of policy direction and hesitation with approving major infrastructure projects as a major cause for concern.”***

Business confidence, or lack thereof, knows no boundaries. In March 2015, the central Queensland region recorded a result eight points (30.6 points) below Brisbane.

A recent Sensis Business Index survey of 1000 small and medium businesses, the engine room of the Queensland economy, showed a 24 point fall in business confidence, ranking Queensland second last behind South Australia.

**Sensis Chief Executive, John Allan said “respondents did not believe the new Government understood the sector and were worried about costs increasing.”**

Along with Sensis and CCIQ, there is also the ANZ Property Council Survey which includes the Government Performance Index. The June 2015 quarterly Government Performance Index recorded a fall of over 30 points to a negative position, the second lowest in Australia.

Chris Mountford, from the Queensland Property Council said of the recent survey;

***“With a change in Government occurring there are obviously some concerns about what direction the new administration will take, and this has led to a fall in confidence.”***

**To aid business confidence and create demand, an LNP Government would reduce payroll tax for small businesses by increasing the threshold where payroll tax commences by \$100,000 each year for the term of the Parliament. This will assist thousands of small businesses to invest with confidence and create jobs.**

A growing economy and a confident business sector go hand in glove. Only the LNP would lower business taxes, allowing businesses to employ more people more often. Only the LNP would keep the cost of living down and diversify the economy.

## Inexperienced and No Plan

It's clear Labor has no plan to grow a diverse economy, create jobs, or insulate the economy from global instability. They continue on the path to digging us back into the red.

When the LNP Government came to office, business confidence rose as the public understood that the LNP had a clear plan to grow the economy and get Queensland back on track.

The instability and inexperience of the Palaszczuk Government has shaken business confidence. This is not good for job seekers, small business owners, large businesses and people thinking of starting their own business.

In May 2015, the Queensland Treasurer claimed Queensland was in a recession and then only days later revealed the economy was not in recession. It's these types of mistakes, made through inexperience and political misadventure that damage business confidence and send mixed messages to the community.

**Labor has no plan for our economy, no plan for jobs, no plan to grow business confidence and no plan to avoid more debt, higher interest payments and more deficits.**

## CCIQ Pulse Survey March 2015

Queensland Outlook				Australian Outlook		
	Mar-14	Dec-14	Mar-15	Mar-14	Dec-14	Mar-15
Weaker	30	30	50	27	32	41
Same	32	37	36	35	42	42
Stronger	38	33	14	38	26	17
Index	51.7	50.7	37.7	52.2	48.2	42.1

General Business Conditions				
	Mar-14	Dec-14	Mar-15	Jun-15
Decreased	38	28	48	39
Same	36	41	38	48
Increased	26	31	14	13
Index	44.9	49.3	38.4	42.5

### Doubt cast on Pitt's recession claim stats

STEVEN WARDILL

CURTIS Pitt's recession claims were based on figures that Queensland Treasury he dled to

### WE'RE OUT OF THE PITTS

The recession we never had is over: Curtis

SARAH VOGLER

Labor Government, Queensland's State Final Demand has returned to positive growth recording 0.1 per cent in seasonally adjusted terms in the March Quarter 2015. Mr Pitt told the House. "This is good news for Queensland following a 0.9 decline in the Dec-14 quarter and

Nick smac which

Pitt said ABS statistics backed up Treasury's figures. "Trend figures showed a further decline in the March quarter, of 0.7 per cent, but Mr Pitt said this reflected that "Queensland is an economy in transition" and "seasonally associated with rising prices, particularly in Sydney. The language was more muted than Treasury's... table diff

### Don't blame me, Queensland Treasurer says over recession claims

Amy Romekis  
Published: May 22, 2015 - 2:48PM

Federal Treasurer Joe Hockey has warned Curtis Pitt to be "very careful about using that word", while disputing the Queensland Treasurer's claim the state was in recession. Speaking in Brisbane, as part of his tour to sell the federal budget, Mr Hockey said he had met with Mr Pitt on Thursday and told him he was wrong.

### Forget the sideshows and focus on securing our economic future

AFTER 23 years of unbroken economic growth, the time is overdue for Queensland to start making its own luck.

associated with rising prices, particularly in Sydney. The language was more muted than Treasury's... table diff

(PITT) REALLY IS A MAGICIAN, LIKE HE SHOWED IN THE LAST SITTING WEEK

# “Unsustainable Finances”

## Why Action was Needed

The economic decisions and plans put in place by the previous LNP Government were to grow the Queensland economy, create jobs and provide opportunities for all Queenslanders from Currumbin to Cape York, from Winton to Warwick. Queensland is set to lead the country as economic growth reaches 5.75 per cent in 2015-16 thanks to the LNP Government.

Without strong financial foundations we couldn't invest in the schools, hospitals and infrastructure needed to support a growing economy. This meant hard decisions were needed to correct Labor's debt and deficit.

**On coming to Government, the LNP inherited a budget which was borrowing to pay public service wages, put fuel in police cars and buy bandages for hospitals.** These borrowings together with a Government living well beyond its means, meant action needed to be taken.

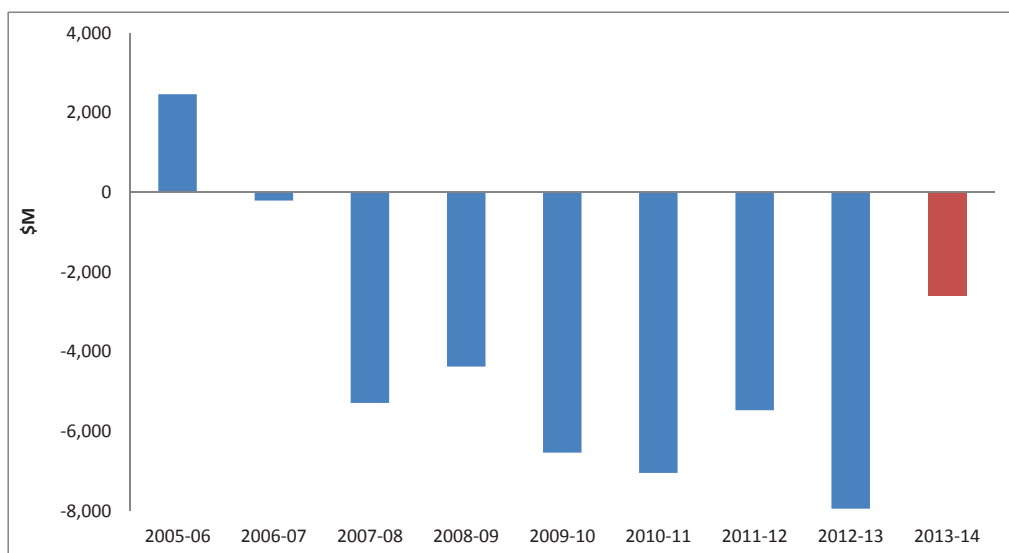
The financial decisions taken by the previous LNP Government were not taken lightly. They were taken after receiving the best possible advice from numerous experts and with a clear view to getting Queensland back on track, as was our promise at the 2012 State election.

The independent evidence that Queensland's financial position was unsustainable is irrefutable.

Furthermore, the Labor Government's last economic document, an official Treasury document, had debt rising to \$85 billion in 2014-15. This meant the State's interest bill would have been \$570,000 per hour, \$13.6 million per day or \$95 million per week.

From 2006-07, the Labor Government accumulated budget deficits of \$29 billion to 2011-12, with a further \$13 billion locked in over the period from 2011-12 to 2014-15.

Chart 4.1: General Government Sector fiscal deficit 2005-06 to 2013-14



Source: Queensland Report on State Finances AASB 1049 Statements 2006-07 to 2013-14

# LABOR LEFT QUEENSLAND'S FINANCES

## “UNSUSTAINABLE”

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

INCOMING GOVERNMENT BRIEF PREPARED BY QUEENSLAND TREASURY CORPORATION, MARCH 2012

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

QUEENSLAND TREASURY – INCOMING GOVERNMENT BRIEF, MARCH 2012

*“Queensland’s financial position is unsustainable. The State is currently locked into a debilitating cycle of over-expenditure, ever-increasing levels of debt, and crippling increases in debt servicing costs. A major task of fiscal repair is imperative to prevent further damage to the future prosperity of the State.”*

INDEPENDENT QUEENSLAND COMMISSION OF AUDIT INTERIM REPORT, JUNE 2012

*“Governments have to make tough choices... We will be far better off if they make these decisions sooner rather than later. Leaving the problem to future taxpayers is deeply unfair.”*

JOHN DALEY, CHIEF EXECUTIVE OFFICER, GRATTAN INSTITUTE, MAY 2014

*“Queensland has seen the most dramatic weakening in state finances since 2007... [Increased expenditure by] the Labor Governments in office after 1997... left the State exposed when it experienced a steep decline in revenue after 2007. It continues to struggle with a large operating deficit. The new government in 2012 has taken a much stronger approach to curbing operating expenditure and the capital program is moderating as projects are completed.”*

‘STATES OF DEBT’, ROBERT CARLING, CENTRE FOR INDEPENDENT STUDIES, MARCH 2014

*“Queensland’s budgetary performance is the weakest of all the Australian States.”*

GLOBAL CREDIT RATING AGENCY STANDARD & POOR’S RATINGS SERVICES, RESEARCH UPDATE, SEPTEMBER 2011

*“The borrowing program of the State increased faster than the growth in the State revenues over the past five years, and accordingly its capacity to reduce debt is worse than five years ago.”*

AUDITOR GENERAL/QUEENSLAND GOVERNMENT FINANCIAL STATEMENTS REPORT TO PARLIAMENT NO. 7

*“Like any organisation, (the Government) must live within its means and soundly manage the finances over the long term.”*

AUDITOR GENERAL/QUEENSLAND GOVERNMENT FINANCIAL STATEMENTS REPORT TO PARLIAMENT NO. 7



Up until 2006-07, Queensland's gross debt levels were low and stable. The majority of the State's gross debt was held by Government Owned Corporations. Gross debt in the General Government sector was small and manageable, representing around 20% of the State's gross debt.

The level of Total Government gross debt almost tripled over the period 2005-06 to 2009-10. Gross debt is currently \$64 billion in 2011-12, and is expected to reach \$92 billion in 2015-16. On current projections, gross debt will reach \$100 billion by 2018-19.

Most of this increase has occurred in the General Government sector, where gross debt has increased more than tenfold in the last five years.

*Independent Commission of Audit – Queensland, June 2012*

Queensland did have stable finances up until 2006-07. It's possible to return to a position of stability but it requires the repayment of debt and budget surpluses, not deficits.

More recently, Queensland Treasury detailed the accumulation of debt in the General Government sector in December 2014 which showed the rapid rise in General Government debt as represented by the blue bars on the below table.

Queensland's finances were the worst of all the States and Territories in March 2012. The previous Labor Government had been warned on many occasions that action was needed and Labor ignored the warnings.

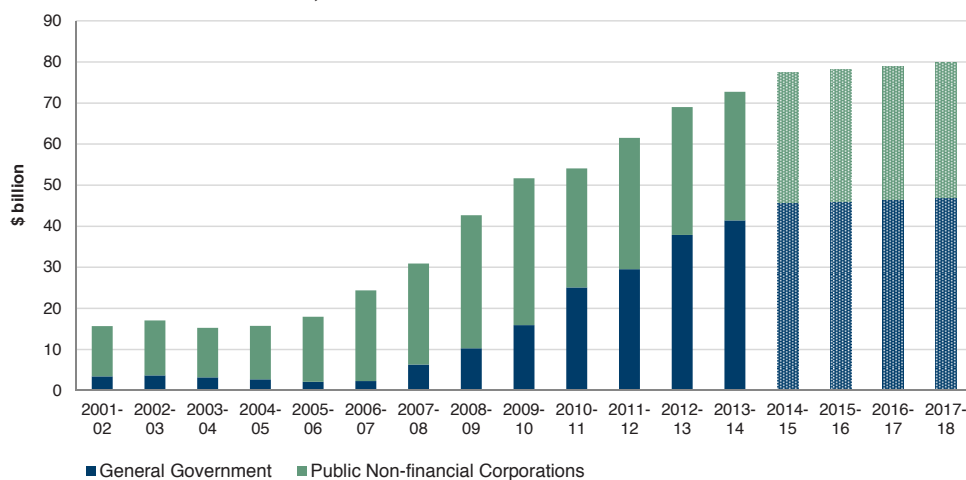
**The rapid accumulation of debt and constant budget deficits is akin to intergenerational theft, with future**

**generations left to pay the bill run up by this and past Labor governments.**

When Queensland lost its AAA credit rating in 2009, it was not without warning. Labor walked away from its own budget charter which described the AAA credit rating as, "an integral part of the Government's commitment to the community".

The loss of the AAA credit rating has cost Queensland approximately \$419 million between 2008-09 and 2013-14. Had it not been for budget repair and lower global interest rates, the cost could have been as high as \$700 million. The \$419 million is dead money, money that can't be used to build infrastructure, diversify the economy or invest in the latest scientific research into deadly diseases.

Chart 1: Queensland's debt, 2001-02 to 2017-18



Source: Queensland Report on State Finances until 2013-14. 2014-15 onwards are MYFER projections.

**Doing nothing was simply not an option. It would have been negligent not to act.**

State governments have limited options for fiscal repair. They can raise revenue, decrease expenses or sell or lease assets. Throughout Queensland's history, governments of different persuasions have used a mix of all three options – including the Labor government's fire sale of assets in 2009.

The LNP Government used a mix of options to bring about the action needed to restore Queensland's finances.

The task of budget reform was made harder by the continual loss of revenue due to falling commodity prices, the high Australian dollar and several natural disasters. **Between 2012-13 and 2015-16 Government revenue was written down by \$5.9 billion.** These write downs were a lost opportunity for Queensland to invest in new infrastructure and reduce the size of budget repair measures.

The largest single component of expenditure within the Queensland budget is employee expenses. The Independent Commission of Audit found that employee expenses increased by 40 per cent between 2005-06 and 2007-08. This growth resulted in public service numbers rising from 146,323 in June 2000 to 206,802 in June 2011. The decade average increase in employee expenses was 8.7 per cent per annum. These increases were simply unsustainable. Employee expenses make up nearly 50 per cent of all Government expenditure.

As the former LNP Treasurer said in his first Budget Speech; *"There have and will be job losses in the public sector as we go about the job of fixing the Budget. We wish this wasn't the case. But with employee expenses making up nearly half of all Government expenditure it would be*

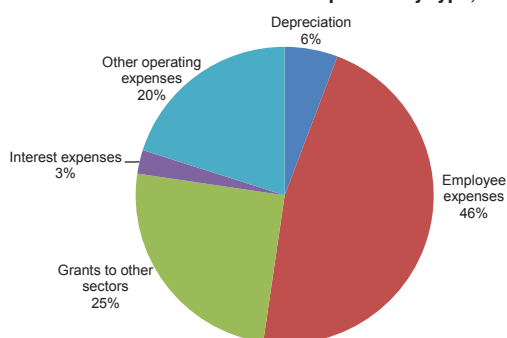
**When Labor mentions the LNP Government's reduction in the size of the public service, they won't mention these three things:**

- > *Employee numbers increased 40% under their government and it made up nearly 50% of all Government expenditure – which is unsustainable.*
- > *Labor won't re-employ those members of the public service who took a voluntary redundancy - because Labor knows the budget can't afford it and*
- > *There were service improvements made in Health, Education, Child Safety and many other areas as a result of improved productivity and a focus on outcomes.*

*disingenuous to suggest otherwise. Anyone who thinks this Government wanted to take this path is grievously mistaken. They don't really know me ... These decisions were not made lightly."*

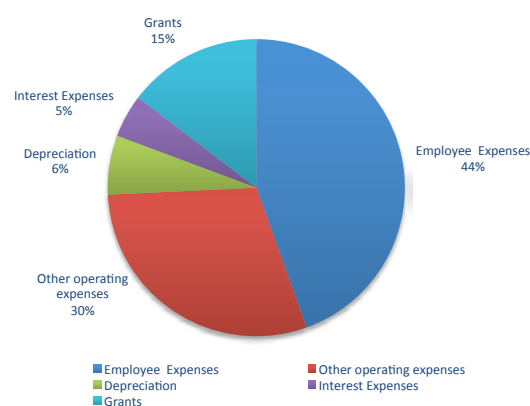
*"Madam Speaker, If we had not acted now to have a right-sized public service the outcome would have been much higher taxes and charges for everyone. In fact, more increases to the cost of living. And even more job losses when the crunch finally came."*

**Chart 7.2**  
**General Government recurrent expenses by type, 2010-11**



Source: Australian Bureau of Statistics Cat No 5512.0

**MYFER 2014 -15**  
**General Government Expenses**



The situation inherited by Labor in 2015 stands in stark contrast to that which the LNP inherited only three years earlier.

Labor inherited a growing economy headed for record growth, with high levels of business confidence, a budget scheduled for its first surplus in a decade and job-creating major economic projects well advanced or approved.

**An LNP Government would be committed to the principle of no forced redundancies in the public service and support natural attrition and the offering of Voluntary Early Retirements.**

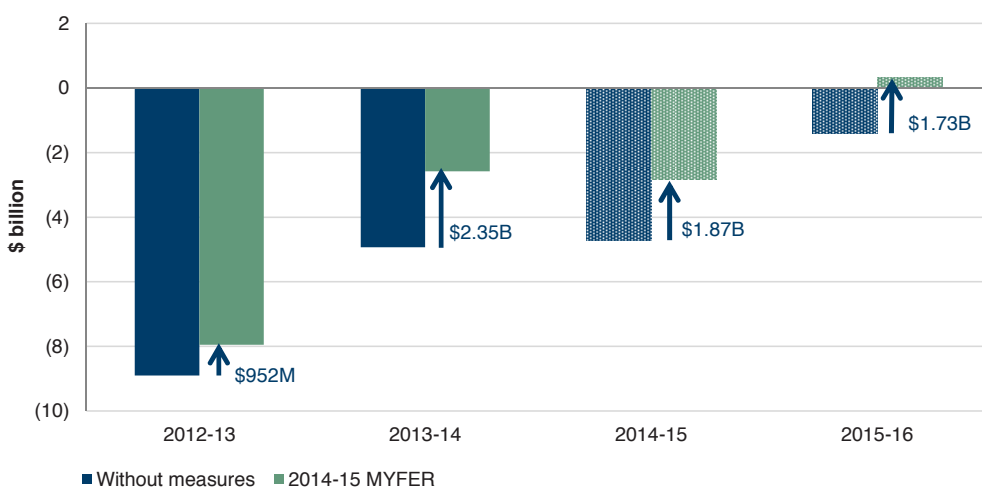
In 2014-15, employee expenses are \$2.5 billion lower than Labor predicted in its last economic document, the 2011-12 Mid-Year Fiscal and Economic Review (MYFER).

The LNP Government was also focused on finding waste and bureaucracy within the Queensland public service. For example, it stopped duplicating activities which were the responsibility of the Federal Government. It controlled expenses while raising taxes on resource companies when they sold their coal for higher prices, and raised taxes on some insurance products to pay for the NDIS.

The fundamental reason the budget is on track to deliver a fiscal surplus in 2015-16 - the first in a decade - is because of the savings measures implemented by the LNP Government.

In December 2014, Queensland Treasury detailed the impact of the LNP's saving measures - totalling \$6.902 billion over four years. **Put simply, taxes, fees or charges would have had to rise by \$6.9 billion if no action was taken.** Such a rise in taxation would have crippled the economy, pushed the cost of living higher and meant harsher measures in the future, as the crunch would have come.

**Chart 4: Improvement in fiscal balance with Government measures**



Source: Queensland Treasury and Trade.

# LNP = Confidence & Economic Growth

Any movement away from achieving a fiscal surplus in 2015-16 will mean higher taxes and charges, increases to the cost of living and more debt and deficit.

**The Queensland economy will always be stronger under an LNP Government.** Only an LNP Government has a real economic plan to grow the economy focusing on five priority areas, drive jobs growth and build resilience from global events.

The LNP Government took a plan to build a four pillar economy to the last election. That plan was implemented from day one.

**Providing confidence and growing the economy doesn't just happen.** It takes courage to make tough decisions, it takes skill to implement service delivery enhancements and it takes experience to know what will and won't make a difference to real economic growth.

The Queensland economy grew at an average of 2.63 per cent, (includes 2014-15 Treasury estimate) over the three years of the LNP Government. The Queensland economy will strengthen to 5.75 per cent growth in 2015-16. This compares to 2.5 per cent nationally and 2.2 per cent in NSW and 2.0 per cent in Victoria over the same three year period.

**Under the LNP Government and because of the confidence, stability and growth friendly policies it espoused, the Queensland economy was on the cusp of strong growth;**

- > Dwelling approvals for the 12 months to March 2015 were 14.9 per cent higher than the previous 12 months
- > Dwelling approvals are flowing into residential construction activity with the number of private dwellings under construction growing by 30.1 per cent over the year to the December quarter 2014

## Case Study: Retail Turnover – Seasonally Adjusted

*In March 2012 retail turnover was \$4.385 billion and in January 2015 it was \$4.918 billion, which means that during the term of the LNP Government, retail turnover increased by more than \$530 million, an increase of 12.2%.*

*During March 2009 to January 2012, retail turnover only increased from \$4.135 billion to \$4.318 billion or \$183.9 million.*

***Under the LNP retail turnover grew at almost three times the rate it did under the last Labor Government.***

- > Housing finance for owner occupiers growing by almost \$6 billion between 2012-12 and 2013-14
- > Queensland had the highest business confidence in the country in September 2014, according to the National Australia Bank quarterly business survey
- > Retail trade in Queensland increased for six consecutive months up to January 2015
- > The total value of merchandise exported from Queensland in the 12 months to March 2015 topped \$45.2 billion
- > Education-related travel exports from Queensland have increased by 8.6 per cent. More than 64,000 international students currently call Queensland home
- > Economic growth is forecast to average 4.25 per cent over the next three years.

Industry; % of total Gross Value Added	Year End (\$ billion; % of total GVA)		
	June 2012	June 2013	June 2014
<b>Agriculture, Forestry and Fishing</b>	7.89	7.60	6.91
% of total gross value added	2.99%	2.80%	2.49%
<b>Mining</b>	22.93	25.17	27.35
% of total gross value added	8.71%	9.28%	9.87%
<b>Construction</b>	26.75	27.34	28.86
% of total gross value added	10.16%	10.08%	10.41%
<b>Tourism</b>	19.54	20.42	20.00
% of total gross value added	7.42%	7.53%	7.22%

Source: Compiled by the Queensland Parliamentary Library with figures from the Australian Bureau of Statistics and Tourism Research Australia.

The LNP's four pillar strategy was never designed to cover the entire economy but injected a much needed drive and focus into four major industries which represent different areas of Queensland but benefit all Queenslanders.

**Given the drive and focus achieved across the four pillars, the LNP has added another priority area; Services and Knowledge Based Industries. This recognises the further need to diversify the Queensland economy, to provide jobs now and into the future.**

## Jobs Growth

Queensland has more people employed now than ever before. From March 2012 to January 2015, more than 32,000 jobs were created in a challenging environment and amid budget repair. There is no doubt that Queensland's employment market has been and remains patchy.

**Over the past three years, jobs growth in Queensland has at times led the nation and at other times fallen behind trend. At one stage during the last three years almost 60% of the jobs created in Australia were created in Queensland.**

The lack of diversification within the Queensland economy, built up over twenty years, is a particular concern. The fall in commodity prices and the high Australian dollar have seen large scale job losses in the resources sector. Some estimates place the number of direct jobs lost at more than 22,000, with the indirect impact far higher.

Recently released data from the Australian Bureau of Statistics shows the erratic nature of employment. The central region of Queensland has lost 13,000 jobs with the Fitzroy region losing 3500 jobs and the Darling Downs and Maranoa losing 2600 jobs – mainly due to the downturn in the resources industry and drought. While the financial services sector and manufacturing sectors added more than 26,000 jobs, together with the growth of 9000 jobs in Cairns due to higher tourist numbers.

Australia's overall employment market has also been challenging. Some states like NSW, SA and WA have seen the biggest changes (increases) in unemployment rates (in

seasonally adjusted terms) when comparing March 2012 and January 2015.

## Percentage change in unemployment

State	Mar-12 Rate	Jan-15 Rate	Change
QLD	5.5	6.5	1.0
NSW	4.7	6.2	1.5
VIC	5.8	6.5	0.7
SA	5.2	7.2	2.0
WA	3.9	5.5	1.6
TAS	6.9	6.6	-0.3
State Avg.	5.3	6.4	1.08
AUS	5.2	6.3	1.1

Chart 8, from the 2014-15 MYFER, clearly shows unemployment in Queensland remaining below the historical average rate, while also displaying the patchy nature of employment growth.

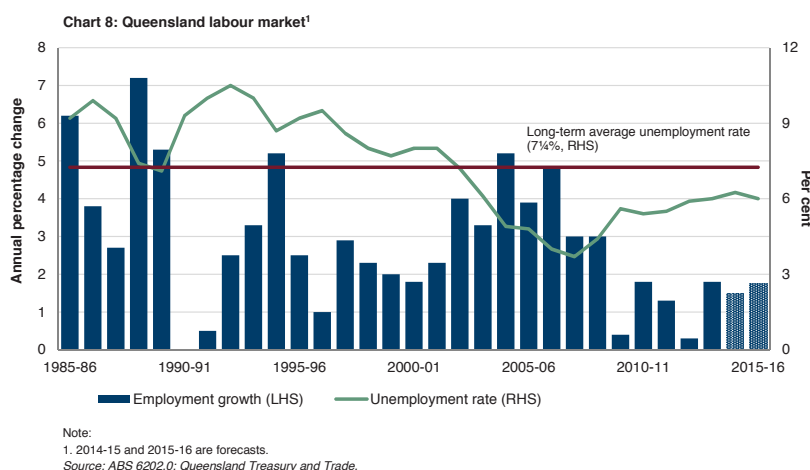
**The LNP has a plan for the Queensland economy that will deliver the security we all want now and into the future. We will focus on growing a more diverse economy which delivers jobs and looks after those less fortunate no matter where we live.**

## Commitment to Frontline Services

Only through a growing economy and strong finances can a Government confidently invest in frontline services knowing that it has the dollars to fund the outcomes required.

**Funding frontline services is not simply about throwing money at a problem.**

**The LNP Government has a strong track record of investing in frontline services despite the State's financial position.** It is only through experienced management that we can reduce debt, fund front line services and achieve better outcomes for Queenslanders.





**In the 2014-15 Budget, Education funding increased by 7 per cent to \$11.8 billion. This was in addition to a 6.6 per cent increase in the 2013-14 Budget.** The Education budget is now more than \$3.1 billion larger than when Labor left office because of decisions made by the LNP Government.

In the 2014-15 Budget the Government committed \$406 million to ensure the successful implementation of the recommendations from the Carmody inquiry into child protection.

**In the 2014-15 Budget, Health funding increased by 6 per cent to \$13.6 billion.** This was in addition to a 4.5 per cent increase in the 2013-14 Budget. The Health budget is now more than \$2 billion larger than when Labor left office because of decisions made by the LNP Government.

The LNP's actions to re-vitalise frontline Health services also resulted in:

- > Queensland's emergency department presentations completed within 4 hours improved to 75 per cent in 2013 from 63 per cent in 2011
- > Ambulance response times improved by 66 seconds from 2012 to 2014
- > Complete eradication of the dental long waiting list
- > Reduction of surgical long wait patients from 6,400 to 73 just prior to the election.

The LNP's actions to re-vitalise frontline service also resulted in:

- > the number of trains running on-time increasing from 85 per cent in 2012 to 96 per cent in 2014
- > social housing waiting list applications falling by 36 per cent from March 2012 to March 2014
- > Increasing the number of police on the beat. As at 31 May 2014, police officer numbers had increased by 833, as part of a commitment to 1100 new officers
- > An extra 761 new Teachers and Teacher Aides in classrooms across the state
- > Commencement of the Great Teachers = Great Results Program
- > Introduction of Independent Public Schools
- > Crime rates are down across the board – the overall rate of total crime reported a 2 per cent decrease between 2012-13 and 2013-14
- > 1000 more rail services a week.

The LNP's record clearly demonstrates what is possible if a Government shows a strong commitment to financial discipline, efficiency and achieving value for money, while maintaining a focus on delivering real outcomes for Queenslanders.

The achievements in frontline service delivery across a range of Government departments owe their success to the ability to collaboratively and innovatively partner with the private sector.

Governments that believe they have all the answers to every problem waste vast amounts of taxpayer's funds making solutions that the private sector has readily available.

A change of mindset is required to ensure value for money and the best possible outcomes are achieved. For example, the LNP Government was able to clear the dental long wait patient list by partnering with private providers. An LNP Government would continue to look for innovative ways to work with the private sector to deliver outcomes for Queenslanders.

Innovative public private partnerships are not just limited to infrastructure. Emerging approaches, combining private, public and not for profit sectors, aim to tackle social challenges through social benefit bonds or similar reinvestment schemes. These trends should be harnessed to ensure Queensland is at the cutting edge of service delivery, providing the best possible service to customers while ensuring value for money outcomes are achieved.

## Funding Future Infrastructure

With a growing state comes a growing need for infrastructure. This is a good problem to have if managed properly and if debt levels are low. Given Queensland's significant debt challenge, alternative ways of funding vital infrastructure need to be explored.

As part of the previous Government's proposed (not accepted) Strong Choices program, there was \$8.6 billion earmarked for new infrastructure investment right across Queensland. With this option no longer being considered, infrastructure has to be funded from free cash flows or in partnership with the private sector.

**The LNP Government successfully funded the below list of infrastructure projects through public private funding arrangements, when they could be afforded by the budget;**

- > \$1.6 billion Toowoomba Second Range Crossing - a major piece of economic infrastructure
- > Herston Quarter redevelopment, to ensure the proper use of the old Royal Children's Hospital site
- > 1 William Street, the catalyst for the (\$6-7 billion) Queens Wharf Development at no cost to the taxpayer
- > The \$457.3 million Government Wireless Network, providing our emergency service personnel with the most secure and up to date communications tools
- > \$4.4 billion New Generation Rollingstock train cars to replace ageing rollingstock and prepare for patronage increases.
- > \$1.38 billion Queensland Schools Project, delivering 10 new schools in SEQ for over 10,000 students, 500 teachers and 130 non-teaching staff, with 25 years of professional maintenance included.

An LNP Government would retain Projects Queensland as a stand-alone unit within Queensland Treasury. **It is vital, given the State's constrained finances, that a dedicated team of professionals seek out opportunities for the private sector to fund the provision of new infrastructure right across Queensland.** An LNP Government would also use free cash from budget surpluses to invest in new infrastructure, where the private sector can't fund a project or where private investment does not represent best value for money.

# Cost of Living

Over the latter part of the last decade the cost of living increased beyond real wage growth with many people across Queensland under pressure when paying for everyday items like electricity and water.

Queensland Labor Governments between 2004 and 2012, made a range of decisions with far reaching impacts when it comes to the cost of living. **Even today, decisions made in 2009 by the Labor Government are increasing the prices paid for electricity and water.**

The most far reaching of these Labor decisions were:

- > The double digit public transport price increases and
- > The removal of the 9.2 cents per litre petrol subsidy
- > The increase in bulk water prices for households in SEQ
- > The change in electricity infrastructure standards
- > The blowout in the solar rebate scheme
- > The unfunded roll out of smart card drivers licences.

All of these decisions have increased the cost of living for Queenslanders. **These decisions were made by inexperienced Labor Governments, who at best did not fully understand or at worst negligently oversaw these policy decisions and their implementation.**

When the LNP formed Government in March 2012, it did what it promised - reduced the cost of living by up to \$330;

- > A freeze on Tariff 11 electricity at a cost of \$63 million
- > A halving of the scheduled public transport fare increase, saving an average user up to \$300 per year
- > A one-off water rebate in 2012-13 saving \$80 per household in SEQ at a cost of \$92 million
- > The removal of Labor's tax on the family home saving Queenslanders up to \$7,175 when buying a house
- > A three year freeze on car registration fees saving \$85 at a cost of \$132.3 million.

The LNP Government also undertook a number of other cost of living measures which included:

- > Reducing public transport fares by 5 per cent, the first ever state-wide reduction
- > Doubling the Patient Travel Subsidy Scheme
- > Doubling the Home Energy Emergency Assistance Scheme
- > Providing vouchers of up to \$150 to help pay for sports registration fees
- > Boosting the Great Start Grant for first home buyers of a new or off the plan property
- > Increasing the electricity rebate scheme for eligible concession card holders
- > Providing a 20 per cent (up to a \$200 maximum) subsidy to lessen the impact of local Government rates
- > Providing eligible concession card holders with a \$68 per year rebate for natural gas.

Throughout each year of the previous LNP Government, it implemented concessions across the Queensland community at a cost of \$5 billion per year. These concessions lowered the cost of living as well as the cost of doing business across the state.

**An LNP Government would ensure a Cost of Living impact statement would be included in all Cabinet decisions. This would ensure all implications of these decisions on cost of living, such as fees and charges, are known and taken into account.** Where a decision is taken and then implemented, the Cost of Living impact statement would be released as part of the normal proactive cabinet releases.

## LNP track record on easing cost of living

Commitment	2012-13 Saving (\$ per household)
Freezing or lowering the standard domestic electricity tariff (Tariff 11) from 1 July 2012	120.00
Reducing the cost of water for families (SEQ only)	80.00
Freezing family car registration for the first term of an LNP Government	7.59
Halving the next two scheduled increases in public transport fares and implementing a new weekly nine trip cap on Go Cards (SEQ only)	18.87
Abolishing the waste levy from 1 July 2012	-
Reintroducing stamp duty concessions for the principal place of residence	113.50
<b>Total</b>	<b>\$339.96</b>

# Red Tape Reduction – Economic Simplification

An economy needs some level of regulation but too many rules increase costs, stifle growth and prevent investment.

The LNP has a strong track record of simplifying the economy and removing red tape while retaining important sustainability and environmental protections. The LNP Government had a 20 per cent red tape reduction target over six years.

Our record in Government is clear and measurable. In just three years, we were more than halfway to our 20 per cent target of \$569 million worth of reform. In November 2014, Queensland Treasury assessed the impact of red tape reduction measures for businesses and the community at \$425 million per year.

**Not only does economic simplification and red tape reduction save business and community organisations money, but it also saves valuable time.** Time that can be better spent growing a business, employing others, enjoying family time and or volunteering in the community.

An LNP Government would form a Red Tape and Simplification Cabinet Committee, comprising the Treasurer, Small Business Minister, Minister for Energy and Water, Minister for Agriculture, Minister for Communities & Minister for Natural Resources.

The committee would be tasked with reporting to Parliament every six months on measures taken or to be undertaken to simplify government consumer interactions and reduce red tape.

*“CCIQ applauds the LNP State Government on this initiative (Red Tape Reduction). The State Government has again proven itself committed to this vital pillar of economic reform.”*

**Chamber of Commerce and Industry  
Queensland, 5 September 2014**

Particular areas of focus will be:

- > Rules and regulations around business creation and start ups
- > The cost of living
- > Promoting economic diversity
- > Enhancing confidence in the economy and fostering job creation
- > Ensuring economic parity between regional and metropolitan areas of Queensland and
- > All Government customer service points.

The LNP’s commitment to red tape reduction and simplification of Government consumer services aims to make it easier to do business, invest with confidence to create jobs and decrease the complexity of dealing with Government departments.

Red Tape Reduction	
LNP GOVERNMENT’S MAJOR ACHIEVEMENTS	SAVINGS
Waste Tax repealed meaning cheaper waste disposal	\$88 million
Removed the mandatory requirement for rain water tanks	\$60 million
Removed restrictions on choice of hot water system	\$3.1 million
Removed car registration stickers	\$44 million
Overhauled planning and development	\$30 million
Simplified plumbing regulations	\$18 million
Removed the sustainability declarations on property sales	\$1 million

# Budget Settings – Labor’s changes will cost Queenslanders

## Fiscal Balance

The current budget settings are clear and unambiguous. They are designed to ensure that after a decade of debt and deficit left by Labor, the budget will return to a real surplus. By achieving a real surplus, a fiscal surplus, the Government will have the funds available to invest in education, health, jobs, diversifying the economy and looking after those in need.

The use of the fiscal balance rather than an operating surplus is necessary to stabilise Queensland’s debt problem and was recommended by both Queensland Treasury and the Independent Commission of Audit. Looking back we see various Labor Governments of the 1980s and 1990s using a similar framework called the “fiscal trilogy”.

**Any change to the current surplus/deficit measure will weaken Queensland’s finances, lead to large increases in debt, put pressure on the cost of living and force Government to raise taxes.**

Queensland simply can’t afford to borrow money to pay public service wages, put fuel in police cars and buy bandages for hospitals, as it had been since 2005-06.

*“The achievement of an operating surplus in itself is not sufficient for Government to attain fiscal sustainability or maintain or improve its credit rating given the impact of capital investment on the debt position.”*

*Queensland Treasury, Treasury Reform Blueprint, Incoming Government Brief, March 2012*

## Credit Rating – Aiming for AAA

Any relaxation of the drive to create and maintain a fiscal surplus each and every year will place further pressure on Queensland’s already precariously positioned credit rating. If Queensland loses its current credit rating, the interest bill on the State’s debt will increase by millions of dollars a day. **Before any other bill is paid, a Government must pay its interest bill. That leaves less money for education, health, tourism, infrastructure and regional development projects.**

## Why a Fiscal Balance is more appropriate than an Operating Surplus?

A fiscal balance takes into account revenue, expenses and capital purchases; it’s a broad measure that captures all government spending. An operating surplus is too constricted and does not arrest the growth in debt.

As an example:

- > In 2008-09 the former Labor Government posted an operating surplus of \$35 million, however debt that year increased by almost \$4 billion
- > In 2009-10 there was an operating deficit of \$56 million, and an increase in debt that year of \$5.6 billion
- > In 2010-11 there was an operating deficit of \$1.5 billion and an increase in debt of more than \$9 billion and
- > In 2011-12 there was a deficit of \$233 million and an increase in debt of \$4.4 billion

A positive fiscal balance means there are funds available for debt reduction or investment. A negative fiscal balance means Queensland goes cap in hand to banks around the world and Australia seeking loans.



Chart 5: Interstate comparison of debt to revenue ratios<sup>1</sup>



Note:  
 1. Borrowings divided by total revenue (RFFS).  
 Source: ABS 6012.2, Report on State Finances and latest Budget Updates.

*“This reduction in debt cannot be done by adjustments to the State operating statement. To illustrate, if the Government were to achieve a consistent fiscal surplus of 1% of revenue year after year, it would take 50 years to reduce debt by \$25 billion.”*

**Independent Queensland Commission of Audit final report, February 2013**

**Queensland’s interest bill is already more than \$4 billion each and every year. That’s dead money being paid to bankers here and overseas.**

Debt remains Queensland’s problem and it will continue into the future unless reductions are made. There is no economist or recognised economic authority who believes Queensland can grow its way out of its debt problem. The waste and mismanagement of the Beattie and Bligh years, when Anastasia Palaszczuk and Curtis Pitt were both Ministers, resulted in debt rapidly rising, the cost of living skyrocketing and, not surprisingly, increases in taxes and charges.

Because Labor left Queensland with almost \$80 billion of debt, borrowing now to fund infrastructure does not make sense, even though global and domestic interest rates are at all time lows. **Unfortunately, for this generation and the next, Labor went on a wasteful spending spree and ran up the State credit card. Now we have to pay for it, in both dollar terms and in terms of missed opportunities.**

An LNP Government would manage the Government’s borrowings to minimise any increases over the term of Government and use surplus funds to pay down debt and invest in infrastructure.

Any proposal to shift debt from the General Government sector to the Public Non-Financial Corporations (Government Owned Corporations) sector will not solve Queensland’s debt problem. It will simply be retained within gross debt. However, and more importantly, the increase of debt in the Government Owned Corporations sector would result in lower returns for the corporations, meaning less revenue for the budget and higher prices for consumers as the corporations charge customers more to repay their larger loans.

*In the 2012 Treasury Incoming Government brief, it stated;*

*“Gearing is relatively higher in the GOC sector, indicative of the more commercial approach with most GOCs’ Balance Sheet targeted to sit in the BBB credit rating range on a stand alone basis but also indicative of the capital-intensive nature of the businesses.*

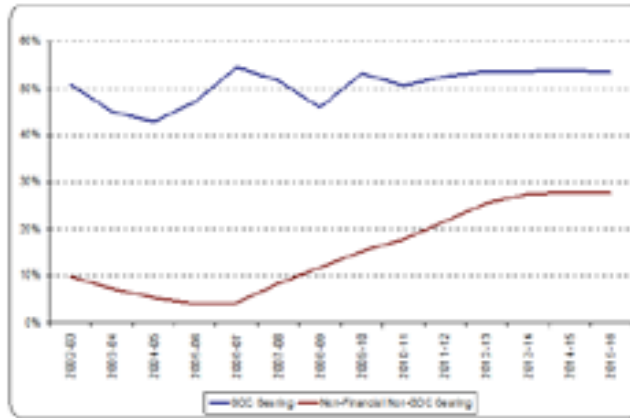
*It is not possible for GOC gearing to continue to rise without endangering the stand alone credit ratings of the GOCs, which are generally targeted in the BBB (investment grade) range. In approving large projects, the Government should be aware that these projects are likely to require “equity injections” from the budget in order maintain these gearing ratios. The only way for the budget to fund equity injections is through borrowings. For this reason, at the total State level, major new GOC projects that get approved will likely be funded entirely from borrowings.”*



## Credit Agencies' Commentary

	ALP over 2009-2012	LNP over 2012 - 2015
<b>Standard and Poor's (S&amp;P)</b>	<p><i>"Queensland's budgetary performance is the weakest of all Australian states.</i></p> <p><i>We expect that the large increase in Queensland's debt-funded capital expenditure to lead to a much greater increase in its net financial liabilities as a proportion of operating revenue. Accordingly, Queensland's whole-of-government net financial liability levels, as a proportion of operating revenue, is likely to exceed all states including New South Wales, and similarly rated Tasmania."</i></p>	<p><i>"The stable outlook reflects our view that the state will largely adhere to its fiscal strategy and that in its forecast years, operating surpluses will sustain its budgetary performance while its debt burden levels are expected to stabilize and gradually decline."</i></p> <p><i>"We view the state's revenue and expenditure management to be strong."</i></p>
<b>Moody's</b>	<p><i>"The state's debt burden has risen rapidly in recent years and is expected to continue to rise, reflecting the persistence of large deficits since 2008/09."</i></p> <p><i>"The ongoing deterioration in the state's financial performance--that has occurred as elevated levels of spending on services and infrastructure outpace revenues-- is a credit concern."</i></p>	<p><i>"The state has successfully held growth in current expenditures to much lower levels in recent years --0.2% in 2012/13 and an estimated 2.2% in 2013/14 -- which bodes well for achieving the 3.3% average targeted for the budget over the next four years. This latter figure compares to the 8.7% annual average for the four years through 2011/12, and is a positive indication of the government's commitment to fiscal redress."</i></p>

**Chart 7.2**  
GOC Gearing Ratio vs Non-GOC Gearing Ratio



The above chart demonstrates that the GOC gearing ratios are already above 50 per cent.

The Treasury brief also goes on to state that;

*"Ergon, Energex and Powerlink have revenue bases that are highly stable and largely locked in through regulation, and*

*they are geared at their currently targeted BBB+/A stand-alone ratings ranges. Nevertheless, their resultant liabilities to revenue ratios are high, and act to drive up the NFP sector ratio – a key metric for the Standard and Poors ratings agency."*

The LNP Government worked hard to decrease the State's borrowing costs. Any departure from the strong expenditure management of the LNP Government will force the credit ratings agencies to reassess Queensland's credit rating.

## Gross Debt Vs Net Debt

All State Governments across Australia have borrowed money and retain debt. Queensland leads the way with more debt per person quantify than any other state. A State is liable for all its debt, not just selected parts.

Queensland's gross debt (or total borrowings) will reach \$79.8 billion by 2017-2018. This is \$5 billion less and three years later than Labor predicted when they were last in Government because of the LNP's hard work.

**The Labor Government's preference for net debt and the use of an operating surplus are the very same measures that they were using when they racked up \$80 billion in debt. These preferences did not help Queensland in the past and they will not help Queensland in the future.**

Ratings Agency	Rating
Standard and Poor's (S&P)	AA+ Stable Outlook
Moody's	Aa1 Negative Outlook

The fundamental problem with using net debt as a measure is that it takes into account the assets held by the State. In the case of Queensland, those assets are held for the superannuation entitlements of past and current public servants. Crucially, the net debt calculation does not take into account the corresponding liabilities associated with the asset. The net debt measure is clearly unbalanced and provides a misleading picture of the State's financial position.

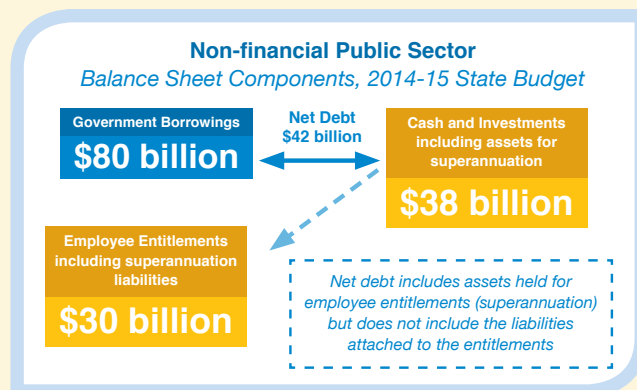
The net debt measure assumes that the superannuation assets of hard working past and present public servants can be used to offset gross debt. This is simply not true.

The rating agencies, which play the key role in determining how much interest is paid on Government debt, focus on the level of borrowings (not net debt) as a proportion of revenue and judge governments accordingly.

**For example, banks don't allow people, companies or governments to repay their loans based on their net position.** Net Debt assumes that a person, company or Government can use their assets to repay debt.

Queensland's debt problems are long- term, meaning only a focus on Gross Debt is acceptable if future generations are to be given the same opportunities that this generation has enjoyed.

**By not focusing on Gross Debt, debt will increase, deficits will increase and interest payments will increase. Taxes will have to rise or services be reduced to pay for the increase in debt and resultant interest bill.**



## Funding Long Term Liabilities

One of the most significant achievements for Queensland has been the establishment of the independent Queensland Investment Corporation as a vehicle to fund the State's long term liabilities.

An LNP Government would continue the long standing bi-partisan support for fully funding the State's long term liabilities.



*You can't go to your bank and say that you'll pay your interest on your Net Debt position – a bank simply won't allow it.*

*Even if the asset value of your house increases the bank doesn't lower your interest bill on the mortgage. They still expect full payment.*

## Expenses Growth

**A hallmark of the previous LNP Government was its control of expenses, while also providing additional funding for education, child safety, health and vital infrastructure projects.**

The LNP slowed Labor's runaway growth in expenses. From 2012-13 to 2013-14 expenses growth was 0.1 per cent. The LNP Government was able to balance new spending and expenses restraint, for example the Child Safety budget increased by \$130 million or 17.8 per cent and the Police budget increased by \$181 million or 10 per cent between 2012-13 and 2014-15, while expenses growth was restrained.

Looking forward, expenses growth is forecast to be 3.7 per cent. Expenses growth beyond that level would put increased pressure on taxes, see debt rise and confine Queensland to further budget deficits.

Labor had average expenses growth of 8.9 per cent for the decade to 2011-12. This clearly demonstrates that Labor can't manage money.

**Importantly, outcomes were the basis for new funding along with proven productivity gains, which resulted in the delivery of increased frontline services.**

## Tax Competitiveness

Historically, Queensland has been a low tax state which produced the benefit of strong migration from the southern states fuelling economic growth, demand and consumption.

One of our prized strategic advantages over other states is our low tax regime. We can't be a low taxing, high spending state - the maths just don't add up.

**Taxation is a disincentive to job creation, investment, growth and opportunity.**

For decades, Queensland has benefited from being a low taxing State. This enduring economic characteristic has driven demand in Queensland and from interstate. This advantage over other states must not be whittled away. If the gap between Queensland and the other States reduces, the people of Queensland will eventually lose out as they pay higher taxes or demand for Queensland weakens.

Taxation per capita in Queensland is \$539 lower than the average for other states and territories.

**In 2011-12, the last year of the former Labor Government, this advantage had fallen to just \$387. Queenslanders are now \$152 better off per person thanks to the hard work of the LNP Government.**

Only an LNP Government would keep taxation competitive by lowering payroll tax and actively limiting the growth in Government expenses. More interstate migration = more growth and more jobs.

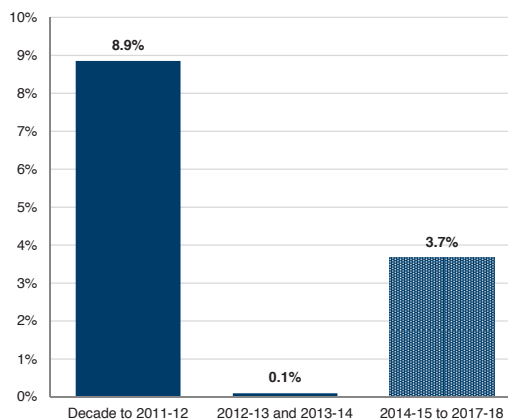
## Unforeseen Expenditure

Accountability for taxpayers' funds is critical. **The LNP Government has an open and proud history of introducing into Parliament a Supplementary Appropriation Bill as soon as possible after the end of each financial year.**

The purpose of the Supplementary Appropriation Bill is to disclose any unforeseen expenditure the Government has authorised since the budget year in question.

This stands in stark contrast to the previous Labor Government which once took as long as eighteen months to introduce a Supplementary Appropriation Bill. The Bill tried to hide billions in unforeseen Labor expenditure.

Chart 3: Average General Government expense growth



Source: Queensland Treasury and Trade.

**Labor's record on unforeseen expenditure matches its record on debt, deficits and expenses growth:**

- > 1999-2000 - \$327.489 million
- > 2000-2001 - \$295.912 million
- > 2001-2002 - \$375.910 million
- > 2002-2003 - \$1.530 billion
- > 2003-2004 - \$2.376 billion
- > 2004-2005 - \$77.538 million
- > 2005-2006 - \$1.874 billion
- > 2006-2007 - \$3.990 billion
- > 2007-2008 - \$2.152 billion
- > 2008-2009 - \$2.957 billion
- > 2009-2010 - \$1.054 billion
- > 2010-2011 - \$9.305 billion
- > 2011-2012 - \$2.826 billion

The LNP's record on unforeseen expenditure matches its record of less debt, greater expense control and lower deficits:

- > 2012-13 - \$63.445 million – lowest in 15 years
- > 2013-14 - \$442 million – (largely due to defined benefit superannuation payments)

Together with the Report on State Finances, an LNP Government would commit to tabling and introducing a Supplementary Appropriations Bill by October each and every year. This will ensure that the people of Queensland know the true nature of the State's finances. If the report and the Bill are prepared earlier, they will be tabled and introduced earlier.

A strong economy with confident businesses and consumers is good for all Queenslanders, regardless of where they may live.

The significance of a diverse economy is more important in Queensland than any other state due to our decentralised populations. What is good for Cairns is good for Queensland. What is good for Charleville is good for Queensland. No two parts of Queensland are the same and only the LNP has a plan to grow our economy, regardless of where we live and work.





# Importance of Regional Queensland

Regional Queensland is vital to our future.

The LNP understands the importance of regional Queensland and planned accordingly. The RegionsQ framework was developed to ensure real economic growth, diversified from a reliance on agriculture and resources in regional Queensland for decades to come. It is an important tool to ensure growth now and into the future. The framework which linked into the Government's plans for agriculture, tourism, construction and resources, set out a clear way forward for regional Queensland to maintain and enhance its "powerhouse" status. The framework is;

- > Planning for development in regional Queensland
- > Infrastructure services for regional growth
- > Making it easier to do business in regional Queensland
- > Growing regions; capitalising on economic drivers
- > Attracting and retaining people in regional Queensland
- > Communicating and promoting the regions' potential.

The LNP's commitment to regional Queensland is not solely based on tradition or representation but empathy and understanding which delivers real results;

- > As at March 2014, 87 per cent of all definite projects to be delivered were in regional Queensland
- > As at March 2014, 57 per cent of a new houses approved were in regional Queensland
- > In 2013, 76 per cent of domestic visitor expenditure was in regional Queensland
- > In 2013, 59 per cent of international visitor expenditure was in regional Queensland

- > The State's largest public private road infrastructure project is in regional Queensland, the Toowoomba Second Range Crossing
- > In the 2014-15 State Budget, 77 per cent of planned capital purchases were made in communities outside Brisbane
- > \$495 million Royalties for the Regions program.

**An LNP Government would maintain and enhance the LNP's 'Royalties for the Regions' program to ensure investment in regional Queensland with a guaranteed percentage of funds quarantined to ensure a fair share of revenue is invested back into each resource area; along with an additional \$10 million for the creation of a standalone fund for the preservation and promotion of heritage and historical projects.**

Recognising that the tyranny of distance does, sometimes, create economic disparity an LNP Government would establish a 'Queensland Regional Finance and Insurance Corporation' to assist rural farming and other small business enterprises that are finding it difficult to maintain viability, to invest in improved capacity, and enable these businesses to plan and deliver improved returns over the medium to long term.

Learning the lessons from the development of the Bowen Basin in the 70's and 80's, the Galilee Basin needs to be properly co-ordinated and planned if it's to achieve the desired long term economic benefits for all Queensland. To achieve the jobs, economic growth and exports the Galilee Basin and its proponents need stability and long term vision.

- > In 2011-12, Regional Queensland accounted for **96% of gross value** of agricultural production
- > In 2012-13, **92% of exports**, left from ports across regional Queensland
- > In 2013, **52% of the residential population** lived outside greater Brisbane





An LNP Government would develop the Galilee Basin and establish the 'Galilee Basin Development Commission' to oversee the development of common user state-owned infrastructure with access provided to project proponents on commercial terms. The Parliamentary Leader of the Katter's Australian Party would chair such a commission with its structure and governance subject to input and approval from the Integrity Commissioner.

### Developing Northern Queensland

The LNP welcomes the Commonwealth Government's commitment to the development of Northern Australia. The untapped potential of the north is an exciting

prospect which needs proper co-ordination and long term commitment. **An LNP Government stands ready to assist the Commonwealth develop a real and time specific implementation plan so both the State's and Commonwealth's efforts match the implementation objectives.** Better co-ordination at the start will reduce bureaucracy and duplication, delivering better results for the residents of Northern Australia.

Commonwealth Governments of all persuasions have provided Queensland with increased levels of funding through the normal inter-governmental mechanisms and agreements.



# The Facts: Federal Funding for Queensland

**Over recent years, Queensland received billions in natural disaster and relief payments from the Commonwealth, far more than any other State or Territory.**

The 2014-15 State Budget outlined that natural disasters cost \$5.63 billion over the period from 2013-14 to 2015-16. This brings the total cost of natural disasters since 2002 to approximately \$21.4 billion. The majority of this cost has been funded by the Commonwealth through the Natural Disaster - Relief and Recovery Arrangements system.

Combined with significant natural disaster, relief and recovery payments the Commonwealth has also funded a number of critical projects across Queensland, namely:

- > \$6.7 billion for the duplication of the Bruce Hwy from the Sunshine Coast to Cairns, with \$500 million in 2015-16
- > \$929.6 million for the congestion busting Gateway Motorway North upgrade with \$50 million provided in 2015-16
- > Up to \$1.2 billion for the critical economic enabler, the Toowoomba Second Range Crossing, with \$316.65 provided in 2015-16
- > \$508 million for the upgrade of the Warrego Highway, with \$101.5 million in 2015-16

- > \$208.4 for the Cape York region package, with \$48 million provided in 2015-16
- > \$518.4 million Moreton Bay Rail Link, with \$102 million in 2015-16.

The timing of Commonwealth payments does have a significant impact on the State's budget. The practice of pre-payment or incorrect project phasing can move large amounts of cash between years and cause the budget position to improve or worsen artificially.

The below table demonstrates the increased payments from the Commonwealth to the Queensland Government over the next four years.

**Labor tries to claim a lack of federal funding as the reason for soaring debt. The reality is Labor's inability to manage government expenses means there will be more waste and mismanagement that Queenslanders will have to pay for with higher taxes.**

The Commonwealth's recent drought package together with \$5 billion in concessional loans for the development of Northern Australia is another sign of the ongoing commitment of federal governments to Queensland and our continued development.

## Federal Funding - The Facts

Year	Total funding to Queensland (including GST)	GST payments to Queensland	Funding to Queensland for hospitals	Funding to Queensland for schools <i>(Total Students First funding)</i>
2014-2015	\$21.2 billion	\$11.7 billion	\$3.0 billion	\$3.0 billion
2015-2016	\$23.1 billion	\$13.0 billion	\$3.2 billion	\$3.3 billion
2016-2017	\$26.3 billion	\$14.9 billion	\$3.3 billion	\$3.6 billion
2017-2018	\$27.8 billion	\$16.5 billion	\$3.6 billion	\$3.8 billion
2018-2019	\$28.0 billion	\$17.3 billion	\$3.8 billion	\$3.9 billion

# Unions and the Queensland Economy

The LNP respects the rights of unions to lawfully organise within the Queensland economy, including the Queensland Public Service, while recognising that there is a nuanced balance between control and undue influence as opposed to organising.

**The LNP also recognises and respects the rights of public sector and local government workers.**

We believe that a stronger economy, sound financial management and a focus on creating jobs is beneficial to all Queenslanders.

While we respect the role that unions play in advocating for their members, it is not the job of public sector managers to actively promote and encourage membership of public sector unions.

When union encouragement provisions compromise the independence of the Queensland Public Service, the balance is not right.

When union organising becomes part of the day to day operation or running of the Queensland Public Service, an apolitical collective of hard working men and women, the balance is not right.

When lawless activity continues on construction sites across Queensland, threatening the jobs of thousands of workers and when hard-working mum and dad business owners are stood over or intimidated, the balance is not right.

When union bosses are given the private contact details of public servants in an effort to unionise and isolate non-union workers, the balance is not right.

An individual's right to privacy and freedom of association are important principles.

**An LNP Government would restore balance to Queensland's industrial relations system by protecting the private details of public servants and private employees.**



# Our Commitments to Queensland

1

An LNP Government would grow a more diverse and resilient economy by focusing on five priority areas to diversify and strengthen the economy from world events and commodity price downturns. The five priority areas being;

- a. Agriculture
- b. Tourism
- c. Resources
- d. Construction and Manufacturing
- e. Services and Knowledge Based Industries.

2

An LNP Government would maintain and enhance the fiscal principles as committed to in Government, being to;

- a. Stabilise then significantly reduce debt
- b. Achieve and maintain a General Government sector fiscal balance and where prudent a surplus
- c. Maintain a competitive tax environment for business
- d. Target full funding of long term liabilities such as superannuation in accordance with actuarial advice

3

An LNP Government would better manage our debt, having prevented it from reaching \$85 billion as projected by the last Labor Government and the \$100 billion predicted by the Independent Commission of Audit. In Government the LNP reduced debt to below \$80 billion. An LNP Government would use surpluses where appropriate to pay down debt and build infrastructure.

4

An LNP Government would be committed to the principle of no forced redundancies in the public service and support natural attrition and the offering of Voluntary Early Retirements.

5

An LNP Government would continue to work with the private sector to deliver outcomes for Queenslanders, achieve value for money and increase access to frontline services.

6

An LNP Government would reduce payroll tax for businesses by increasing the threshold where payroll tax commences by \$100,000 each year for the term of the Parliament. This will assist thousands of small businesses to invest with confidence and create jobs.



7

An LNP Government would develop the Galilee Basin and establish the 'Galilee Basin Development Commission' to oversee the development of common user state-owned infrastructure with access provided to project proponents on commercial terms.

8

An LNP Government would assist the Commonwealth to develop a real and time specific implementation plan for the development of Northern Australia. We would also look at ways to access the Federal Government's announced \$5 billion Northern Australia Infrastructure Facility. Better co-ordination and the pooling of resources, at the commencement of development, will reduce bureaucracy and duplication, delivering better results for the residents of Northern Australia.

9

An LNP Government would maintain and enhance the LNP's 'Royalties for the Regions' program to ensure investment in regional Queensland. A guaranteed percentage of funds would be quarantined to ensure a fair share of revenue is invested back into each resource area.

10

An LNP Government would restore balance to Queensland's industrial relations system by protecting the private details of public servants and private employees.

11

An LNP Government would subject all major capital projects to needs analysis and cost benefit analysis, accepting that on some occasions policy decisions will need to be made to boost economic diversity or provide catalytic infrastructure.





12

An LNP Government would retain Projects Queensland as a stand-alone business unit of Queensland Treasury, to link infrastructure projects to private sector funds and enter into public private partnerships to address infrastructure needs and provide return on investment.

13

An LNP Government would ensure a Cost of Living impact statement would be included in all Cabinet decisions. This would ensure all implications of these decisions on cost of living, such as fees and charges, would be known and taken into account. These impact statements would be released through the normal proactive release process.

14

An LNP Government would commit to tabling and introducing a supplementary Appropriation Bill by October each and every year so that the Parliament can know the true nature of the State's finances.





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