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Stay the course today, change tomorrow

Queensland Business Outlook: Budget Edition

12 June 2019

Deloitte Access Economics

Contents

Backing Queensland jobs... requires embracing change, and delivering reform

Reflections

The economic fundamentals that make Queensland strong, are equally what expose the state – and its balance sheet – to disruption and change.

Exposure to the economic whims of the global economy position Queensland at the forefront of both good times and bad.

Queensland's 2019-20 Budget **sees the signs of change beginning to creep in**.

Until the middle of last year, the global economy was growing at a cracking pace – but over the second half of the year, growth slowed and this continued into 2019. While the future picture looks a little brighter, big uncertainties remain around the trade tensions of Brexit and US-China relations. And the persistent global harmony between low rates of unemployment and inflation are a source of uncertainty. Sluggish household disposable income growth (low wages growth) and the consequent break on consumption is also holding the economy back.

All the while, Queensland's economy rides the wave of uncertainty and broad economic change.

And change is something Queensland's economy can count on:

- Queensland's changing production mix, in part technological advancements and in part the benefits of agglomeration economies in our cities, has been a key contributor.
- Industries such as agriculture, mining, manufacturing and retail trade, have seen significant increases in automation in production and distribution – leading to change of which the pace and scale can be hard to keep up with.

This affects the regions. The foundation of each regional economy is built on the strength of its natural geographic advantage – and the skills and resolve of its people. This makes Queensland's economy diverse. And with more than half of Queensland's population living outside of Brisbane, sustainable and shared economic growth is not just nice to have, but fundamental to Queensland's economic success.

In light of such uncertainty and change, the Reserve Bank Governor of Australia recently raised the key concern when speaking in Brisbane: that there is a **collective diminished trust in the idea that living standards will continue to improve.** The impact of flat wages are hitting people's confidence in the idea of shared prosperity – and also hitting the budget bottom line.

This diminished trust and loss of faith in the idea of shared future prosperity weighs heavy – in Queensland, across Australia and the rest of the world.

Following the same train of thought, the Reserve Bank Governor also acknowledged how hard it is to implement much needed structural economic reform. Reform that will:

- Lift productivity
- Improve – and share that improvement – in living standards
- Build sustained – and sustainable – economic growth

For Queensland this requires tackling the twin forces of disruption confronting the state - technological change and the economic consequences of global climate change.

To mitigate the risk to Queensland's economy and the balance sheet, Queensland needs to make technological advancements work for Queensland business, and its workers. All the while turning the economic risks of climate change and the changing nature of global demand into opportunities.

While 'staying the course' is a safe strategy for managing an economy in the short term; the reality is that change is something Queensland can count on.

Queensland's changing production mix, in part technological advancements and in part the benefits of agglomeration economies in our cities, has been a key contributor and will inevitably continue to change the economy.

Industries such as agriculture, mining, manufacturing and retail trade, have seen significant increases in automation in production and distribution – leading to change where the pace and scale can be hard to keep up with.

Also there is no question that Government economic strategy must meet the challenge of climate change head on - especially for an economy such as Queensland's.

The private sector is already adapting to the disruptions of technological change and climate change. However, government policy has to do more to accelerate this adoption by business, by our communities and by individual Queenslanders.

This is no small task – and it is not a task that any State Government can deliver on its own. Business, industry, community groups, local governments and the Federal Government all have a role to play.

Where a State Government alone can't deliver the scale, pace and types of changes required, we all have to step up.

Where the State Government can shift the dial to address the disruption confronting Queensland in the long-term, it is pulling some of the levers available to it:

- The payroll tax reforms in net terms are pro-business and pro-jobs growth – especially in the regions where a 1% reduction for businesses with 85% of employees outside SEQ is a small, but decent incentive.
- The $100m boost in funding for the North West Minerals Province and the drive for more exports through Townsville is welcome, and is focussed on the future mineral needs of the world.
- The $19m Hydrogen initiative – centred around Gladstone – is a great signal in seeing a new industry for Queensland meet the emerging demands for low-carbon energy from countries including Japan and Korea.
- The $49.5 billion infrastructure spend especially on the big areas of transport, health, and education.

The State Budget also flags two critical areas for further action:

01. The development of a Skills Strategy

02. The release of a refreshed strategy for Advance Queensland – the Government's flagship innovation and entrepreneurship program.

Deloitte Access Economics' key takeaways on Budget 2019-20:

The Government's 2019-20 Budget is framed around the theme of 'staying the course' with its focus on jobs and regions. Its key points include:

- A **challenging global economy, and a slowing Australian economy**, has left little economic room to move for the Queensland Government.
- The **budget has taken a $3.8 billion hit** to its bottom line from what could have been a toxic fiscal mix of falling GST, natural disasters and lower stamp duty; in part countered by additional royalties.
- Despite a difficult environment, the Budget **remains in surplus** each year across the forward estimates.
- The big surprise was the pro-business, pro-jobs **$885 million payroll tax reform package** aimed at incentivising small and medium businesses to expand and create jobs. It's a move to signal business-led economic growth and will be well received, even though larger businesses will end up paying a bit more.
  - All businesses benefit from an increase in the payroll tax threshold from $1.1m to $1.3m.
  - The **regional aspect of the payroll tax reform**- a 1% discount on payroll tax for businesses where 85% of their staff are outside South East Queensland - is a clever move.
  - The introduction of an employment growth rebate for two years from 1 July 2019 for all employers.
- The signalling of a new industry with $19m provided for the development of a Hydrogen industry.

But, someone always has to pay… with increases in some taxes such as payroll tax for large business, land tax for foreigners, companies and trusts, and royalties on petroleum.

Government borrowings have also increased to pay for increased infrastructure. But the debt to revenue ratios (both General Government and Non-Financial Public Sector) and servicing costs remain within manageable limits. Credit rating agencies have confirmed this view.

And the Budget projects **expenditure restraint** – projecting expenditure growth to be lower than revenue growth over the forward estimates. But here's the rub – the Government has struggled to maintain expenditure controls and must now do so over the forward estimates which includes an election in October 2020.

Not widely trumpeted is the establishment of a Service Priority Review Office in Queensland Treasury. It will conduct reviews of programs and the administration of departments with the objective of achieving a reprioritisation target of $1.7 billion over the forward estimates. In terms of strategy this can also better align government programs with the Government's Advancing Queensland Priorities released in 2018.

This is a significant development, signalling a focus on efficiency and management within the public sector to drive expenditure restraint. This is, arguably, a development born of the need to maintain fiscal controls but also the **Coaldrake review** into the Queensland Public Service and the adherence to a fiscal principle to keep public sector jobs growth in line with population growth.

By and large, industry will find many positives. Although specific groups such as those in the petroleum and LNG sector will find the petroleum royalty problematic.

Social groups will feel that the Government should have spent more on housing, health, and other social services.

Green groups will feel this is a lost opportunity, with not enough to drive renewables and the greening of the economy.

But this is the nature of budgets. They give with one hand and take away with the other. They focus on some priorities over others. They balance the competing objectives of signalling for the future with balancing the books. And the imperative to invest in the services that citizens need.

If we all want to secure jobs for the future, then business, the community and Queenslanders must work together to create the conditions for change.

Dr Pradeep Philip
Deloitte Access Economics

Budget snapshot

Queensland's economic strategy

The economic strategy for the Budget remains unchanged with a focus on jobs and regions. The Budget's economic strategy is described by the Treasurer as 'staying the course'.

In many respects this is the right thing for the Budget – focussing on the jobs that Queenslanders need and the quintessential characteristic of Queensland, its regions. In doing so, the Budget ticks a number of boxes – budget surpluses, infrastructure spending, remaining a low tax state, and increased spending on social portfolios.

These measures work in the short run. But in the long run, there are disruptions in the global economy which warrant greater focus.

As a small open trading economy, Queensland is highly exposed to global economic conditions, which, over the coming years will have a sustained and structural impact on the state's economy. Trade tensions are already high, and uncertainty is all pervasive.

Compounding this, technology and climate change are key disruptions which are dislocating business models, markets, consumer preferences, and the production methods of industries as well as the skill sets for the jobs of the future.

Addressing these is critical to a future economic strategy. To back jobs necessitates embracing change and the delivery of reform. Because one thing is certain for Queensland – change is coming. And Queensland's economic strategy must tackle this head on to make change work for Queensland.

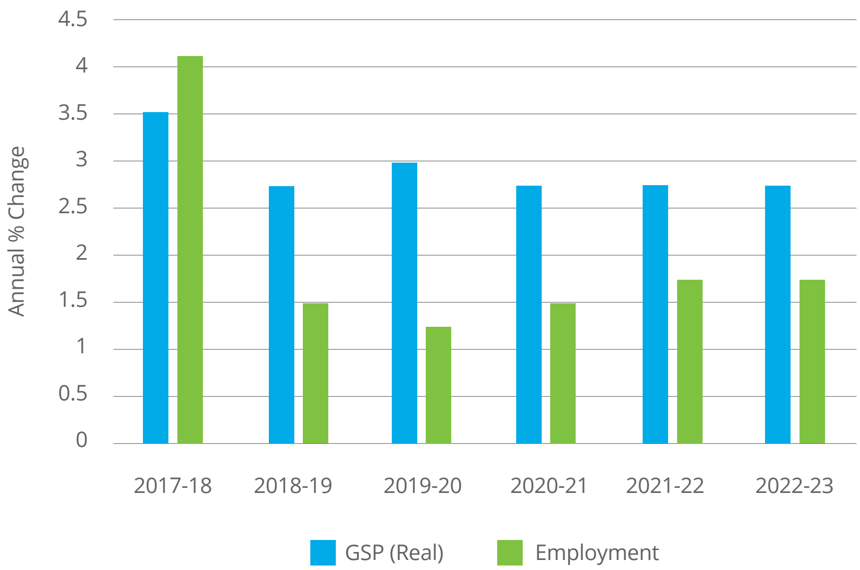
Domestically, the Budget forecasts growth to pick up to 3% in 2019-20 and then moderate to 2.75% over the forward estimates. Employment growth, coming off a high in 2017-18 will tick along between 1.25% and 1.75% across the forward estimates with the unemployment rate steady at 6%.

How to interpret these? Standing still, treading water, could have been worse, or not good enough?

These unemployment figures might appear reasonable in the current environment, but we can and must do better.

Which is why the signals for the Hydrogen industry, the pro-business payroll initiatives, and reviews for skills and Advance Queensland are welcome and critical for the future. They are critical to drive productivity, investment, and the adoption of new technology into our businesses.

Chart 1: GSP and Employment Forecast (% annual change)



- A range of global, national and local factors are expected to see growth in Queensland's Gross State Product (GSP) ease to an estimated 2.75% in 2018-19.
- Global economic conditions have deteriorated substantially since early 2018. A slowdown in China's domestic economy, escalation of trade tensions between the United States and China, and uncertainty surrounding Brexit have contributed to slowing global growth in late 2018 and into 2019.
- Within the domestic market, the expected slowdown in housing further contributed to easing economic growth.
- However, in line with more subdued domestic activity, employment growth is expected to return to more sustainable rates of 1.5% in 2018-19 and to 1.25% in 2019-20.
- Similar to recent years, variations in employment growth are expected to be mostly absorbed by changes in participation, seeing the unemployment rate stabilise around 6%.

Queensland's fiscal strategy

This budget keeps Queensland in the black – just! In the context of a challenging global economy, a slowing domestic economy, sluggish wages growth and consumption growth, and a hit to the housing sector – the delivery of surpluses is no mean feat.

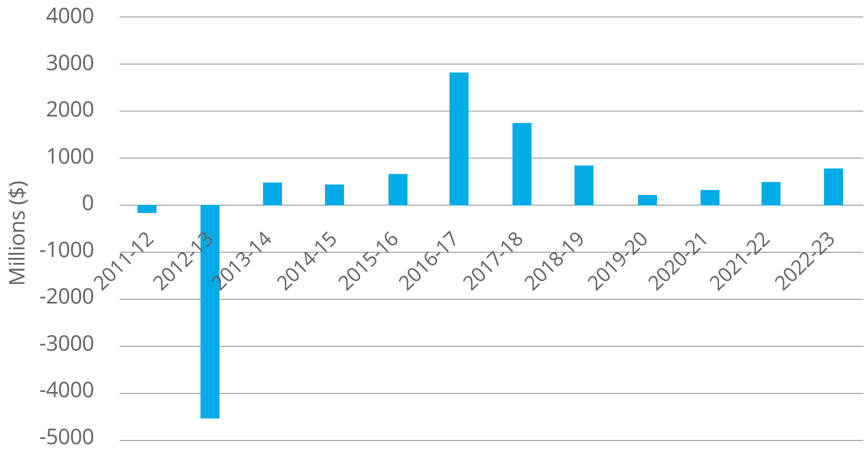
The budget has taken a $3.8 billion hit to the bottom line from lower GST revenues than expected, the cost of natural disasters, and lower stamp transfer duties. On the flip side, royalty revenues have delivered an additional benefit to the bottom line.

Operating surpluses across the forward estimates are delivered though a cocktail of some tax increases, some expenditure restraint, and increased borrowings.

Expenditure growth remains a bug bear for the Government. A blowout in the last year translates into restraint over the forward estimates. Maintaining expenditure controls will be critical to delivering the surpluses forecast in the Budget.

Borrowings rise in the Budget as the Government struggles to meet infrastructure needs in a tough operating environment. But debt is not a bad thing per se. It depends on the economic and social rates of return the investments generate. Moreover, the Budget papers make it clear that an increasing proportion of new capital investments is being funded from operating revenue.

Chart 2: Net Operating Balance ($)



- Despite a $3.8 billion hit to the bottom line from a mix of falling GST, natural disasters and lower stamp duty, a General Government net operating surplus of $841 million is expected for 2018-19, about $700 million higher than forecast in the 2018-19 Budget (or $317 million more than the 2018-19 Mid-Year Fiscal and Economic Review estimate).
- Ratings agencies have noted that the budget is likely to remain in operating surplus despite weaker goods and services tax and stamp duty forecasts, noting that strong mining royalties and new taxes should partially offset these – indicating the budget position is manageable.

Revenue and expenses

- Net operating surpluses will be achieved across the forward estimates with revenue growth expected to increase and exceed expense growth from 2020-21.
- Total revenue growth is mainly driven by growth in GST, royalties, and taxation.
  - Lower revenue growth from royalties is expected in 2019-20 compared to 2018-19, due to an expected decline in coal prices during 2019-20.
  - Total revenue growth over the forward estimates is mainly driven by moderate taxation revenue growth, averaging 5.8% over the four years to 2022-23, supported by expected growth in major taxes such as payroll tax, transfer duty and land tax, and by the introduction of the Waste Disposal Levy.
  - Revenue growth over this period is also supported by current grants of 2.1% but is also affected by declining royalties with coal prices expected to return to medium-term levels, lower interest income due to a reduction in the portfolio of financial assets held, and lower dividends from the Non-financial Public Sector (NFPS).
- The Budget projects expenditure restraint – projecting expenditure growth to be lower than revenue growth over the forward estimates. But here's the rub – the Government has struggled to maintain expenditure controls and must now do so over the forward estimates which includes an election in October 2020.
- The budget establishes a Service Priority Review Office in Queensland Treasury. It will conduct reviews of programs and the administration of departments with the objective of achieving a reprioritisation target of $1.7 billion over the forward estimates. In terms of strategy this can also better align government programs with the Government's Advancing Queensland Priorities released in 2018.

Chart 3: Revenue and expenses growth (% annual growth)

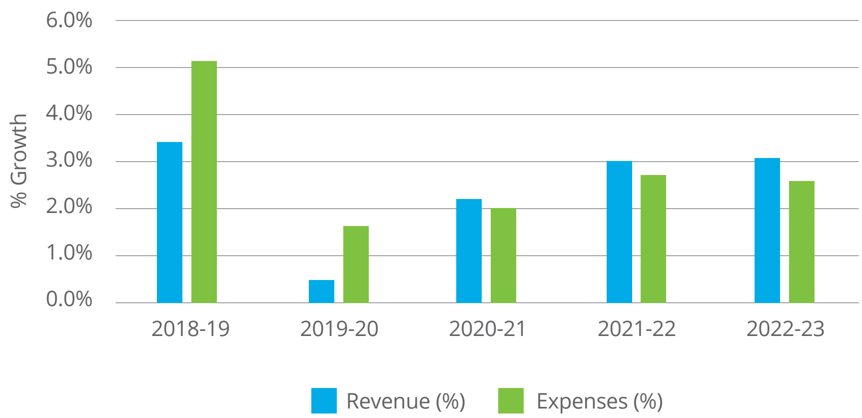
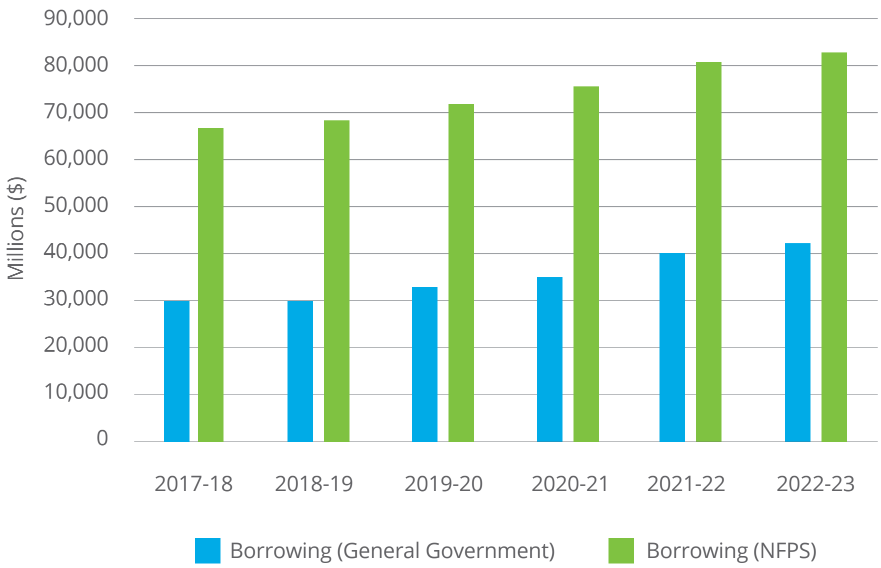
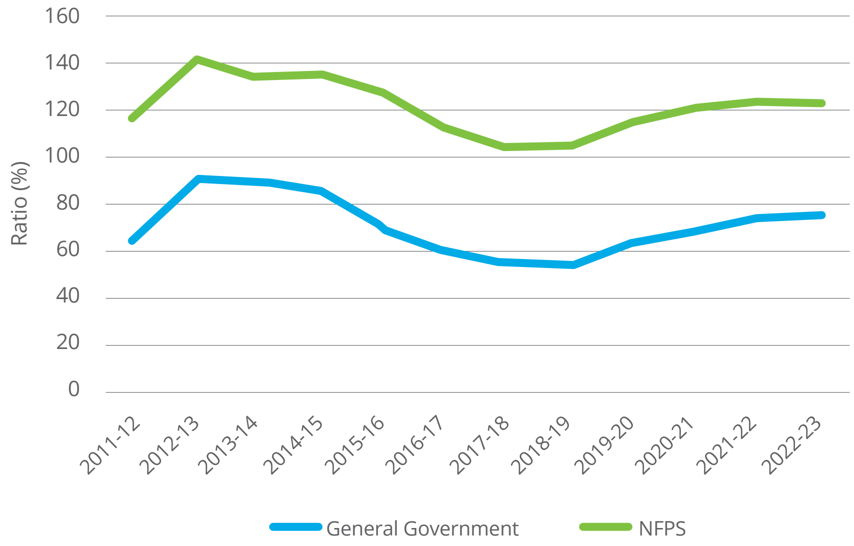


Chart 4 : Borrowing



- Ongoing investment in economic and social infrastructure has been attributed to the increase in General Government and NFPS borrowing with Queensland Treasury Corporation (QTC) over the period to 2022-23.
- These figures remain largely in line with the 2018-19 Budget projections, excluding the implications from the introduction of AASB.
- The introduction of the AASB 16 Leases, has resulted in a one-off increase to General Government Sector borrowing of over $2.2 billion and an increase for NFPS borrowing of over $2.6 billion, on 1 July 2019.

Chart 5: Total borrowings to revenue (%)



- Across the forward estimates, the expected moderation in revenue growth and the timing of significant capital projects and associated borrowings, as well as the impacts of AASB 16, sees a gradual increase in the forecast debt to revenue ratio before a stabilisation in 2022-23.
- On average over the budget and forward estimates, the debt to revenue ratio for the general government sector is 71%.

Is payroll tax the Budget Messiah?

Payroll Tax

Payroll tax in Queensland will change considerably from 1 July 2019 with a number of measures introduced as part of the Budget.

The exemption threshold increases, but so does the rate

From 1 July 2019, the taxable wages exemption threshold will increase from $1.1 million to $1.3 million. No payroll tax will apply where total taxable Australian wages are below this threshold. The threshold will continue to reduce by $1 for each $4 by which taxable wages exceed the threshold, as currently. Accordingly, the threshold will cease to apply where taxable wages are $6.5 million and above, and payroll tax will then be payable on every dollar of taxable wages.

The payroll tax rate will remain at 4.75% for taxable wages paid up to the $6.5 million threshold, however where businesses pay total taxable Australian wages of $6.5 million or more, the payroll tax rate (applying to all Queensland taxable wages) will be 4.95%. The increased payroll tax rate will also apply from 1 July 2019.

These changes will result in approximately 12,000 employers paying a reduced amount of payroll tax and approximately 1500 employers no longer falling within the payroll tax net. However, at least 13,000 employers are also expected to pay more payroll tax. The reductions in payroll tax are worth $885 million, while larger businesses will pay $544 million, resulting in the payroll tax measures in this budget having a cost to revenue of $341 million over the next four years. The Budget also acknowledges that a 1% change in wages or employment growth will result in a $43 million change to the payroll tax revenue base.

Regional rate reduction

From 1 July 2019 to 30 June 2023, businesses with a registered business address in a specified regional area (i.e. outside S.E. Queensland), that pay at least 85% of their taxable wages to employees residing in one of the specified regional areas, will be eligible for a 1% reduction in their applicable payroll tax rate. This will reduce the payroll tax rate for qualifying medium size businesses (taxable wages up to and including $6.5 million) to 3.75% and for qualifying large businesses ($6.5 million and over) to 3.95%.

The specified regional areas will include Cairns; Central Queensland; Darling Downs – Maranoa; Mackay – Isaac – Whitsunday; Queensland – Outback; Townsville; and Wide Bay.

What is attractive for regional business is that they could get access to multiple or all of the payroll tax benefits and apprentice and employment growth rebates.

Apprentice and Trainee rebate

The extension of the 50% payroll tax rebate for apprentices and trainees for a further 24 months until 30 June 2021 is most welcome. The rebate benefits employers by reducing the payroll tax payable by them on their overall taxable wages (in addition to the wages for the apprentice/trainee being exempt). The rebate amount is equal to 50% of the wages paid to apprentices and trainees multiplied by the payroll tax rate. Since its introduction in 2015-16, more than 5,300 business have claimed a total of $76 million in rebates.

Employment growth rebate

From 1 July 2019 until 30 June 2021, a rebate of payroll tax, capped at $20,000 per employer, will be available for businesses with a net increase in their level of full-time employees in a year. The amount of payroll tax rebate will be relative to the increase in full-time employment generated in the year.

This rebate will operate in addition to the ‘Back to Work’ jobs incentive scheme that will also continue to apply.

Land tax

Land tax was also a big revenue spinner in the Budget and foreign land owners will shoulder a significant portion of the increased revenue expected to be received from changes announced to land tax in the Budget. Overall, the land tax measures in the Budget are forecast to return an additional $778 million revenue to the State over the next four years. Land tax will also increase proportionally as a share of total State taxation revenue. The two key measures announced in the Budget were:

01. An increase in the absentee owner land tax surcharge from 30 June 2019 to 2.0% (up from 1.5%) and will be extended to include foreign companies and trustees in addition to absentee individuals, which is expected to raise an additional $540 million in revenue.

02. The land tax rate for companies and trusts with aggregate landholdings above a land tax value of $5 million will increase by 0.25%, which is expected to raise an additional $238 million in revenue. The rates applying to landholdings with a land tax value below $5 million will not change. Accordingly, the rate applying to aggregate landholdings with a land tax value from $5 million to less than $10 million will be $75,000 plus 2.25% on the amount over $5 million, and the rate applying to aggregate landholdings with a land tax value of $10 million or more will be $187,500 plus 2.75% on the amount over $10 million.

Petroleum royalty

The rate of petroleum royalty will be increased from 10% to 12.5% of the wellhead value for petroleum (including coal seam gas) disposed of or produced from 1 July 2019. However, for annual return lodgers with a return period ending 31 December 2019, a rate of 11.25% of the wellhead value will apply to this years' return only.

In a welcome measure, the State Government has announced a proposed review of the design of the current royalty regime to address existing uncertainty in the calculation of royalty, although the specific details of this review are yet to be announced. This should provide much needed certainty and simplification to the current regime.

Landholder duty changes

Although not announced as part of the key Budget measures, contained within the changes are amendments to the Duties Act 2001 (Qld) that will expand the landholder stamp duty base. As a consequence of the amendments, all landholdings of a partnership, where the landholder or a subsidiary of the landholder is a partner, will be included in the duty base, irrespective of the interest held in the partnership. These amendments are to address the decision of the Court of Appeal of the Victorian Supreme Court in Commissioner of State Revenue v Danvest Pty Ltd & Anor [2017] VSCA 382. No significant revenue impact is noted in the Budget as a result of these changes, but this remains to be seen.

Gambling tax

The Government introduced a point of consumption tax in October 2018 for all betting operators licenced in Australia on wagers placed by Queensland customers. No changes to the gambling tax rates were announced in the Budget however, total gambling tax and levy collections are estimated to grow by 5.9% in 2019-20, and 4.5% on average over the four years to 2022-23. These growth rates are directly supported by expected increased revenue from the point of consumption tax (betting tax).

Compliance programs

The Government has proposed an increase to resourcing for Treasury to undertake a program of additional targeted tax compliance activities to key taxes such as payroll tax, land tax, transfer duty and royalties. The compliance program is expected to increase compliance-related revenue by $220 million over four years ending 2022-23. As a direct result of this additional resourcing, taxpayers can expect to see increased compliance activities undertaken by the Office of State Revenue.

Big ticket items

Capital works

Key highlights include:

- The total value of the Government's capital works program is $49.544 billion over the forward estimates, with $12.941 billion in 2019-20. Sixty per cent will be to fund projects outside of Greater Brisbane, with 63% of the jobs generated by investment in infrastructure to be in regions outside Greater Brisbane.
- Of the total capital works budget, transport infrastructure was the biggest winner recording 46% of the total, followed by energy infrastructure (spanning initiatives across all portfolios) at 20%, education and training at 12%, and health, housing and community services at 12%.
- The Government estimates that the direct cost of recovery and damage to public assets from the 2018-19 natural disasters to be $1.3 billion.

Portfolio related highlights include:

- Health, communities and social:
  - Total value of the capital works is $777.7 million in 2019-20. Key measures include $78.6 million for Enhancing Regional Hospitals, $40.7 million as part of Rural and Regional Infrastructure, $36.3 million as part of the Building Better Hospitals Program.
- Education:
  - Capital purchases for the Department total $1.227 billion, including $479.2 million as part of the Building Future Schools Fund, $296.7 million for the provision of additional facilities at state schools experience faster enrolment growth.
- Transport:
  - The total capital program for transport is $4.096 billion, including $3.979 billion and capital grants of $216.7 million.
  - Port of Townsville Channel Capacity Upgrade is estimated at a cost of $193.5 million (funded through the North West Minerals Province funding).
- Housing and Public Works:
  - Total capital purchases for the portfolio totals $666.5 million in 2019-20. This includes $63.3 million for social housing in Aboriginal and Torres Strait Islander communities and $102.8 million to compete the construction of the North Queensland Stadium.
- Innovation and Tourism Industry Development:
  - Total capital grants of $93.4 million for 2019-20, include major funding for Great Barrier Reef Island Resorts Rejuvenation Program ($23.1 million) and the Growing Tourism Infrastructure Fund ($19.9 million).
- State Development:
  - Disaster Management: The Queensland Reconstruction Authority (QRA) has a capital spend of $1.3 million and capital grants of $236.2 million to support the Queensland Government's program of infrastructure renewal and recovery within disaster-affected communities and to help build disaster resilience across the State.
- Justice:
  - $178 million over three years for additional youth justice infrastructure.
  - Queensland Corrective Services received $88 million (of $241 million) to provide an additional 348 cells at Capricornia Correctional Centre.

Business and industry

Small to medium businesses

This Budget has a particular focus on small to medium businesses, committing $885 million over four years in a series of targeted payroll tax initiatives that will deliver lower taxes for an estimated 13,200 small and medium businesses across Queensland.

Key highlights include:

- The payroll tax package which includes an increase in the exemption threshold from $1.1 million to $1.3 million, a regional payroll tax discount of 1% for employers with 85% of their employees outside of South East Queensland, an employment growth rebate (payroll tax rebate) for employers who increase the number of full-time employees, and an extension of the apprentice and trainee rebate to June 2021.
- Increased funding of up to $14 million over two years to meet continued demand for the Back to Work program in South East Queensland, bringing total funding under the program to $383 million. The Back to Work program also predominantly benefits small businesses, with 77% of total firms accessing payments through the initiative employing less than 20 staff members.

State development

- $70 million over the next four years to deliver Round 5 of Building our Regions, which will provide infrastructure in Queensland regions.
- $25 million in additional funding for the Jobs and Regional Growth Fund – assisting businesses and projects to fuel economic development and employment opportunities in regional Queensland.
- $6 million additional funding over two years to the 'Made in Queensland' grant program.
- The Government is providing increased funding of $5 million over four years to continue advancing Queensland's biofuture's agenda.

Queensland Hydrogen Industry Strategy

- Under a new agenda for establishing a renewable hydrogen industry, the Government has developed a Hydrogen Industry Strategy. Some $19 million is allocated over four years – with a focus on job creation, regional growth and increased innovation and development. Gladstone will be the hydrogen hub, building on existing infrastructure located in the region.

Advance Queensland

- While no additional funding has been allocated to Advance Queensland, the Budget flags the release of a new Advanced Queensland Strategy later in 2019. The Advance Queensland Industry Attraction Fund, however, has received $45 million additional funds – with the total funding amount now sitting at $150 million for the fund.

Tourism

The $25 billion tourism industry also gets some attention in the Budget. Key highlights from the 2019-20 Budget include:

- An additional $48 million has been allocated to Tourism and Events Queensland over the forward estimates (an increase on the 2018-19 Budget's $47 million).
- The Wangetti Trail, in Tropical North Queensland, has been provided with additional funding of $33.7 million (and $5.7 million internally funded) – to build infrastructure (including ecotourism accommodation sites) and continue to develop the trail as an ecotourism attraction.
- $13.9 million is allocated over two years, for funding of $7.5 million internally, to progress market approaches for the Cairns and Gold Coast Global Tourism Hub procurement processes, for the contract management of the Queens Wharf Brisbane Integrated Resort Development, and for the progression of the Thorsborne, Cooloola and the Whitsunday Ecotourism Trails Program.

Education and skills

Education

The 2019-20 Queensland State budget commits more than $14.9 billion in Education and Training, delivering more teachers and enhancing services to improve educational outcomes across Queensland.

Key highlights include:

- $1.1 billion of funding over the forward estimates for Queensland state schools as part of the five-year school funding agreement with the Federal Government.
- An additional $532.6 million over seven years from 2018-19 to expand the Building Future Schools Fund (to a total of $1.3 billion) to deliver three new primary schools, seven secondary schools and two special schools opening in 2020 and 2021.
- An additional $235 million over four years to 2021-22 provided by the Renewing Our Schools Program to upgrade facilities in schools across the State.
- Increased funding of $251.3 million for the provision of facilities at existing state schools experiencing growth in enrolments over three years from 2018-19.
- $100 million will be provided over four years to fund state school air conditioning projects across the state.
- Increased funding of $30.4 million over two years to support the continued provision of universal access to kindergarten for children in the year before school.
- $721,000 over three years will also be provided to support the Daniel Morcombe Foundation.

Skills

There is also continued investment in skills and training, underpinned by a growing Queensland workforce and the need to provide people with the right skills to drive economic growth and employment. Going forward, the Queensland Government's focus on skills will also be bolstered by a new Skills Strategy, informed by the Skills and Industry Summit held in late 2018.

Key highlights include:

- $80 million in 2019-20 as part of a $420 million, six year commitment to the Skilling Queenslanders for Work program, which helps eligible Queenslanders to develop skills, gain qualifications and provides direct assistance to enter and stay in the workforce.
- $105.8 million in 2019-20 for upgrades and improvements in Queensland's training infrastructure, including the upgrade of TAFE campuses at Mount Gravatt, Gold Coast, Pimlico in Townsville, Alexandra Hills and Toowoomba.
- Additional funding of $5.5 million over three years for the Micro-Credentialing Pilot to support industry-led skills development designed to address emerging workforce skills requirements.
- $4.6 million over five years for the Digital Engagement Strategy to improve online accessibility of vocational education and consumer training information for young people.
- $16.6 million over four years from 2018–19 for FlexiSpaces to support schools to provide innovative learning spaces to retain students at risk of disengagement.
- $11.2 million expansion of the Regional Youth Engagement Hubs program to locate, case manage and re-engage early school leavers back into school and training.

Health, communities and social

Health

The 2019-20 Budget continues to focus on increased front line services, regional hospital expansions, funding for regional and remote health care access, and suicide prevention – all of which are key election commitments. However, there has been no growth in the expansion of primary and prevention care, which is in contrast to key Queensland Health initiatives, such as the Health and Wellbeing Queensland initiative.

Key highlights include:

- An increase of operating expenditure by 6.6% on 2018-19 budgeted expenditure. Much of this increase in funding is being allocated to employment expenses, with a projected increase of approximately 3% in FTE. Approximately 80% of the projected increase in FTE expenses will be allocated to acute and emergency services, with no growth in department staff and prevention, primary and community care.
- Development of Logan, Caboolture and Ipswich hospitals have been allocated $36.3 million this year under the Building Better Hospitals initiative.
- Extension of the specialist outpatient service strategy until 2020-21, with an additional $71.4 million in that year.
- An extension of the Nurse Navigator commitment to include $116.8 million over 2021-22 to 2022-23, and ongoing funding of $59.8 million per annum from 2023-24.
- Ongoing funding support for community helicopter providers to support Queensland's Emergency Helicopter Network services, including $58.5 million over four years (an increase of approximately $30 million over planned centrally held funding from the 2018-19 Budget).
- $61.9 million allocated over five years to support suicide prevention as part of the Shifting Minds Suicide Prevention Flagship.
- A further $100.6 million allocated over five years to support the health needs of prisoners.
- NDIS Transition Support – Community health support programs: Government is providing an additional $35.2 million in 2019-20 for the Community Nursing Program, Community Managed Mental Health Program, the Medical Aids Subsidy Scheme and the Housing and Support Program. This funding is part of $61.9 million over two years of temporary funding to assist the transition to the NDIS while interface issues with mainstream services are being resolved.

Communities and social

The 2019-20 Budget includes a number of key measures to improve the protection of vulnerable people within society, such as through child safety and child abuse prevention initiatives and support for disabled people in light of the NDIS roll-out and insights from the ongoing Royal Commission.

Key highlights include:

- Department of Child Safety, Youth and Women has been allocated $369.4 million over four years to continue to deliver Supporting Families Changing Futures reforms.
- $14.8 million of a $21.9 million project to develop an integrated Client Management System Replacement Program (stage 1), which will improve multi-agency collaboration and information sharing in the child safety service sector.
- The Department Communities, Disability Services and Seniors has been allocated $34.3 million over four years, for greater support for people with disabilities, particularly NDIS and ensuring continuity of support for those not eligible for the NDIS.

Justice

The budget delivers an additional $847.9 million investment across Queensland's justice system through a series of new and ongoing programs designed to enhance justice and safety outcomes.

- $550 million has been committed in Youth Justice reforms since 2017, including overall investment of $154.5 million operating funding and $178 million capital over five years as part of the Youth Justice investment package, supporting a range of initiatives:
  - $27 million over three years for an additional 16 new beds at the Brisbane Youth Detention Centre and $150 million to construct a new 32-bed youth detention centre at Wacol.
  - $27.5 million over four years for the Restorative Justice Conferencing program in the youth justice system.
  - Increased funding of $28.7 million over four years to expand on the Transition to Success program and support young people to reconnect with education, training, employment and life skills.
  - $33.5 million over four years for the continuation and expansion of the Townsville Community Youth Response and to establish new locations in Cairns, Ipswich and Brisbane.
  - $6.4 million has been allocated over two years for an enhanced Youth and Family Wellbeing service for young people and their families at risk of entering the youth justice system.

Police

- Queensland Police have been allocated an operating budget of $2.4 billion, a 5.2% increase on the operating budget in 2018-19 which will contribute to an increase of 436 police officers within the force.
- Queensland Police have been allocated an additional $28 million to continue to work on the $52.2 million Counter-Terrorism and Community Safety Training centre at Wacol.
- In addition to major infrastructure projects such as the expansion of the Capricornia and South East Queensland Correctional Centres, the Queensland Corrective System has been allocated a further $2.5 million over four years for a rehabilitation program in the remote Indigenous community of Aurukun.

Transport

The total capital works program for the Department of Transport and Main Roads is $4.096 billion across the State. This is down from last year's budgeted $4.217 billion over the forward estimates. Transport Budget measures build on existing major programs of work, some of which have received funding top-ups. Measures have also drawn on alternative funding buckets including the North West Minerals Province, central funding from Queensland Treasury or are being funded internally by the Department itself.

Key highlights include:

- The Queensland Transport and Investment Program (QTRIP) represents $23 billion (capital and non-capital costs) over four years, this total funding is a top-up of $1.3 billion when compared to last year's forward estimates. More than $14.5 billion of this will be spent outside Brisbane City, Ipswich City and Redland City local government areas.
- With the recently re-elected Coalition Federal Government not committed to funding the Cross River rail project, it remains to be seen how the Queensland Government will fund its flagship project over and beyond the forward estimates. The 2019-20 allocation for works commencing this year is approximately $1.48 billion.
- Projects funded internally by TMR:
- The Roma Street Busway Interchange, $250 million over 5 years.
- Clapham Rail Yards land acquisition, $81 million over 2 years.
- Projects funded via the North West Minerals Province $110 million funding pool:
- The Mount Isa Line Below Rail Subsidy which has been bundled with the Port of Townsville Common User Facility and allocated $30 million.
- The total value of projects which aim to grow the rail network across Queensland are valued at $254.4 million. This includes provisions for the New Generation Rollingstock delivery which is valued at $4.15 billion in its entirety.
- Ongoing funding to major highway upgrades across the State, including the Pacific Motorway valued at $897.5 million. As well as continuing Bruce Highway upgrades with start dates post 2019-20, including the Rockhampton Ring Road and the Cooroy–Curra Section D at a cost of $1 billion each, the Pine River–Caloundra Road Interchange at a cost of $662.5 million and the Townsville Ring Road at $180 million.
- Far North Queensland Ports has been allocated $70.1 million towards the Cairns shipping development project for the dredging of Trinity Inlet shipping channel.
- The expanded Camera Detected Offence Program capital and expense measures total $6.26 million and $166.5 million respectively over the forward estimates; with $110 million in expense measures allocated exclusively in 2022-23.

Environment and energy

The 2019-20 Budget has committed to a focus on wildlife and the environment – revitalising national parks, fire management, protected animal management and conservation. Improving waste management continues to be a focus, with the introduction of the new waste disposal levy, alongside a focus on scientific research and development. The Treasurer's Budget Speech also highlighted the Government's focus on renewable energy and Queensland's transition to a low carbon economy.

Key highlights include:

- $25 million is allocated over four years for the Queensland Government Research Infrastructure Co-Investment Fund – supporting investment in scientific research and development in Queensland.
- The Government has committed $12.5 million for National Parks – across capital infrastructure – for the revitalisation walking trails, lookouts, camping and day use facilities.
- The Government is allocating $6.8 million over three years towards accumulation of fire management infrastructure and equipment. A further $9.2 is committed over four years, with all funds contributing to increasing the capabilities of Queensland Parks and Wildlife Service to reduce risks to life, property and biodiversity from bushfires.
- $17.1 million is allocated for a continuation of the Shark Control Program and will contribute to a trial application of new technologies, such as drones, in swimmer risk mitigation, research, and rolling out education and awareness programs.
- The Drought Assistance Package and Queensland Drought Reform is allocated a total of $74.6 million over four years from 2019-20 to support drought affected communities across the State.
- The Queensland Government has secured Australian Government matched funding for $254 million under the jointly funded Disaster Recovery Funding Arrangements. This includes a $242 million disaster funding package following the North and Far North Queensland Monsoon Trough; and $12 million to respond to the Central Queensland Bushfires.
- Hopeland (Linc Energy) Management and Remediation: Capital funding of $4.3 million and expense funding $17.6 million (over four years) for the management and remediation of the Linc Energy site.
- Community Service Obligation payments for the Cloncurry Pipeline: Funding of $18.6 million over three years to support the Cloncurry Shire Council's long-term water supply and industrial development.

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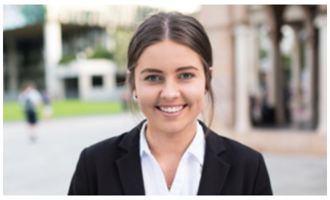

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