

Overview

The 2018-19 Budget delivers on the commitments made by the Palaszczuk Government and will deliver the infrastructure to create jobs and the services that our State's growing population needs.

The key initiatives outlined in the 2018-19 Budget align with the Palaszczuk Government's clear economic plan to drive economic growth, create more jobs and improve prosperity by:

- increasing the economic opportunities available to Queenslanders
- enhancing the capacity of Queenslanders to access and capitalise on these opportunities
- ensuring all Queenslanders share in the prosperity and improved quality of life these opportunities deliver.

Delivering infrastructure

With the State's population growing over recent decades to more than five million, the Government's \$45.8 billion capital works program over the four years to 2021-22 will support the ongoing delivery and facilitation of key economic and social infrastructure to meet the needs of Queensland families, businesses and communities.

The Government's substantial infrastructure investment directly generates significant employment during the construction phase. More importantly, it creates future jobs, encourages private sector investment and increases the productivity, efficiency and competitiveness of the State's businesses and industries.

The \$11.6 billion capital works program in 2018-19 is estimated to directly support more than 38,000 jobs.

Importantly, to meet the needs of Queensland's growing population, the Government's 2018-19 capital works program includes a \$4.9 billion investment in roads and transport infrastructure. This includes an allocation of \$733 million for the Cross River Rail Delivery Authority in 2018-19 to continue to progress the planning, procurement and development associated with the \$5.4 billion Cross River Rail project. In addition, \$200 million will be spent to widen the Bruce Highway from four to six lanes between Caloundra Road and the Sunshine Motorway and \$22 million in 2018-19 will be spent on two new jointly-funded M1 Pacific Motorway projects. These two new projects have a total cost of approximately \$1.8 billion.

The 2018-19 capital program also includes significant capital purchases related to health (\$985.5 million) and education (\$674.3 million), as well as substantial investment in housing, justice and public safety infrastructure. Significant capital investment in the energy and water portfolios in 2018-19, of \$2.2 billion and \$277 million respectively, will help deliver cost effective, safe, secure and reliable energy and water supply across the State.

Other highlights of the 2018-19 capital program include:

- \$534.3 million to continue the Toowoomba Second Range Crossing project
- \$115 million to construct the Mackay Ring Road (Stage 1)

- \$125.2 million for new classrooms and other infrastructure in state secondary schools to accommodate six full cohorts in 2020
- \$94.5 million to further address enrolment growth pressures in state schools as part of the Building Future Schools fund
- \$28.7 million as part of \$679 million for the Building Better Hospitals program, to redevelop Logan, Caboolture and Ipswich hospitals, commence planning and business case development for the Wide Bay Burnett region, and refurbish three Cancer Council Queensland lodges
- \$339.1 million towards the construction and upgrade of the social housing stock.

Across the State, the Government's investment in public infrastructure will drive transformative change, encourage private investment and make our communities better places to live.

Skill and jobs creation programs

The Palaszczuk Government remains committed to ensuring all Queenslanders have the skills and opportunities to participate and prosper in the State's economy.

The formation of the Department of Employment, Small Business and Training demonstrates this commitment and creates significant opportunities to achieve policy and service delivery synergies in driving small business growth and enhancing the employment, skills and training opportunities available to Queenslanders.

The \$369 million Back to Work initiative is designed to give Queensland employers the confidence to hire eligible jobseekers. Support payments of up to \$20,000 are available for eligible employers, with funding committed across regional Queensland and targeted areas of South East Queensland for applications received by 30 June 2020.

The Skilling Queenslanders for Work initiative continues to be a key element of the Government's focus on employment, training and skills development, with a further \$180 million committed over three years in the 2017-18 Mid-Year Fiscal and Economic Review. Through a suite of targeted skills and training programs, this funding supports skills development, training, and job opportunities for unemployed, disengaged or disadvantaged Queenslanders.

Increasing frontline services

This Budget delivers the services that Queenslanders rely on. Since March 2015, an additional 3,634 teachers and 1,135 teacher aides have been employed to provide our children the best possible start. As part of the Government's focus on ensuring effective and better delivery of health services an additional 1,605 doctors, 4,828 nurses, and 1,488 health practitioners, professionals and technical staff have been employed. An additional 376 ambulance paramedics and 302 police officers have also been employed.

In addition to the increase in frontline services over the last three years, the Palaszczuk Government has committed to employing an additional 3,700 teachers over the next four years at an estimated cost of \$1 billion. Further, consistent with its election commitment, the Government will add 3,500 new nurses, midwives and nurse navigators over four years.

The 2018-19 State Budget delivers significant funding for a range of new and ongoing initiatives.

These include:

- an additional \$171.9 million over four years for 400 police officers in high priority areas and \$55.1 million over four years for 85 counter-terrorism officers and operational specialists and to establish a Security and Counter-Terrorism Command. This builds on the investment in the 2017-18 Budget for an additional 30 counter-terrorism police officers and 20 police officers, bringing total additional frontline police and operational specialists in priority areas across the State to 535
- funding of \$29.5 million over four years for an additional 100 firefighters and 12 fire communication officers to help the community prevent, prepare for, respond to and recover from the impact of fire and emergency events.

Promoting private sector investment

Driving and facilitating private sector investment is crucial, given the private sector accounts for more than 70% of total investment in the economy and supports 83% of Queensland jobs. Through its flagship Advance Queensland initiative totalling \$650 million, the Queensland Government maintains a strong focus on fostering innovation and entrepreneurship to enable Queensland businesses to adapt rapidly to the ever-changing global business environment.

The Palaszczuk Government is also delivering a range of industry attraction and facilitation services to promote private sector investment. The 2018-19 Budget provides additional funding for both the Advanced Queensland Industry Attraction Fund and the Jobs and Regional Growth Fund, bringing the combined total funding for these programs to \$255 million.

Protecting the Great Barrier Reef

Queensland's Great Barrier Reef is not only one of the natural wonders of the world, but one of the major reasons local, interstate and international visitors come to Queensland. More than 18 million visitors travel to the broader Great Barrier Reef region. To support the reef and manage the impacts of climate change, the Palaszczuk Government is investing \$330 million over five years to protect our national treasure and ensure it continues to provide economic benefits now and into the future. Protecting the Great Barrier Reef is vital not just for the environment and tourism, but also to meet international commitments.

The 2018-19 State Budget allocates \$40 million in new funding to significantly increase our State's financial contribution to protecting the reef. Part of this \$40 million will include \$26 million in extra funding over the next four years for the Joint Field Management Program for reef protection measures. This is on top of the more than \$35 million already invested in this program. In addition, a further \$13.8 million over the next four years will be allocated to extend the Queensland Reef Water Quality Program to support the transition of graziers, and sugarcane and banana growers to improved practices through access to professional advice.

Waste Strategy – Driving business investment, innovation and jobs

The Queensland Government's comprehensive waste management strategy, underpinned by a waste disposal levy, will be instrumental in changing waste management practices in the State.

By discouraging the interstate transport of waste and encouraging alternatives to disposal of waste to landfill, the waste disposal levy will significantly boost certainty for investment in job-creating reuse, recycling, bioproducts and waste to energy industries.

Proceeds from the waste levy will be used for waste programs, environmental priorities and community purposes. In particular, \$100 million will be allocated over three years to support Queensland's resource recovery and recycling industry through the Resource Recovery Industry Development Program. The program will facilitate private sector and local government projects delivering innovative solutions to the problem of waste going to landfill and will create jobs in emerging industries.

In order to avoid direct costs to households from the introduction of the waste levy, the Government will provide an annual advance on levy charges to those local governments that dispose of municipal waste in the levy zone. In 2018-19, \$32 million has been provided for this purpose.

A recent independent study has highlighted the significant employment and economic benefits resulting from the waste strategy. The study found that the introduction of a waste levy will promote a reduction of waste generation and increase the diversion of waste to higher-value waste recovery and recycling industries. Combined with other key elements of the waste strategy, the levy will support new jobs in the waste industry over the long-term.

Economic Outlook

Overall growth in the Queensland economy is expected to strengthen to 2¾% in 2017-18, reflecting further improvement in domestic demand as business spending has rebounded along with a recovery in coal exports following Severe Tropical Cyclone (STC) Debbie.

Growth in gross state product (GSP) is forecast to accelerate further to 3% in 2018-19, with household consumption gaining some momentum and a contribution to growth from the trade sector as imports ease.

While domestic activity is forecast to strengthen in 2019-20 and support stronger jobs growth, it will also boost imports. Combined with a moderation in export growth, this is expected to constrain the overseas trade sector's contribution to growth and result in overall growth easing to 2¾% in 2019-20. From 2020-21, Queensland GSP is expected to grow by 2¾% per annum, consistent with the State's long-run potential.

While employment growth has eased in early 2018, the stronger than expected gains in late 2017 means growth over the year to June quarter 2018 is estimated to be 2¾%, the strongest jobs growth in a decade.

Employment growth is expected to return to more sustainable rates of 1½% in 2018-19 and 1¾% in 2019-20, when it will be stronger than that forecast nationally. While designed to help meet the demands of the State's growing population, the Palaszczuk Government's \$45.8 billion capital works program will also provide considerable support to employment in Queensland across the forecast period.

Additional jobseekers encouraged by stronger employment growth has seen the participation rate rise sharply and the unemployment rate stabilise in the short-term, with the unemployment rate forecast to remain at 6¼% in June quarter 2018 and 2019. However, stronger domestic activity is expected to see the unemployment rate fall to 6% by June quarter 2020.

Overview Table 1 Queensland economic forecasts/projections¹

	Actual	Est. Act.	Forecasts		Projections	
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Gross state product²	2.5	2¾	3	2¾	2¾	2¾
Nominal gross state product	9.3	5½	4	3¾	4½	4¾
Employment ³	1.8	2¾	1½	1¾	1¾	2
Unemployment rate ⁴	6.2	6¼	6¼	6	6	5¾
Inflation ⁵	1.7	1¾	2	2½	2½	2½
Wage Price Index ⁵	1.9	2¼	2½	3	3	3
Population ⁵	1.5	1¾	1¾	1¾	1¾	1¾
Notes:						
1. Unless otherwise stated, all figures are annual percentage change.						
2. Chain volume measure (CVM), 2015-16 reference year.						
3. Through-the-year growth rate to the June quarter (seasonally adjusted).						
4. Seasonally adjusted rate for the June quarter.						
5. Annual percentage change, year-average.						
<i>Sources: ABS 3101.0, 6202.0, 6345.0, 6401.0 and Queensland Treasury.</i>						

Fiscal Outlook

The 2018-19 Budget supports the delivery of the Government's election commitments and provides additional policy measures focussed on supporting the delivery of services to the Queensland community. The election commitments are funded from reprioritisation measures and the targeted revenue measures announced during the 2017 election.

The Government is committed to delivering the services and infrastructure the community needs in a financially sustainable manner. Net operating surpluses are projected in each year of the forward estimates, despite an expectation that revenue will decline in 2018-19 driven by a substantial reduction in funding from the Australian Government. Operating expenses are forecast to grow at a sustainable rate, averaging 2.9% per annum over the five years to 2021-22.

A \$45.8 billion capital program over four years, including \$33.2 billion in the General Government sector, will deliver infrastructure that supports economic growth, enhances productivity, provides employment opportunities and manages the pressures of strong population growth. This level of investment will be partly funded through borrowings. Even so, General Government borrowings are expected to be lower in each year of the forward estimates than projected in the 2017-18 Budget. In 2021-22, it is expected the General Government borrowings will remain below the peak level reached in 2014-15.

The Government will continue to provide additional funds for infrastructure investment while responsibly managing debt. This is being achieved while retaining strategic assets, such as electricity, port, rail and water businesses, in public ownership.

Overview Table 2 General Government Sector - key fiscal aggregates¹

	2016-17 Actual² \$ million	2017-18 MYFER \$ million	2017-18 Est. Act. \$ million	2018-19 Budget \$ million	2019-20 Projection \$ million	2020-21 Projection \$ million	2021-22 Projection \$ million
Revenue	56,194	56,464	58,259	57,738	58,835	59,939	62,269
Expenses	53,373	55,980	56,747	57,590	58,675	59,829	61,579
Net operating balance	2,821	485	1,512	148	160	110	690
PNFA ³	4,634	4,965	4,905	5,927	7,557	7,396	7,081
Fiscal balance	536	(1,681)	(604)	(3,033)	(3,881)	(3,400)	(2,636)
Net Worth	194,936	198,268	199,686	202,636	205,775	208,101	210,515
Borrowing	33,260	32,502	31,367	32,311	35,861	39,588	42,290
Borrowing (NFPS) ⁴	71,904	71,222	69,501	70,871	75,214	79,750	83,093
Notes:							
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.							
2. Reflects published actuals.							
3. PNFA: Purchases of non-financial assets.							
4. NFPS: Non-financial Public Sector.							