

Deputy Premier, Treasurer, and
Minister for State Development, Trade and Innovation

The Committee for Economic Development of Australia (CEDA) Lunch
“Queensland’s Place in the Nation and the World”

The Sofitel Hotel
30 May, 12pm

Acknowledgements

- **Greg Meek, Executive Director – Qld CEDA**
- **Rod Besley State President, CEDA**
- **Mary Padbury, Chairman of Partners, Blake Dawson Waldron (sponsors)**

Ladies and gentlemen, I'm here to tell you about the new Queensland. Today's Queensland. The Queensland that is leading the nation and proudly taking its place as a force to be reckoned with on the international stage.

A Queensland which, in a nutshell, is not what it used to be.

Our State – for generations – was traditionally known as a nice place to visit for a week or two, to soak up the sun, visit a theme park and lay on the beach.

Our tourism industry was and still is central to our place in the nation, the region, our place in the world. But increasingly it's joined with the more traditional Queensland economic mainstays of agriculture and mining - and today's emerging industries - to build the strongest economy in the nation.

But while the tourists are still flocking to Queensland, the real picture is that increasingly visitors are coming here to stay.

Qld's place in the nation & the world

Leading economy in nation

Today's Queensland has rightfully taken its place as Australia's engine room. That's not an exaggeration or a boast – it's simply a statement of fact. We are an economic powerhouse, driving the rest of the nation.

A cursory glance at the economic indicators of the Queensland economy tells us why business leaders, investors and developers from other parts

of Australia and overseas are increasingly looking to the Smart State for new opportunities.

When you consider that Australia's economic growth of 2.8% is regarded as “strong” compared to the rest of the world economy, the result for Queensland is exceptional.

We are currently experiencing the most sustained period of growth and prosperity ever recorded in our State's history.

Our economic growth rate this financial year is forecast to be 4.25% - easily eclipsing the national figure.

Queensland has 19% of the nation's population but we created 39% of the nation's jobs in March.

In the year to March 2006, employment grew by 1.5 per cent and our unemployment remained unchanged at 5%.

This is in stark contrast to the 10% unemployment rate the Beattie Government inherited when it formed government in 1998.

Now that's something that once we only dreamed of, but the sustained position shows we truly are the nation's jobs generator.

The Smart State is delivering more than its fair share to the nation's economy. We are keeping Australia's jobs engine purring.

A strong economy in the region

Of course what this means is that we are now – and have been for several years – attracting extremely high levels of business investment in Queensland, with several multinationals setting up shop here in recent

years, including IBM, Boeing, Virgin Blue, Oracle, Bechtel, P&O Nedlloyd and Microsoft.

Globally, this state has also emerged as a force to be reckoned with.

In 2004-2005, Queensland's 159-billion-dollar-economy was bigger than New Zealand's at \$134 billion, Singapore's at \$143 billion and slightly bigger than Malaysia's at \$158 billion.

In turn, our export trade performance is outstanding and that's got a lot to do with forward-thinking infrastructure.

The Smart State is linked to the world by world-class air and sea infrastructure - we have 15 trading ports – more than any other state or territory.

We have three operational international airports – again more than any other state or territory in Australia.

These are our key gateways to the world – the gateways for our grain, cotton, beef and fresh produce and coal and other minerals.

These vital links can not be overstated as one in five jobs in rural Queensland depends on exports.

A supplier to the region and the world

In the five years to 2005, Queensland outperformed the rest of Australia in terms of overseas goods exports, with the State recording 21.1% growth in overseas goods exports, compared with 15% for the rest of Australia.

According to the latest Australian Bureau of Statistics data, in the first nine months to 31 March 2006, Queensland's overseas goods exports increased by 40.5% compared to the same nine month period the previous year.

This increase is nearly double the national increase of 20.5% over the same period, making the Smart State Australia's fastest growing exporter of goods and the largest overseas goods exporter in 2005-06.

And while we could sit back and continue on this path by simply depending on our traditional exports, Queensland is broadening its export base.

Our mineral and agriculture sectors are the backbone of our strong export performance but we are making greater inroads into overseas markets with an increasing number of knowledge-intensive exports.

Over the decade to 2004–05, Queensland's high and medium-high technology manufactured exports grew by more than 110% to \$1.74 billion, with most of this growth occurring in the past five years.

International education exports have grown from less than \$300 million in 1993-94 to more than \$1.0 billion in 2004-05.

The dynamics of globalisation now see four of Queensland's top five export destinations located in Asia: Japan, South Korea, China and India. Our fifth largest destination is the United States.

What's interesting about that top five is our strengthening relationship with China. In the past three years, China has jumped from the fifth position to the third.

The Asian markets have provided an excellent opportunity for Queensland exports, but they also have created challenges.

Reductions in trade barriers and the globalisation of the economy have exposed many of the State's industries to more intense competition.

Manufacturing has been one industry particularly affected in the Western economies by globalisation. You only have to look at the goods in our supermarkets these days to see the influence of China and India here.

How we maintain strong economic growth and build our society, while successfully dealing with these major challenges, will determine our future.

Energy & resource provider

The Chinese coal industry is currently being restructured.

The Central Government is encouraging coal mines to develop clean coal technology – which we in QLD are working hard on developing – including a \$300 million commitment in this month's new Queensland Future Fund Program.

China's coal mining sector has been in the spotlight since 2003 when electricity shortages hit many Chinese regions, including Shanghai and Zhejiang Provinces and mine fatality rates are up to 350 times higher than those in the western world (6000 a year).

They need coal for power, they want clean coal and they are responding to their fatality rates.

Given we are a trusted, reliable quality supplier. We are ideally placed to capitalise on their on-going boom.

At present Coal exports to China represent only little over 3% of Queensland's total coal exports, **but we note that the figure is growing by 61% per year to \$1.2B this year.**

The Australian figures are similar and ABARE projects that **China's coal imports will increase by about 12 per cent a year for the next 20 years.**

Who in business in this room would love to have a 12% a year growth factor for the next 20 years?

Other areas for cooperation at this time are in the manufacture of high efficiency coal mining equipment and services where Queensland firms have been highly successful forging partnerships with Chinese coal mines and manufacturers.

For example - John Finlay Engineering are about to commission one of the largest coal washeries ever built in China, and Longwall Associates from Mackay have been successfully exporting armoured face conveyors and other equipment to Chinese mines for the last four years.

A home, a place to live and work

We're experiencing phenomenal, historic population growth – unprecedented new arrivals to Queensland want to call our State home.

Late last year the Queensland population topped the 4 million mark. By 2027, it's predicted, we will overtake Victoria as the second largest state in the country.

Our population is projected to rise by a further 46% to 5.3 million by 2026 and 78% to 6.5 million by 2051.

Did you know that by 2021, 7 in every 10 Queenslanders will live between Coolangatta and Hervey Bay?

That's a staggering statistic, but consider this also - one in six Australians will live between the Tweed and Hervey Bay by 2015. One in six.

They crossing our borders, arriving at a rate of 1500 each week.

They don't all come from interstate however. Last year more than 17,000 new permanent residents arrived in Queensland from overseas – about 15% of the total number of migrants who came to call Australia home.

And not only are the figures continuing to rise, the profiles of our new arrivals have also shifted.

Interestingly, our new arrivals are no longer the retirees looking for their place in the sun or the younger travellers who traditionally came for a few years to live by the beach and then packed up and went home.

About 70 per cent of our newest citizens from interstate are aged between their teens and their mid-30s. Most are families, most (around 64%) come from New South Wales and 25 per cent of them are professionals – including lawyers and engineers. 12 per cent of them are

tradespeople – but regardless they all have one thing in common. They're hungry for jobs.

Most are also opting for our South-east corner but many others are opting for the bush – Central Queensland in particular.

A laboratory/a think tank

Many of them are also drawn to Queensland because – in the national scheme – we are recognised as Australia's think tank. The nation's and the region's laboratory, if you like.

That's because several years back, we recognise that the future will be captured by economies that look to the horizon and search for new opportunities – in other words that science, research and innovation would drive economic development.

That's what Smart State's about – it's a strategic program designed to integrate our educational, scientific and business development activities to provide a seamless supportive environment to translate ideas into marketable products.

The basic idea is that by nurturing tomorrow's scientists – while at the same time providing today's scientists with the best resources – we can help them turn their discoveries into products, to help establish new companies, and to provide a positive business environment so these companies can attract the investment they'll need to grow and flourish.

This really is the crux of our Smart State Strategy - which is basically our blueprint for the State's future economy. It's about government, industry, our researchers, and the general community working together.

Under the Strategy, we've invested nearly \$3B in research and development, science, technology, and innovation.

This includes the establishment of new research institutes in biotech, medical research, cancer research, fibre composites, nanotechnology, and other emerging areas of critical importance to the economic future.

It has also resulted in the establishment of 32 joint business/university Cooperative Research Centres, which are driving innovation in agriculture, fisheries, forestry, mining, satellite communication, environmental management and medicine.

We've also established a range of programs to support Queensland firms seeking to commercialise their ideas and inventions, including the Australian Institute for Commercialisation, high technology incubators and early-stage funding schemes.

Last year, we established a \$200m Smart State Innovation Funding Program to facilitate and support research in Queensland.

And all this has been paying off. Our researchers are at the forefront of scientific breakthroughs in medicine, engineering, mining and energy.

One example of the quality of research being done in Queensland is the work of Professor Ian Frazer and his team on developing an anti-cervical cancer vaccine.

A major emphasis of the Strategy is on the development of new technologies and emerging industries in Queensland.

We realise that the future will depend on encouraging more growth of these industries, like information communication technology, creative industries, biotechnology, pharmaceuticals, aviation and aerospace, advanced manufacturing and food processing.

For example, 10 years ago we had virtually no aviation and aerospace industry in Queensland. Now this burgeoning industry employs about 21,000 and is continuing to grow.

Another target sector of the Queensland Government is biotechnology.

Queensland is ideally positioned to develop a major biotechnology industry by building on our strengths in biotechnology research and our natural advantages, such as the State's rich biodiversity, tropical location and our proximity to Asia.

In collaboration with industry and our research institutions, the Queensland biotechnology industry is projected to grow to 16,000 employees in the next two decades, increasing revenue from the current \$150m a year to \$4B.

The IT sector is another one of our key growth industries – the industry employs 62,000 across almost 4,400 ICT businesses and achieved estimated revenue of \$21.1B in 04/05.

This included more than \$7B in interstate sales and \$850m overseas – reflecting Queensland's strong position in the national and international market place.

Conclude

So, it's an exciting time. An historic time. A time when we must keep our eye on the future and gear up today for the challenges of tomorrow.

How do we stay ahead of the pack? How do we maintain the momentum?

Infrastructure

I came across an interesting article in The Age earlier this month. The latest quarterly construction outlook by forecaster BCI Australia showed that in the first three months of this year, developers revealed plans to invest \$25B in construction projects around the country.

The only catch is that Queensland's share of these projects is bigger than the combined total of every other state and territory.

The BCI forecast showed a combined \$13.1B in private and public money had been earmarked for Queensland building projects – our closest competitor is the combined NSW/ACT total of \$3.76B.

The government is spending more than \$8 billion on infrastructure projects around the State this year alone.

Work is well underway on projects in our \$66B, 20 year South East Queensland Infrastructure Plan and through our Coordinator General we are currently working to help facilitate more than 100 significant projects from cruise ship terminals through to new power stations.

In March, Moody's Investor's Services once again reaffirmed our AAA credit rating noting that our economic expansion and population growth continued to outpace that of the rest of the nation.

GOCs – we must constantly ensure they remain competitive and provide quality service. We cannot shy away from continually refining, making sure our GOC model continues to work. You've already seen we are willing to introduce change - FRC.

Skills

APN \$1m program AT Work and Play aimed at attracting skilled workers from Sydney's western suburbs to Qld specifically the regional hot spots in need of tradesmen – Central Qld mainly. It's cheeky. It's about stealing blues to bolster our skills needs. To be launched in Sydney in August. APN executive Robyn Grundon is in audience - if you want to get on board, give him a call.

Future Challenges

Rapid development is not without its challenges – that is simply the price you pay.

One of our biggest challenges is one that was barely on the radar a decade or two ago - climate change has left us with a situation where water is now regarded as liquid gold.

A situation where summers are longer, hotter, drier, where coral bleaching threatens our reef, where greenhouse gas emissions are increasingly unacceptable to the international community.

These combined factors represent real threats to our coal markets, to agriculture, to our tourism sector, to our way of life.

Our climate can also unexpectedly devastate communities, as we saw recently with Cyclone Larry. Insurance companies will readily volunteer

that we can expect more natural disasters – that's the legacy of these significant shifts in climate.

That's why we're investing for our future, for our obligation to play a role globally in the protection of our environment.

- Queensland Future Growth Fund - Energex
- Clean coal technology \$300 million

In this regard, what we do today is crucial for tomorrow.

Education

I urge you to closely watch the State Budget, which I'll bring down in exactly one week. There will be a strong focus on education.

Queensland's diversified economy will in the future be driven by a highly educated, highly skilled workforce. Our kids entering their first Prep class next year will be at university or out in the work force by 2021 and the government recognises they will be our future leaders.

We live in a prosperous, diverse and thriving economy. We enjoy a lifestyle and environment that is second to none. And we have a bright, exciting future and I look forward to being a part of it.