

Government measures for business and industry

The Queensland Government has maintained its commitment to not introduce new taxes, fees or charges. However, scheduled annual indexation of certain fees and charges, as previously determined, will continue.

A centrepiece of this year's Queensland Budget is a significant enhancement of the government's 'Advance Queensland' agenda aimed at supporting local businesses and at harnessing innovation in a rapidly changing global economy. The Government announced a \$225 *Accelerating Advanced Queensland* package to further unlock the potential for businesses to innovate. Key new initiatives include:

- \$25 million in increased funding over three years for the Advance Queensland Acceleration package including support for:
 - industry accelerators (to encourage the development of innovative products),
 - regional innovation hubs (to leverage regional strengths and lift the capabilities of innovative local businesses) and
 - the Platform Technology Program (to assist groups of technologies to advance to the next step in their development).
- \$19.7 million in additional funding over three years as part of a Biofutures Roadmap to achieve the Government's vision for a \$1 billion sustainable and export orientated industrial biotechnology and bioproducts sector;
- \$8.5 million in additional funding over two years for the Department of State Development to undertake initial work on economy-building initiatives aimed at harnessing innovation, forging entrepreneurialism and encouraging the growth of new industries to assist the broader suite of industries for employment; and
- \$7.9 million over four years for Strengthening Science Capability, including the Reef and Water Resources Modelling Centre and international science partnerships.

Table 1: Queensland Government "priority growth sectors"

Advance QLD program identified priority sectors

- 1 Advanced Manufacturing
- 2 Aerospace
- 3 Biofutures
- 4 Biomedical and life sciences
- 5 Defence
- 6 Mining equipment, technology and services

Source: QLD Government

Table 2: Queensland Government industry programs: new funding

<i>Confirmed or additional funding: Key programs</i>	<i>\$mn,</i>
Tourism and Events Queensland Tourism: over 4 years	+49.9
Advanced QLD industry Attraction Fund: over 4 years	+40.0
Advance QLD Connecting with Asia Strategy: over 4 years	+33.5
International Educ. & Training Strategy: over 5 years	+25.3
Advance QLD Acceleration Package	+25.0
Advancing Small Business QLD Strategy: over 3 years	+22.7
Biofutures Road Map & Action Plan: over 3 years	+19.7
One-Stop Shop Program in 2016-17	+10.7
Cairns Innovation Centre	+10.0
Dept. of State Devt. economy building: over 2 years	+8.5
Strengthening Science Capability: over 4 years	+7.9
Mining Equip. Tech. & Services Growth Centre: over 4 years	+4.3

Source: 2016-17 Government Budget

Support for small businesses

The 'Advancing Small Business Queensland Strategy' will inject new funding of \$22.7 million to kick-start local small businesses as part of a \$44.5 million commitment to establish an Office of Small Business and the delivery of a small business and industry portal. Key initiatives include:

- Grants of up to \$10,000, matched by recipients, to help small businesses enter the digital economy or build their digital capability. Grants can be used for web site development, training, social media or adopting innovative new tools and technologies;
- Expansion of the Home-Based Business Program which provides grants of up to \$5,000, matched by recipients, for new home-based start-ups; and
- A new Queensland Small Business Champion to provide a voice for small businesses and work with Government to solve challenges and identify opportunities for small business.

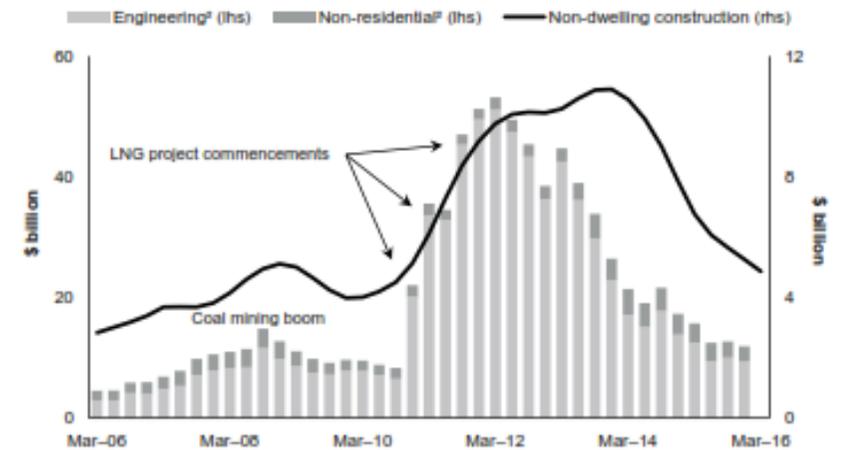
Promoting business investment and exports

Business investment in Queensland continues to adjust down from the record levels of the LNG investment boom in 2012-13. The completion of the two remaining LNG projects at the end of 2016, along with subdued non-resources investment, is expected to lead to a fall in business investment in Queensland through to 2016-17 (see chart 1).

Key initiatives to support business investment and exports in the 2016-17 Budget include:

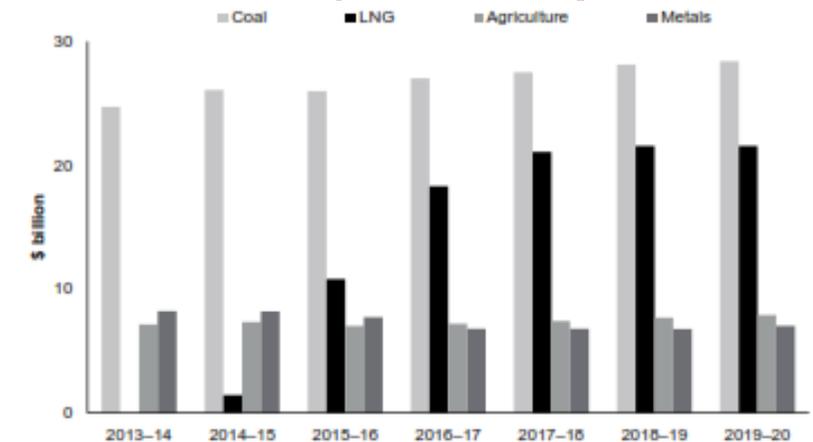
- \$40 million in additional funding over four years for the Advance Queensland Industry Attraction Fund to further diversify economic activity by harnessing growth in emerging industries and value adding to existing industries;
- \$49.9 million in increased funding over two years to continue to promote Queensland's tourism destinations and to drive tourism growth;
- \$33.5 million in additional funding over four years for the Advance Queensland: Connecting with Asia Strategy, aimed at increasing visitor numbers from Asia through destination marketing, attracting direct airline routes to Queensland from key markets in Asia, improving tourism products and expanding the tourism industry's digital capability;

Chart 1: Non-dwelling construction work yet to be done by sector, Queensland



Source: 2016-17 Queensland Budget

Chart 2: Queensland's Major Merchandise Exports



Source: 2016-17 Queensland Budget

- \$22.7 million in additional funding over three years for the Advancing Small Business Queensland Strategy, which will focus on supporting business growth and employment;
- \$25.3 million in increased funding over five years to deliver initiatives from the Queensland International Education and Training Strategy;
- \$10.9 million in increased funding in 2016-17 to continue the One-Stop Shop Program which is focused on delivering improvements to frontline services, encouraging innovation and improving services for businesses;
- \$5 million in additional funding over four years for the Mining Equipment Technology and Services Industry Growth Centre at the Queensland University of Technology; and
- \$11.6 million in additional funding for the implementation of the state’s Biofuels Mandate (mandating biofuel content in petrol sold in Queensland), including a campaign to educate consumers about biofuels and the development of best practice environmental standards.

Queensland Government infrastructure construction program

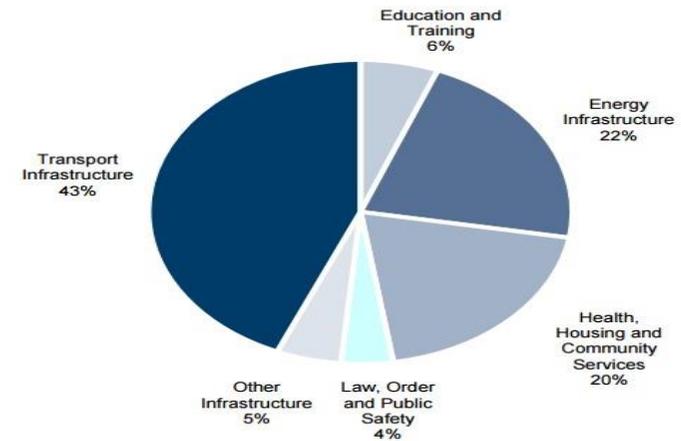
Reflecting fiscal constraints, this year’s Queensland Budget provides only a modest boost to the State’s forward infrastructure program. Queensland infrastructure spending as a share of total expenditure is continuing to decline. Research undertaken by Infrastructure Partnerships reveals that this share will be around 11.5% between 2015-16 and 2019-20, down from a recent peak of 17.8% between 2003-04 and 2011-12 (see chart 4).

In 2016-17, an additional allocation of \$50 million will be made to establish a project authority to lead the development, procurement and delivery of the Cross River Rail Project.

Additionally, the Budget provides for an extra \$1.5 billion to be invested into the State Infrastructure Fund (SIF), bringing its value to \$2 billion over five years. Funding allocations will be identified by the independent infrastructure advisor, Building Queensland. A previous allocation to the Fund of \$500 million will support ongoing programs, including:

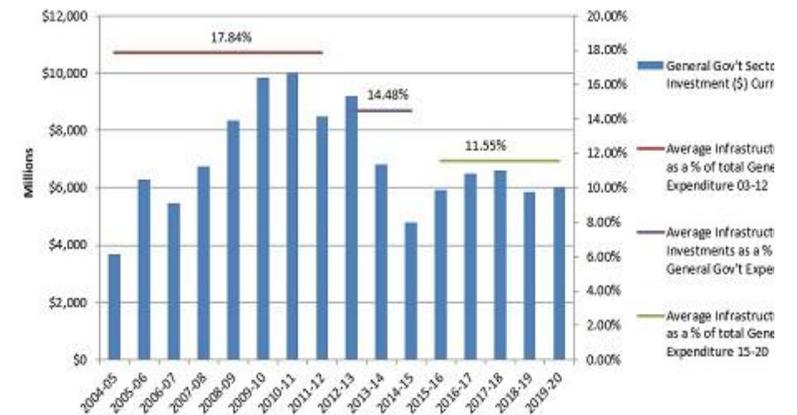
- The \$300 million Priority Economic Works and Productivity Program/ Key projects including
 - \$100 million over four years for the North Coast Rail Line,
 - \$88.4 million over four years for the Ipswich Motorway (Rocklea to Darra) and
 - \$76.9 million over four years for the Gregory Development Road and Cape River Bridge;
- \$180 million towards the Significant Regional Infrastructure Projects Program; and

Chart 3: Queensland Capital Purchases by Purpose, 2016-17



Source: 2016-17 Queensland Budget

Chart 4: Queensland Govt. Infrastructure Spending, 2004-15 to 2019-20



Source: Infrastructure Partnerships Australia

- \$20 million towards the Maturing the Infrastructure Pipeline Program. The remaining \$1.45 billion will be used to progress high-priority, shovel-ready projects.

Projects to be funded through the \$180 million Significant Regional Infrastructure Projects Program include:

- \$34 million for the Cairns Western Arterial Road and Bill Fulton Bridge (Freshwater Creek) duplication;
- \$26.4 million for the Renewal of school facilities in Central Queensland;
- \$21.3 million for Regional Education Infrastructure Enhancements; and
- \$14.2 million for Social Housing.

The Budget also provides increased funding of \$175 million over four years to boost the Building Our Regions Program, including \$90 million over three years for the Transport Infrastructure Development Program. This program provides funding to local governments to progress critical infrastructure in regional areas of the State.

Other key investments announced in this year's Budget are:

- \$96.5 million over five years to upgrades roads and freight facilities in Northern Queensland;
- \$18.1 million additional funding over four years for maintaining the Remote Indigenous Land and Infrastructure Program Office for integrated capital works in 34 discrete Aboriginal and Torres Strait Islander communities; and
- \$15 million to improve mobile coverage in Queensland, including upgraded mobile towers along major transport routes.

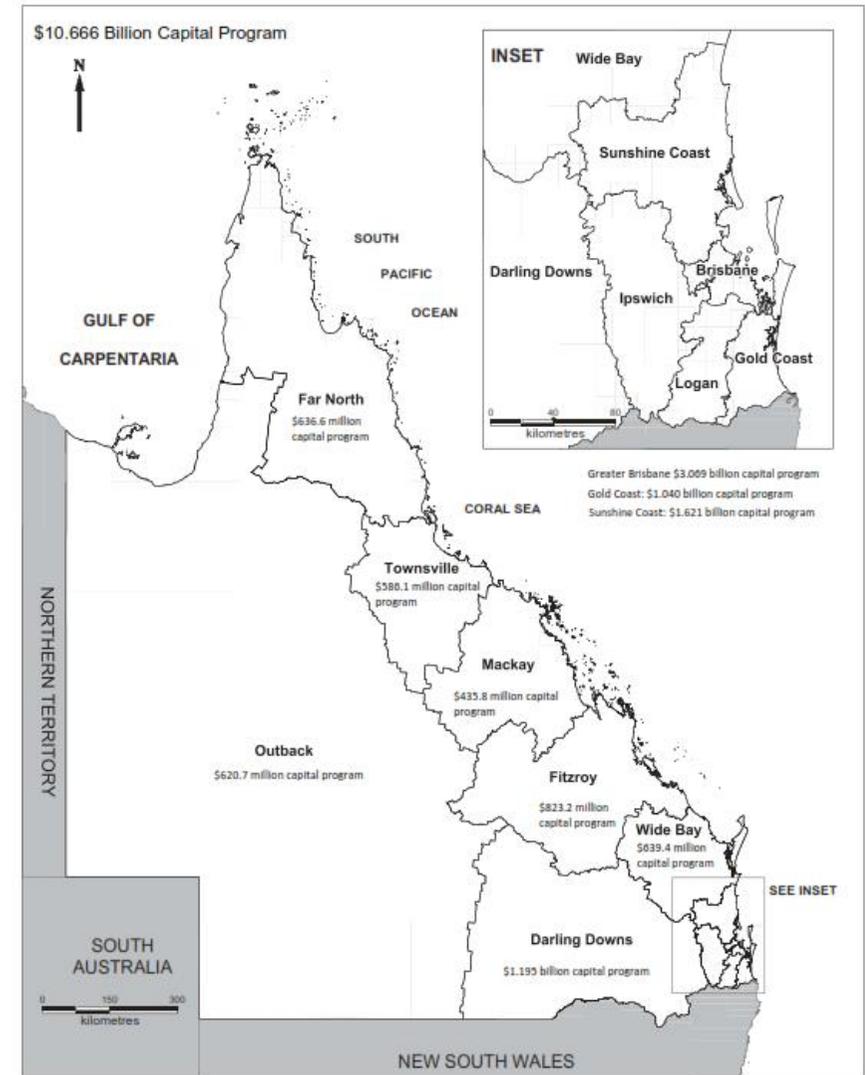
Improving Housing Supply and Affordability

In recognising the importance of housing development and improving the supply of housing, the First Home Owners' Grant scheme will be increased from \$15,000 to \$20,000 for buyers of their first newly constructed property (house, unit or townhouse) valued under \$750,000.

Government measures for education, jobs and training

The Government has allocated \$12.9 billion towards education and training in 2016-17, a 5.9%

Chart 5: Capital Expenditure in Queensland Regions



increase on 2015-16. Key education funding initiatives include:

- \$249.3 million over four years to increase the Base Capital Works Program for growth and renewal in State schools and the construction of a new State high school at Calliope by 2020;
- \$94.7 million in 2019-20 for the Queensland School Maintenance Management Framework;
- \$25.3 million over five years for Trade and Investment Queensland to deliver initiatives from the Queensland International Education and Training Strategy; and
- \$102 million over four years for Queensland Schools to implement the findings of the Review of School Administrative and Support Staff.

In addition, the Budget includes \$100 million for a Regional Jobs Package to support up to 8,000 Queensland jobs. The package will only be available in areas outside South East Queensland. Regional employers who hire an eligible unemployed person will receive a \$10,000 payment under this initiative. This will rise to \$15,000 for long-term unemployed persons who have been out of work for 12 months or more. Apprentices and trainees are also considered as eligible employees under the scheme, provided their employer is not eligible for the Government's payroll tax rebate

Queensland Budget: revenue, expenditure, balance and debt

Revenue to the Queensland Government is expected to grow by an average of 3.2% p.a. over the next four years, while expenses are expected to grow by 2.9% p.a. (nominal growth). On the revenue side, the Queensland state government is expecting growth in revenue from land transfer duty (up 5.6% in 2015-16) due to price increases and increased sales numbers for residential property, plus moderate growth in large commercial property transactions. Revenue from payroll tax is expected to grow by 2.0% in 2016-17, with reduced employment in the mining sector weighing on payroll tax receipts. However, stronger growth in payroll tax is expected in 2017-18 (5.6%) in line with firmer employment growth. Payroll tax and transfer duties together are estimated to have accounted for around 54% of the state's total taxation revenue in 2015-16.

Government expenses are growing due to increased demand for health and education services, more transport and road projects, commencement of the National Disability Insurance Scheme, deferrals of Commonwealth funding from 2015-16 and employee expenses. Direct Government staffing costs will grow by 7.3% in 2015-16 and 4.9% in 2016-17% p.a. Expenses growth will slow to 3.7% p.a. over the following three years.

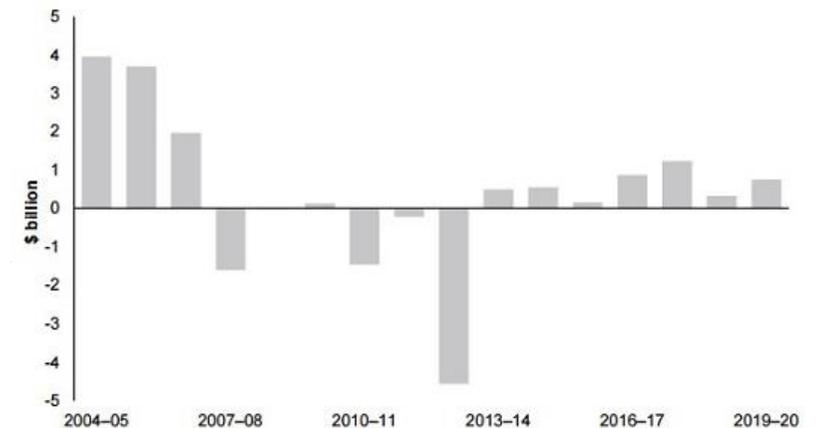
The Government expects an operating surplus of \$867 million in 2016-17, its largest since 2006-17.

Table 3: General Government fiscal position

	2015-16 Est Actual	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Operating revenue, % change	0.4	6.9	3.6	-0.5	2.9
Operating expenses, % change	1.2	5.5	2.9	1.2	2.1
Operating balance, \$bn	152	867	1,225	321	741
General Govt. borrowings, \$bn	35.7	37.8	38.0	38.4	38.7
Net debt ratio, % of GSP	71.4	70.7	68.7	69.6	68.2

Source: 2016-17 Queensland Budget

Chart 6: Queensland Net Operating Balance



Source: 2016-17 Queensland Budget

Operating surpluses averaging \$762 million per year are expected in each of the three years to 2019-20. This is expected despite royalty revenue forecasts being revised down by \$2.7 billion over the period to 2018-19 since the Mid-Year Fiscal and Economic Review, plus further downward revisions to expected State tax revenue of around \$350 million over the same period.

The Budget maintains the “Debt Action Plan”. As a result, General Government borrowings are expected to fall from \$43.1 billion in 2014-15 to \$38 billion in 2017-18. The debt to revenue ratio is expected to fall substantially in 2015-16 to 71% from a peak of 91% in 2012-13, and then fall gradually over the next four years to 68% by 2019-20. The Debt Action Plan will see \$4 billion repatriated from the State’s Defined Benefit Scheme with \$2 billion to be used to fund priority infrastructure projects and \$2 billion used to reduce general government sector debt.

Queensland economy: outlook, opportunities and risks

The Queensland Government expects growth in real state output (GSP) will strengthen to 3.5% p.a. in 2015-16 from just 0.8% p.a. in 2014-15, as LNG exports and dwelling investment (new houses, apartments and renovations) both increase at a more robust pace. This growth in housing investment is being supported by low interest rates, a large pipeline of medium to high density residential projects, the lower dollar and stronger employment growth (1.75% p.a. in 2015-16)

The Government expects growth in state output will strengthen further to 4% p.a. in 2016-17 before moderating to 3.5% in 2017-18, as the dwelling construction cycle and export growth ease. Weaker commodity prices and a soft global outlook are expected to continue to weigh on resources sector investment. As a result, business investment is expected to continue to fall in 2016-17 (-10.75% p.a.).

A moderate recovery in business investment is, however, expected in 2017-18 (+2.75% p.a.) as non-resources investment picks up, in line with improving household sector activity.

Key risks to this positive growth outlook for Queensland are:

- slower than expected growth in house building activity (considered unlikely while interest rates and unemployment rates remain low);
- longer than expected drought conditions and below average rainfall across much of Queensland could further delay the recovery in the agriculture sector; 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.	2014-15 actual	2015-16 forecast	2016-17 forecast	2017-18 forecast
Real GSP	0.8	3.5	4.0	3.5
Employment	0.3	1.75	1.5	1.75
Unemployment rate	6.5	6.25	6.25	6.0
CPI	1.9	1.5	2.0	2.5
WPI	2.4	2.0	2.25	2.75
Population	1.2	1.25	1.5	1.5

Source: 2016-17 Queensland Budget

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