



Government measures for business and industry

The Queensland Treasurer Curtis Pitt delivered the Palaszczuk Government's third Budget on 13th June 2017. The Queensland Government has maintained its commitment to not introduce new business taxes, fees or charges. However, scheduled annual indexation of certain fees and charges, as previously determined, will continue. A key aspect of the 2017-18 Budget is the Government's commitment to fully fund the \$5.409 billion Cross River Rail, amidst an otherwise modest infrastructure funding package.

There is also a focus on supporting sustainable growth and job creation across the State through the continuation of various key policy measures and new Budget initiatives.

On the revenue side, the Government is continuing the payroll tax rebate on the wages of apprentices and trainees at the increased rate of 50% until 30 June 2018. The rebate is in addition to their wages being exempt and will be used as an offset against payroll tax payable on the wages of other employees. The Government is also encouraging employers to hire apprentices by following the lead of other states and providing an exemption from workers' compensation premiums for employers of apprentices.

Additional funding support to Queensland Government programs that affect business and industry include:

- \$77.5 million to extend and enhance the Back to Work (Regional Employment) Program, including \$50 million additional funding to assist employers who hire a long term unemployed or young unemployed jobseeker in regional Queensland and a further \$27.5 million to introduce support payments for South East Queensland employers.
- \$35 million over five years to help Queensland businesses to export more and expand into international markets, including export and e-commerce training for business, more

Table 1: Largest Queensland industry sectors

<i>Industry output shares of Gross State Product 2015-16</i>	
1. Construction	10.9
2. Health services	7.4
3. Education and training	7.4
4. Mining	6.9
5. Manufacturing	6.3
6. Financial services	6.0

Source: Australian Bureau of Statistics

Table 2: Queensland Government industry programs: new funding

<i>Additional funding</i>	<i>\$mn,</i>
Electricity Affordability Package – 3 years	771.0
Back to Work Regional Employment Package	77.5
Trade and Investment Strategy - 5 years	35.0
Ten Year Priority Industry Road Maps – 4 years	15.0
Ignite Ideas Fund	10.0
Skilling Queenslanders for Work – 2017-18	60.0
Regional Skills Adjustment Fund – 2 years	10.0
EcoBiz Queensland	0.96

Source: 2017-18 Queensland Government Budget

international showcases and trade missions, and expanded overseas trade offices.

- \$15 million in increased funding over four years to develop 10-year priority roadmaps and action plans to support emerging and priority sectors.

Queensland Government Infrastructure Program

Reflecting fiscal constraints, this year’s Queensland Budget provides for \$5.1 billion in infrastructure spending (purchases of non-financial assets by the general government sector) in 2017-18. Over the four years to 2020-21, the total capital expenditure program is \$42.75 billion, although when Government Owned Corporation spending is excluded, the budget allocates \$25.0 billion in infrastructure spending over the four years.

Research undertaken by Infrastructure Partnerships reveals that infrastructure spending in Queensland as a share of total expenditure is projected to be around 11.1% between 2017-18 and 2020-21. This is well below Queensland’s ten-year average of 13.8% (see chart 2).

The Government’s highest priority infrastructure project is the \$5.41 billion Cross River Rail. The design features a 10.2 kilometre link from Dutton Park to Bowen Hills, with 5.9 kilometres of tunnel under the Brisbane River and CBD. The cost of the project is expected to be reduced through future Australian Government contributions and the proceeds of other commercial sources such as the development of Government land around railway stations.

In addition to the delivery of Cross River Rail, the 2017-18 infrastructure program includes:

- \$407 million to continue delivery of 75 new six-car rail sets and services for the New Generation Rolling Stock to meeting the growing demand for rail services in South East QLD;
- \$252.5 million towards the Toowoomba Second Range Crossing project;
- \$236.3 million towards widening the Gateway Motorway North to six lanes, south of Nudgee, a project that is being undertaken in partnership with the Australian Government;
- \$233.5 million to deliver the light rail system from Parkland Drive to Helensvale Rail Station, Gold coast Light Rail (stage 2);
- \$154.5 million for the construction of new school halls, the upgrading of existing halls and land acquisitions for new schools;
- \$135.4 million in investment in core IT infrastructure to support digital hospitals and replace and enhance core clinical and business systems to support frontline health service provision, corporate functions and decision making at the point of care;

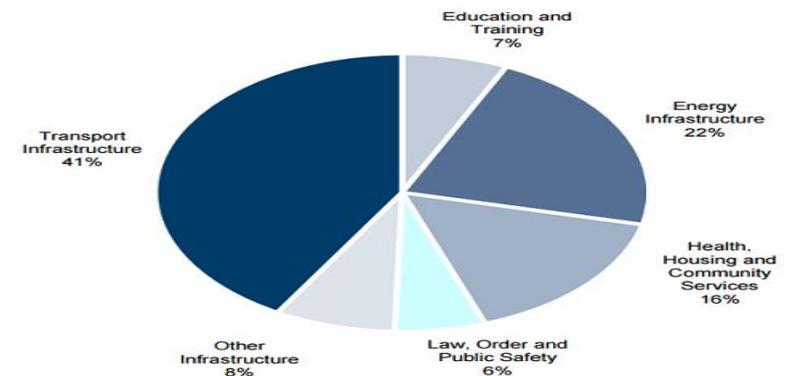
\$42.75 billion

CAPITAL PROGRAM OVER 4 YEARS

\$5.41 billion

TO FULLY FUND CROSS RIVER RAIL

Chart 1: Capital Purchases by Purpose 2017-18



Source: 2017-18 Queensland Government Budget

- \$120 million to duplicate the Bruce Highway from four to six lanes from Caloundra to the Sunshine Motorway;
- \$112.5 million to undertake construction of facilities at recently opened schools and provide additional classrooms at existing schools in growth areas throughout the state and;
- \$98.3 million towards the on-going development of the Port of Gladstone and additional works at the Port of Bundaberg and Port of Rockhampton.

Funding is also provided for a range of major regional infrastructure projects, including \$225 million over four years to support Townsville water security; \$176 million over two years for the Cairns Convention Centre and; \$60 million over two years as part of the \$120 million Cairns Shipping Development project.

In a further commitment to supporting the regions, additional funding of \$200 million over two years will be allocated for the Works for Queensland program, assisting local governments outside South East Queensland that are facing unemployment issues to undertake job-creating maintenance and minor infrastructure works. It supplements \$200 million of funding provided in the Mid-Year Fiscal and Economic Review.

Improving Housing Supply and Affordability

In recognition of the importance of improving the supply of a variety of housing in Queensland as a key social and economic imperative, \$1.8 billion will be allocated over ten years into the Queensland Housing Strategy.

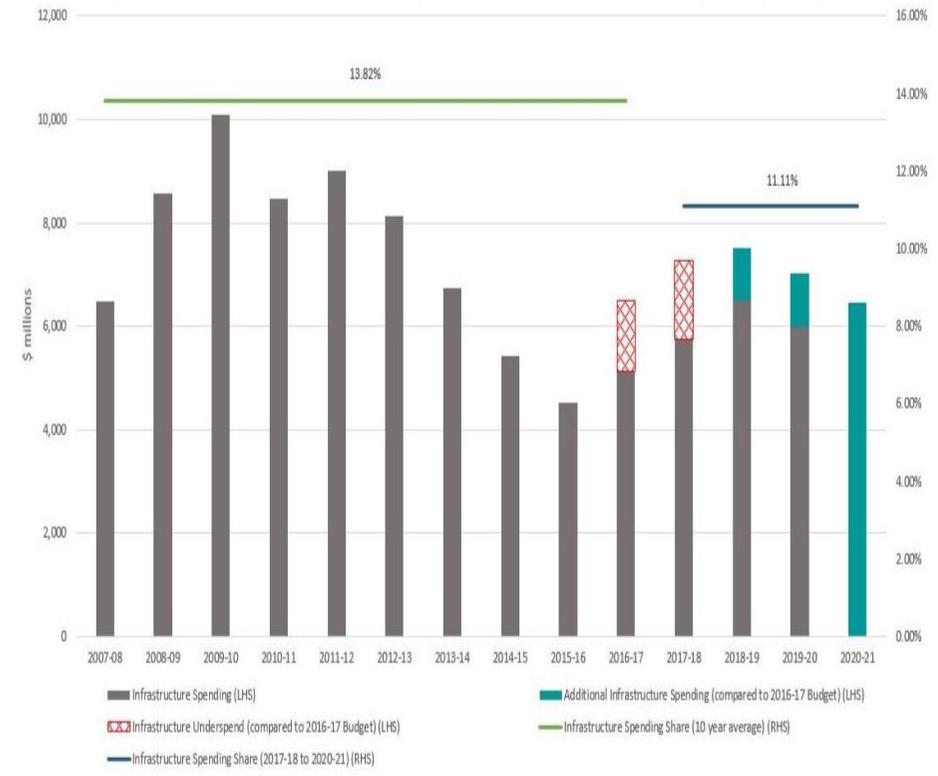
This includes a social housing program to assist people who are unable to secure and sustain accommodation in the private market. Social housing investment in 2017-18 will comprise:

- \$390 million towards the construction of new dwellings and upgrades to existing properties.
- \$109.1 million of capital grants to assist non-government organisations to construct and upgrade social housing dwellings.

To help reduce avoidable costs and time delays for development, \$10 million will be provided to support a land supply monitoring program and a strategic assessment of Queensland’s planning and environmental offsets framework for growth areas in South East Queensland.

Additional funding of \$30 million is provided to extend the temporary increase in the Queensland First Home Owners’ Grant from \$15,000 to \$20,000 for a further six months. The increased grant

Chart 2: Queensland Government Infrastructure Spending, 2007-08 to 2020-21



Source: Infrastructure Partnerships Australia Analysis

View larger chart [HERE](#)

will be extended to eligible transactions entered into from 1 July 2017 to 31 December 2017, for buying or building new houses, units or townhouses valued at less than \$750,000. The Budget also introduces a 1.5 per cent land tax surcharge on absentee land tax payers if the value of their taxable land is \$350,000 or higher.

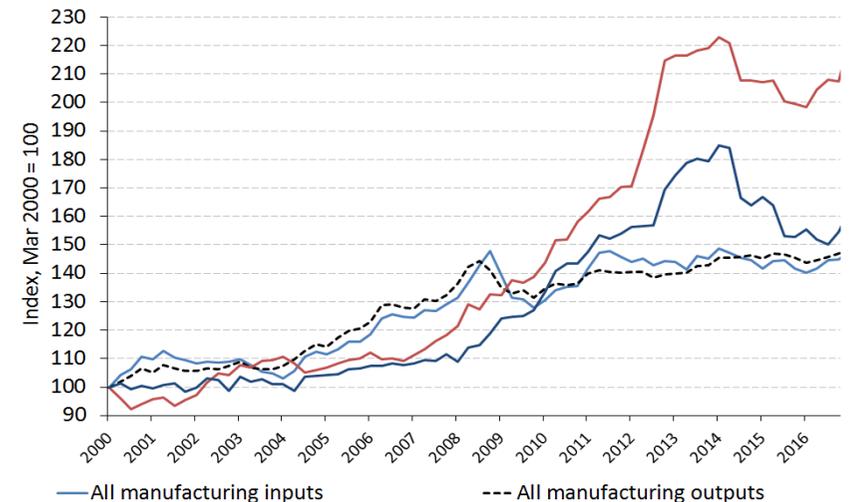
Powering Queensland Plan

A growing number of Queensland businesses have pressing concerns about the elevated price of electricity and gas and the increasing challenges to reliable supply. To provide a road map for exerting downward pressure on electricity prices and securing sustainable energy supply, the Government has pledged its commitment to a range of actions under the Powering Queensland Plan. These include:

- \$771 million through the electricity affordability package to provide relief for Queensland electricity consumers by covering the cost of the Solar Bonus Scheme;
- Deliver a \$386 million Powering North Queensland Plan to strengthen and diversify the north's energy supply. This Plan includes \$150 million for the development of strategic transmission infrastructure to support a clean energy hub in North Queensland, \$100 million to help fund the proposed hydro-electric power station at Burdekin Falls Dam, \$100 million towards improvement works to ensure that the Burdekin Falls Dam continues to meet design standards, and commissioning of a hydro-electric study to assess options for deploying new hydro in the State.
- Re-opening the gas-fired Swanbank E Power Station to increase reliable supply;
- Directing Stanwell Corporation to undertake strategies to place downward pressure on wholesale prices;
- Implementing a Gas Action Plan to ensure long-term gas supply for electricity generation;
- Assessing the feasibility of a separate CleanCo to operate Queensland's existing renewable and low-emissions energy generation assets and develop new renewable energy projects which should help in establishing more competition and better use of the clean and low emissions generation assets in Queensland.
- Facilitate the next wave of up to 400 megawatts of diversified renewable energy, including 100 megawatts of energy storage through a reverse auction.

\$1.16 billion Powering Queensland Plan

Manufacturing PPI – input and output price indexes



Source: Australian Bureau of Statistics

Government measures for education, jobs and training

The Government has allocated \$13.7 billion towards education and training in 2017-18, a 6.4% increase on 2016-17. Key education funding initiatives in 2017-18 include:

- \$314 million in programs to provide children with access to quality early childhood education and care, strengthening their transition to school;
- \$300 million to fast track 98 school infrastructure projects and for the building of new school halls at 30 state schools;
- \$250 million for new secondary school classrooms and other infrastructure to cater for an additional 17,000 students in 2020;
- \$150 million to attract, retain and build capacity in Queensland teachers and school leaders to support continued improvements in student outcomes and;
- \$60 million as part of a four-year \$240 million Skilling Queenslanders for Work program aimed at assisting disadvantaged Queenslanders to develop skills, undertake paid work placements and earn nationally recognised qualifications.

In addition, the Budget includes \$10 million over two years for a Regional Skills Adjustment Strategy designed to help mature aged workers develop new skills for jobs in demand in the regions. A further \$13 million will be allocated to boost the state's public training providers. This comes on top of the Government's Rescuing TAFE program which provided \$34 million over three years to restore teaching and support roles and second chance funding options for students.

Queensland Budget: revenue, expenditure, balance and debt

Revenue to the Queensland Government is expected to grow by an average of 3.0% p.a. over the five years to 2020-21, while expenses are expected to increase by 3.2% p.a. (nominal growth). However, excluding the year 2016-17 (which benefited from the temporary increase in royalty revenues), the four years to 2020-21 will see average revenue growth of 1.13 per cent outstripped by expenses growth of 2.23 per cent.

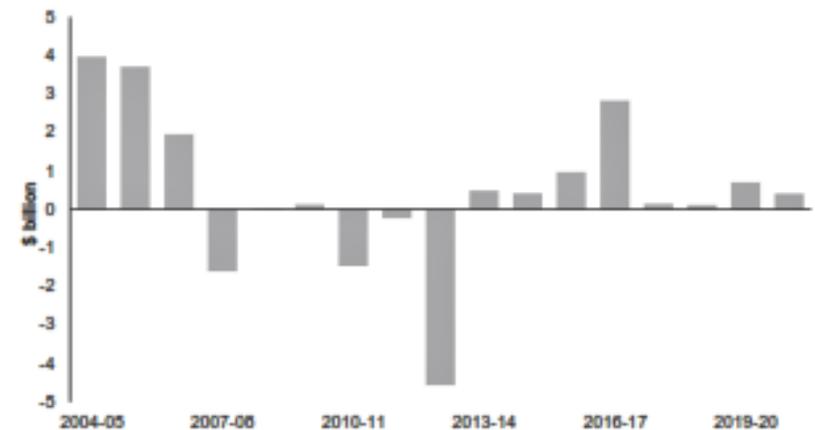
Revenue growth over the next five years is expected to be supported by moderate average annual growth in current grants (4.3%) and taxation (4.6%) with average payroll tax growth of 4.4% and transfer duty growth of 4.9% per year on average. However, revenue is expected to be negatively affected by reductions expected over this period in interest income and revenue from

Table 3: General Government Fiscal Position

	2015-16 Actual	2016-17 revised	2017-18 estimate	2018-19 estimate	2019-20 estimate	2020-21 estimate
Revenue growth, %	2.1	10.7	-1.0	0.5	3.1	1.9
Expenses growth, %	1.0	7.2	3.9	0.5	2.1	2.4
Operating balance, \$bn	970	2,824	146	117	704	408
Govt. borrowings, \$bn	35.4	33.9	33.8	36.4	38.8	41.2
Net debt, \$mn	654	297	1,622	5,748	8,960	11,318

Source: 2017-18 Queensland Government Budget

Chart 4: Net Operating Balance 2004-05 to 2019-20



Source: 2017-18 Queensland Government Budget

government-owned corporations. In addition, royalty income is expected to decline in 2017-18 and 2018-19 as commodity markets adjust following the recent temporary spike in coal prices.

Government expenses are growing due to increased demand for health and education services, more transport and road projects, job creation programs and expenditure in relation to the preparation and delivery of the Gold Coast 2018 Commonwealth Games. The Government is also investing \$770 million to cover the cost of the Solar Bonus Scheme while Cyclone Debbie recovery activities are expected to increase expenses by \$700 million over the period 2016-17 to 2019-20. Direct Government staffing costs will grow by 4.1% per annum over the five years to 2020-21.

The Government expects an operating surplus of \$2,824 million in 2016-17, its largest since 2005-06 and almost \$2 million more than estimated in the previous Budget. This primarily reflects increases in revenue from royalties, mainly due to the sharp increase in coal prices during 2016.

For 2017-18, the net operating balance is forecast to fall to \$146 million. This is a significant downward revision since the Government's Mid-Year Fiscal and Economic Review and reflects downward revisions to taxation and GST revenue of \$258 million and \$156 million respectively and additional expenses of \$763 million. Operating surpluses averaging \$410 million per year are expected in each of the three years to 2020-21.

On the Government's Debt Action Plan, General Government borrowings fall to \$33.8 billion in 2017-18, compared to \$43.1 billion in 2014-15. However, borrowings are expected increase from 2017-18 to a forecast of \$41.2 billion in 2020-21 driven by capital investment funding. Net Debt is estimated at \$297 million in 2016-17, \$3.228 billion less than estimated in the previous Budget due largely to improved royalty receipts. Consistent with the projected uplift in borrowings, net debt is forecast to increase over the forward estimates to be just over \$11 billion in 2012-21.

Queensland economy: outlook, opportunities and risks

The Queensland Government expects growth in real state output (GSP) will strengthen to 2.75% p.a. in both 2016-17 and 2017-18 from 2.4% p.a. in 2015-16, as the ramp up in LNG exports and growth in services exports such as tourism and education continue to support overseas exports.

The Government expects growth in state output will strengthen further to 3% p.a. in 2018-19 with an anticipated recovery in business investment and a solid contribution from public sector capital spending, as LNG exports plateau.

Chart 5: Sources of Government Revenue, 2017-18

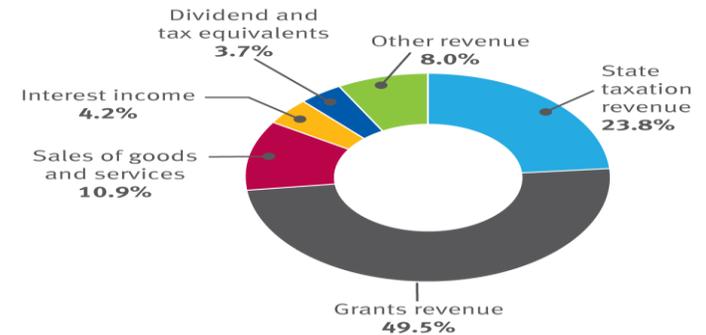
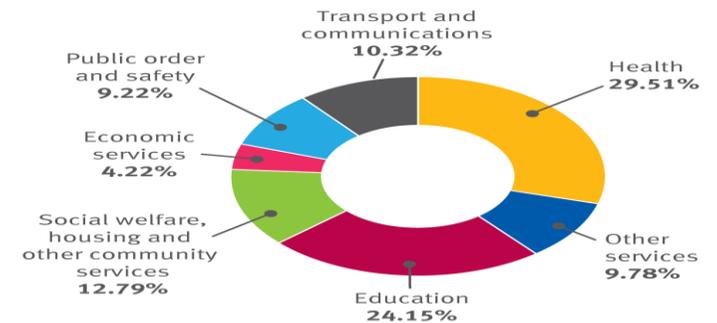


Chart 6: Government Expenses by Purpose, 2017-18



Source: 2017-18 Queensland Government Budget

Household consumption, however, is expected to remain relatively subdued, falling to an average growth rate of 2.25% for the three years to 2018-19 from 2.4% in 2015-16. This reflects the prospect of continuing soft wages growth which is likely to limit growth in spending. Dwelling investment which is expected to decline at an average annual rate of 3.2% over the three years to 2018-19, is also expected to temper growth in consumption of household goods.

Business investment is continuing to adjust to the completion of the LNG construction phase and is expected to be broadly unchanged in 2017-18 following an estimated decline of 7% in 2016-17. A return to moderate growth of 3.25% is expected to follow in 2018-19.

Key risks to this positive growth outlook for Queensland are:

- An earlier and faster decline in residential building activity than is currently forecast;
- longer than expected drought conditions and below average rainfall across much of Queensland could impact on the production and export of key agricultural commodities; and
- uncertainty about the pace and timing of a pick-up in non-resources investment as the economy transitions from the strong phase of LNG construction into broader-based growth.

Table 4: Queensland Government Forecasts for the State Economy

% change p.a.	2015-16 actual	2016-17 forecast	2017-18 forecast	2018-19 forecast
Real GSP	2.4	2.75	2.75	3.0
Employment	0.7	1.25	1.0	1.5
Unemployment rate	6.4	6.25	6.25	6.0
CPI	1.6	1.75	2.0	2.25
WPI	1.9	2.0	2.25	2.5
Population	1.3	1.5	1.5	1.5

Source: 2017-18 Queensland Government Budget

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