

Special Fiscal and Economic Statement Highlights

October 2005



Premier's Message

Since the release of the 2005-06 Budget in June, the Queensland Government has received the Health Systems Review, prepared by Mr Peter Forster.

This fundamental review of Queensland's public health system recommended significant changes to the structure and funding of Queensland Health. Given the significance of the changes identified, the fiscal settings announced in the 2005-06 Budget required review. As a result, the Queensland Government has prepared a Special Fiscal and Economic Statement to incorporate these changes.

This Statement details the Government's response to the issues facing the health system, and outlines major reforms in areas such as Energy and Water policy.

The Statement also updates Queensland's Fiscal and Economic outlook and incorporates Queensland's 2005-06 Mid Year Fiscal and Economic Review.

Peter Beattie MP
Premier of Queensland and
Treasurer

Special Fiscal and Economic Statement at a Glance

- Under the Health Action Plan, the Government will invest \$547.6 million in 2005-06 rising to \$1.5 billion in 2010-11 to address immediate pressures and ensure a sustainable health system.
- Revenue and savings measures will provide \$175 million in 2006-07 increasing to \$280 million by 2008-09, ensuring the Health Action Plan is fully funded while meeting the Government's commitment to Budget surpluses.
- Other initiatives include \$350 million to replace 100 old and obsolete bridges in regional Queensland, \$27 million towards upgrading the Wivenhoe Dam spillway, an accelerated Asbestos Roof Replacement Program for State schools and funding for counter-terrorism.
- Establishment of the Service Delivery and Performance Commission to enhance public sector efficiency and service standards.
- Forecast economic growth of 4¹/₄ % in 2005-06, exceeding national growth for the tenth consecutive year.
- Employment growth at a 10-year high of 5.6% in 2004-05, with unemployment at a 30-year low of 4.9%.

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Health Reform

- The Government's Health Action Plan contains three main elements: recognising the value of its workforce; providing a substantial funding boost to address immediate pressures; and a long term budget strategy to reform and sustain Queensland's health system.
- Funding of \$547.6 million in 2005-06, growing to \$1.5 billion by 2010-11 will underpin the Plan.
- This means a total investment of \$6.367 billion over the period.
- By 2008-09, the Government will have more than doubled Queensland Health's Budget since 1998-99.

Workforce

- To assist in clinical staff attraction and retention, Queensland will offer competitive remuneration. Over the period to 2008-09, \$633 million is provided for wage increases for Queensland Health's medical officers and \$100 million for Visiting Medical Officers. Provision is also made for a 4% wage increase for nurses and other Queensland Health staff.
- Under the Plan, approximately 1,200 additional doctors, nurses and allied health staff will be engaged by June 2007.

Relieving Pressure on the System: 2005-06

- The Plan provides resources in 2005-06 to urgently address pressure points and enhance responsiveness, such as:
 - \$42.2 million for elective surgery;
 - \$24.1 million for cancer services;
 - \$37.4 million for emergency departments;
 - \$11.6 million for mental health;
 - \$30.9 million for intensive care;
 - \$8.6 million for maternity services;
 - \$8.1 million for medicine and outreach services;
 - \$8.4 million for surgical services; and
 - \$6.7 million for cardiac services.
- \$18.7 million is provided in 2005-06 to undertake urgent asset maintenance work.

The Government will immediately address some urgent capital works issues, providing:

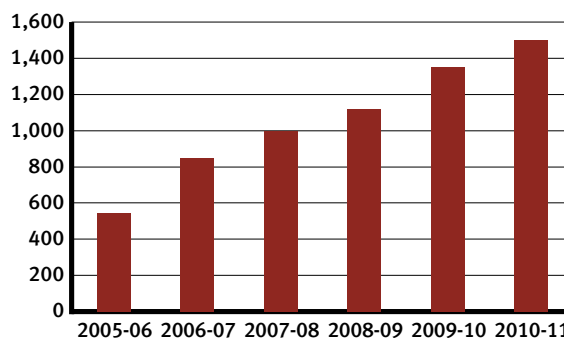
- \$32 million for Regional Staff Accommodation; and
- \$19 million for the Rockhampton Hospital emergency department.

Reform and Longer Term Planning: 2006-07 to 2010-11

The longer term funding needs of the health system will be met through the following funding allocations covering the period 2006-07 to 2010-11:

- **Cancer Services** - \$439.6 million over five years;
- **Cardiac Services** - \$204.1 million over five years;
- **Mental Health Services** - \$189.4 million over five years;
- **Elective Surgery** - \$217.5 million over five years;
- **Emergency Departments** - \$242.9 million over five years; and
- **Intensive Care Units** - \$198.9 million over five years.

Health Action Plan Funding (\$ million)



Health Funding Measures

The Queensland Government has committed to significant funding measures to ensure the Health Package is adequately resourced.

- The elimination of \$493 million in debt held by Queensland Health.
- The Major Facilities Levy, funded by hotel gaming machine venues, will be reallocated to Health services, providing approximately \$40 million in 2006-07, rising to \$55 million in 2008-09.

- Property transfer duty rates will increase for transfers valued above \$500,000, raising approximately \$82 million in 2006-07. Queensland's top transfer duty rate will remain the lowest of the mainland states.
 - An increase in the principal place of residence concession threshold will more than offset the rate increase, resulting in net savings for those buying homes valued between \$300,000 and \$700,000.

The public sector will be required to find savings to contribute towards the Health funding task.

- Public Sector Savings Targets will provide \$20 million in 2006-07, rising to \$50 million in 2008-09.
- The independent Service Delivery and Performance Commission will be asked to identify \$20 million in savings by 2007-08, rising to \$50 million in 2008-09.

Service Delivery Initiatives

This Statement provides for a number of new initiatives to support policy priorities.

- Funding for new road and transport initiatives to improve traffic flows, safety and better protect young people and drivers. These include:
 - \$350 million over five years towards replacing more than 100 old and obsolete road bridges in regional Queensland;
 - \$5 million towards the Western Brisbane Transport Network Investigation;
 - \$2.4 million to trial late night public passenger transport services from the Brisbane CBD; and
 - an improved licensing process for new and learner drivers to counter the high proportion of young and inexperienced drivers involved in fatal or serious injury accidents.
- \$27 million towards the cost of upgrading the Wivenhoe Dam spillway.
- The 10 year, \$120 million Asbestos Roof Replacement Program for State schools will be accelerated, doubling the program in the current year.

- An additional \$3 million in 2005-06 for the Drought Relief Assistance Scheme, providing assistance to primary producers in drought-declared areas.
- \$17.4 million over five years for counter-terrorism.
- To combat petrol sniffing, the Government will trial the application of the Queensland Fuel Subsidy Scheme to Opal™ fuel sold in remote Indigenous communities.
- \$1.3 million over two years to establish the Great Sandy Marine Park, doubling the area of marine park in South East Queensland.

Public Sector Reform

The Government will establish an independent Service Delivery and Performance Commission.

The Commission will:

- undertake a program of performance reviews to ensure government services are being delivered efficiently and effectively; and
- improve accountability by measuring, benchmarking and reporting on the provision of services.

Economic Reform and Water Management

- Major energy market reform will be undertaken, including full contestability in the electricity and gas markets from 1 July 2007. A comprehensive review of the energy GOC sector will assess its capacity to meet the challenges of competition.
- The Government will introduce measures to modify customer electricity use patterns, including the introduction of a flat tariff for each customer class.
- The Government has developed a comprehensive strategy to address water reliability in the State, particularly South East Queensland.
 - Pricing principles will be developed to ensure the cost of water from all sources better reflects its relative scarcity and quality (recycled water compared to raw water).

- \$20 million is provided to fast-track a pressure reduction and leakage management program to preserve the 10% of water presently lost to South East Queensland residents.
- An additional \$20 million in 2005-06 and 2006-07 to facilitate the western corridor recycled water project.

Key Budget Aggregates

2004-05 Outcome

- In 2004-05, the General Government operating surplus was \$3.93 billion, \$1.2 billion higher than the Budget time estimate. A cash surplus of \$4.64 billion was recorded in 2004-05.
- The increase in the surplus primarily reflects higher investment returns following the strong end of year performance of equity markets.
- The underlying operating result for 2004-05 (adjusted for comparable superannuation arrangements) is a surplus of \$2.47 billion.
- The strong budget outcome has fully funded the 2004-05 capital program and the extinguishment of Queensland Health's \$493 million debt.

General Government operating position

	Actual 2004-05 (\$ million)	Budget 2005-06 (\$ million)	Revised Budget 2005-06 (\$ million)
Revenue	27,609	26,604	26,931
Expenses	23,683	25,670	26,214
Net operating result	3,926	934	718
Cash surplus/ (deficit)	4,640	98	(39)

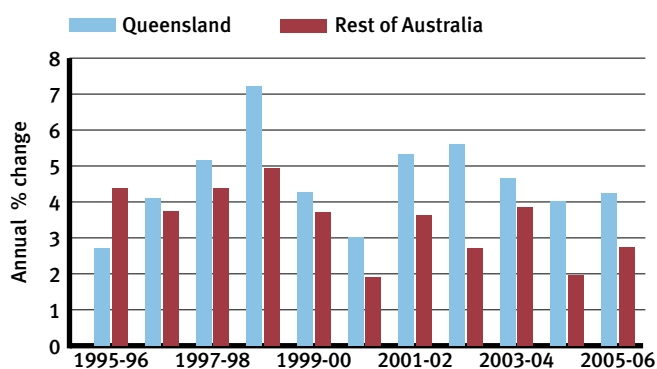
2005-06 Revised Budget and Forward Estimates

- The revised operating surplus for 2005-06 is \$718 million, \$216 million lower than forecast at budget.
- Beyond 2005-06, smaller operating surpluses reflect the costs of the Health Action Plan, infrastructure investment and the abolition of a number of State taxes.

Economic Outlook

- Solid consumer spending and a surge in business investment saw the Queensland economy grow by 4.0% in 2004-05, double the growth of 2.0% in the rest of Australia.
- Queensland jobs growth reached a 10-year high of 5.6% in 2004-05, reducing the year-average unemployment rate to 4.9%, its lowest rate in 30 years.
- The Queensland economy is forecast to grow by a further 4¼% in 2005-06 and exceed growth nationally for the tenth consecutive year, driven by growth in infrastructure spending and exports.
- Employment growth has been revised upward to 2¾% for 2005-06, maintaining the unemployment rate at a near record low.

Economic growth



Note: 2005-06 forecast

Source: Office of the Government Statistician, Queensland State Accounts

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www.budget.qld.gov.au