

Economic and fiscal coordination

Service report

Backing Queensland jobs

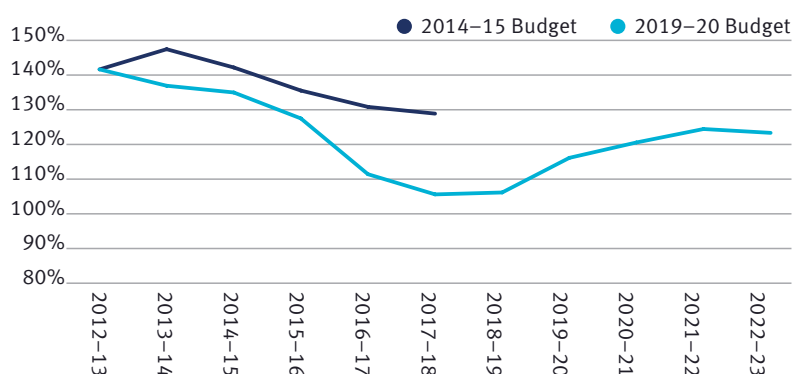
Treasury provides economic and fiscal leadership, strategy and advice to promote economic growth and job creation for the benefit of all Queenslanders. The cornerstone of this advice is the coordination of the Queensland Budget to deliver the government's policy objectives.

Treasury does this by:

- + delivering whole-of-government economic, fiscal, revenue, financial management, accounting, policy and reporting services to the Under Treasurer, Treasurer and Cabinet Budget Review Committee
- + providing strategic economic and regulatory reform policy advice, economic impact analysis, modelling and data analysis to inform public policy and decision making across the Queensland Government to promote sustainable economic and employment growth
- + monitoring, forecasting and measuring the state's economic performance, at industry, regional and state-wide level, to inform development of the Queensland Budget and whole-of-government economic and social policy development
- + coordinating the development of the Queensland Budget, and managing the state's debt and balance sheet in accordance with government policies
- + delivering statistical, demographic research and program evaluation services across government through the Queensland Government Statistician's Office.

Our operating environment

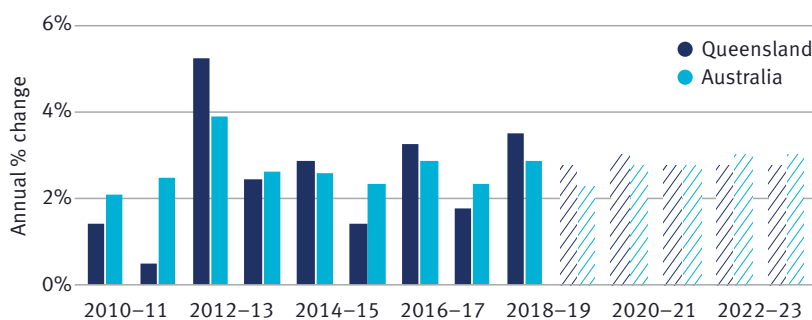
Non-financial public sector – debt to revenue ratio



Analysis

Debt to revenue ratio in the non-financial public sector (NFPS) comprises the General Government Sector and government-owned corporations. It reached a peak in 2012-13 of 140.5 per cent. Since then, the debt to revenue ratio has fallen substantially and is forecast to be 123 per cent in 2021-22. Through measures taken in the 2019-20 Budget, growth in NFPS borrowing is expected to halve from 6 per cent in 2020-21 to only 3 per cent by 2022-23, such that the NFPS debt to revenue ratio is expected to decline beyond 2021-22, while borrowing costs are at historical lows.

Economic growth, Queensland and Australia



Note: 2016-17 reference year, 2018-19 to 2020-21 are forecasts, while 2021-22 and 2022-23 are projections. Sources: ABS 5206.0, Australian Government Budget 2019-20 and Queensland Treasury.

Analysis

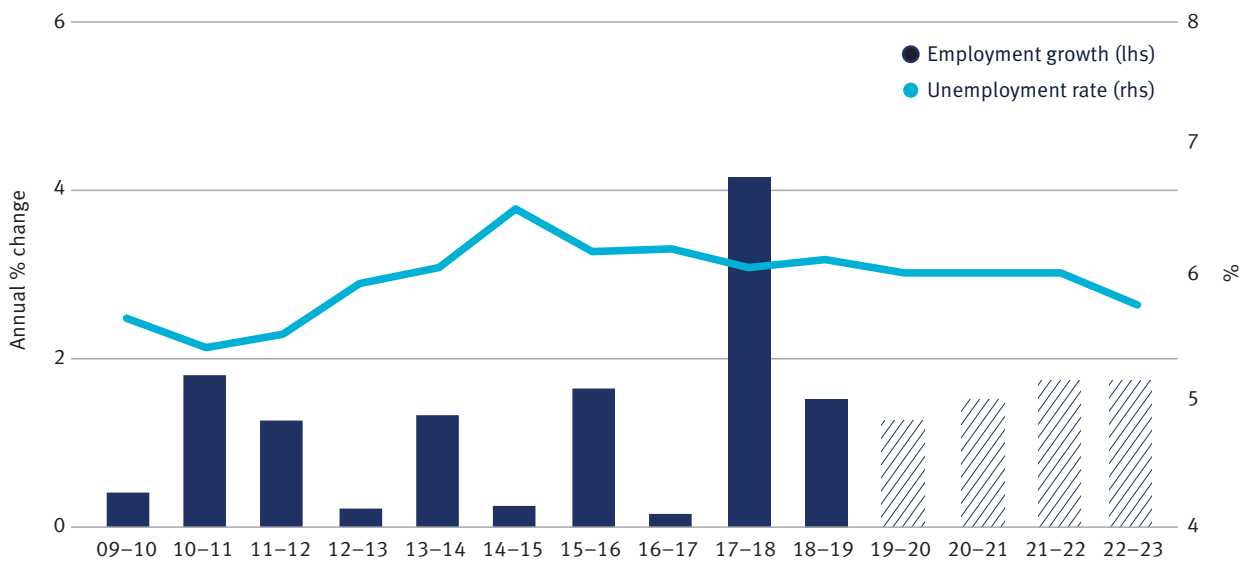
After stronger than expected growth of 3.5 per cent in 2017-18, economic growth is forecast to remain solid in 2018-19 and beyond. However, a combination of global, national and domestic factors impacting on economic activity is expected to see Gross State Product (GSP) growth in Queensland ease to 2¾ per cent in 2018-19. The easing in Queensland's economic growth also reflects the impact of the North Queensland floods, with losses in economic output estimated to be around ¼ percentage point of GSP, spread across 2018-19 and 2019-20.

Growth is forecast to strengthen to 3 per cent in 2019-20, underpinned by a modest improvement in domestic activity as business investment returns to growth. From 2020-21 onwards, economic growth is expected to remain solid, at around 2¾ per cent per annum.

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Employment growth and unemployment rate, Queensland



Note: Year-average. 2019–20 and to 2020–21 are forecasts, while 2021–22 and 2022–23 are projections.
Sources: ABS 6202.0 and Queensland Treasury.

Analysis

Reflecting the state's strong economic growth, employment grew 4.1 per cent in 2017–18, the strongest year average growth in over a decade and the largest single-year rise (almost 98,000 people) in the state's history.

The gap between regional and South East Queensland unemployment rates has continued to narrow, from 2.5 percentage points in mid-2016 to 0.5 of a percentage point in the year to June 2019, reflecting stronger economic conditions in many parts of regional Queensland.

However, subdued domestic activity has seen Queensland's employment growth return to a more sustainable rate of 1.5 per cent in 2018–19. Employment is forecast to rise 1¼ per cent in 2019–20, while the unemployment rate is expected to remain stable at around 6 per cent.

Beyond 2019–20, as domestic activity strengthens, labour market conditions are set to improve, with a strengthening in jobs growth to 1¾ per cent and the unemployment rate edging lower to 5¾ per cent by the end of the projection period in 2022–23.



Objective

Enable sustainable growth that supports current and future government objectives

Treasury uses its role as the government's expert on state finances and the economy to support the government's priorities, including 'backing Queensland jobs'. Each year, Treasury develops the Queensland Budget, which:

- + outlines the state's economic plan and economic conditions
- + outlines the state's financial performance
- + implements the government's fiscal objectives and fulfils the government's priorities for the community.

The 2019–20 Queensland Budget was guided by the government's overriding objective to support economic and jobs growth across all regions of the state through:

- + continued investment in job-generating and productivity-enhancing infrastructure
- + providing better frontline services for workers, families and communities across the state.

In line with the government's economic plan, highlights of the 2019–20 Budget that support these objectives included:

- + a \$49.5 billion infrastructure program, which directly supports 40,500 jobs in 2019–20 including 25,500 jobs in regions outside of Greater Brisbane
- + \$5.625 billion investment in transformative transport infrastructure
- + a record \$18.5 billion health program
- + historic changes to Queensland's youth justice system through the establishment of a new Department of Youth Justice
- + substantial funding for critical infrastructure programs to support the 1.55 million Queenslanders who live in the state's regions.

Read more about the Queensland Budget 2019–20 at www.budget.qld.gov.au

The 2019–20 Budget demonstrates the government's commitment to sound fiscal management, with operating surpluses projected for 2019–20 and the forward estimates. However, the fiscal environment remains challenging with the potential for further reductions in GST and transfer duty.

Other issues with potential to impact on Queensland's fiscal position are:

- + the state's future share of GST after the 2020 Methodology Review
- + native title compensation settlement
- + removal of the statutory limitation on physical abuse

- + class action from the 2011 flood events
- + expired and expiring National Partnership agreements.

Until they are considered by government or formal agreements are in place, the exact extent of their impact cannot be determined.

A key role of the Budget Office is to support Treasury and the government in monitoring and reporting on the state's position, publishing each year's Report on State Finances and Mid-Year Fiscal and Economic Review. The Budget Office team also:

- + coordinated and delivered the 2019–20 Budget and the 2018–19 Mid-Year Fiscal and Economic Review
- + developed strategy for 2019–20 Budget and future budget processes, including guidelines and funding approaches
- + adopted a process-led approach to deliver the Budget with a view to reducing duplication while maintaining transparency
- + provided decision-makers with timely and quality briefing material, including support for responding to *Our Future State: Advancing Queensland's Priorities*.

As the budget cycle continues throughout 2019–20, Treasury will assist in developing the Queensland Budget 2020–21, Report on State Finances 2018–19, and the 2019–20 Mid-Year Fiscal and Economic Review.

Economic and fiscal coordination

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The Budget Office also provides expertise for innovative funding approaches such as the three pilot social benefit bonds (SBB). These SBBs – with Uniting Care Queensland, Life Without Barriers and Churches of Christ – have completed their first year of operation. Annual performance reviews for each of the SBBs have been finalised, with support by Treasury’s Budget Office.

Innovation in delivery

In 2018–19, the new BudgetPlus application was used as the primary tool for developing the 2019–20 Budget.

BudgetPlus allows agencies to develop and submit funding requests online. It increased the efficiency of the budget process by:

- + enabling more timely and effective data collection
- + improving the presentation of information to government decision makers
- + increasing review and sharing capability.

In the coming year, the Budget Office will continue to identify and implement system enhancements for the budget process.

Strong, sustainable regulatory frameworks

The *Queensland Government Guide to Better Regulation* outlines the government’s approach for ensuring regulation is necessary, effective, efficient and provides clear benefits for Queensland. An updated edition of the guide encourages risk-based approaches to regulation, more timely regulatory review, and further assessment of regulatory impacts on small business.

The guide also outlines the government’s recently introduced Regulator Performance Framework. This encourages regulators to adhere to ‘model practices’ that will support better interactions with their stakeholders, resulting in reduced regulatory burden for all parties.

Under the framework, key Queensland Government regulators whose regulatory activities impact business, particularly small business, will report publicly on their performance, including implementation of the model practices. The Office of State Revenue (OSR), part of Queensland Treasury, is one such regulator. OSR has implemented a program to transform its practices to reduce the impact on business. A report on its ‘better regulation’ activities, and the Guide to Better Regulation, are available from www.treasury.qld.gov.au.

Objective

Partner proactively to facilitate better outcomes for the community

Keeping communities safe

In 2018–19, Treasury, through the Queensland Government Statistician’s Office (QGSO), released the *Crime report, Queensland, 2017–18* and the *Justice report, Queensland, 2017–18* to inform policy development and service delivery in the criminal justice sector. Also released was the *Crime Research Agenda*, which guides the development of the crime research work program and helps identify potential research partnerships and collaborations.

In the year ahead, Treasury will work with agency partners to implement priority crime research projects, and the results of these will be progressively released throughout 2019–20.

Understanding our communities

The *Queensland Government population projections (2018 edition)* were released in 2018–19, providing a suite of information products to Queensland Government agencies, business and the community for use in planning services and infrastructure. In 2019–20, Treasury will update and release household and living arrangement projections to complement the 2018 population projections.



Agency performance

Service report

Partnering for service delivery

Treasury's role is to support line agency performance and public policy development by:

- + providing economic and fiscally responsible public policy analysis and advice to agencies to support government priorities
- + partnering with agencies to optimise performance, balancing service delivery within budget parameters
- + managing and coordinating intergovernmental financial relations issues
- + managing whole-of-government banking and payment services contracts.

Key issues in our environment

Treasury's operating environment is influenced significantly by decision making and negotiations in the national arena on funding for key sectors of the economy. Population growth, demographic change and technological developments all also affect communities' infrastructure and service delivery needs.

Treasury plays a key partnering role in delivering the Queensland Government priority of reducing emissions and increasing the take-up of renewable energy. This will involve working with the Department of Environment and Science and other agencies to develop a Green Paper on climate change for public consultation, outlining a range of options for responding to this issue.

Feedback on the Green Paper will be used to develop a White Paper, setting out the optimal path to achieving the objectives. Read more about renewables on pages 27 and 28.

Objective

Partner proactively to facilitate better outcomes for the community

2018–19 provided many opportunities to work with agencies to advance the government's priorities. Treasury focussed strongly on ensuring the delivery of the government's capital program to meet community service needs and create jobs. Other examples of Treasury's work with agencies included:

- + working with justice agencies and the Department of the Premier and Cabinet to support a whole-of-government focus on reforming the Queensland criminal justice system
- + significant building and construction industry reforms under the Queensland Building Plan, implemented by the Department of Housing and Public Works.

- + supporting the state's continuing transition to the National Disability Insurance Scheme with strategic policy and financial advice, in partnership with agencies
- + partnering with the Department of Education to finalise a new agreement with the Australian Government for funding for Queensland schools from 2019 to 2023
- + working with Queensland Health on the long-term agreement with the Australian Government for funding for health services beyond 2019–20
- + working with the Department of Environment and Science to develop the Waste Disposal Levy which will be instrumental in changing waste management in Queensland. By discouraging disposal of waste to landfill, the levy will discourage the transport of waste into Queensland and encourage investment in job-creating reuse, recycling, bioproducts and waste-to-energy industries
- + working with the Department of Natural Resources, Mines and Energy to continue reforms to resource safety and health, particularly in response to the recommendations of the Coal Workers' Pneumoconiosis (CWP) Select Committee Inquiry into the re-identification of CWP among coal workers in Queensland.

Agency performance

Service report

Objective

Enable sustainable growth that supports current and future government objectives

Advocating for Queensland's interest in Commonwealth–State financial relations

Treasury takes a lead role in managing and coordinating intergovernmental relations, including national funding agreements, and securing a fair share of GST revenue for Queensland.

In 2018–19, Queensland successfully advocated, in collaboration with other jurisdictions, for the Australian Government to legislate a 'no worse off' guarantee alongside their other changes to the GST distribution system. This will ensure that, as states transition to the new system from 2021–22, Queensland (and other states and territories) will not receive less GST revenue than under the current system.

Treasury also led the state's response to the Commonwealth Grants Commission's five-yearly review of the GST distribution system. This involved presenting a comprehensive submission on Queensland's position on horizontal fiscal equalisation and hosting the Commission in August 2018 as it met with departments and regional service delivery staff.

Native title compensation

During the year, Treasury assumed responsibility for developing the government's response to issues of native title compensation.

The High Court's 2019 decision in the Timber Creek compensation case paved the way for native title holders across Australia to claim compensation for native title rights.

Treasury is developing a framework that will be fair to native title holders, consistent across claims, and achieve settlement of compensation on 'just terms'.



Commercial services

Report

Value-for-money infrastructure and attracting investment

Treasury supports economic growth in Queensland by providing timely financial and commercial advice to government and by leading major commercial government projects to achieve time, cost, risk and quality objectives. This service includes:

- + providing commercial and financial advice to government on service and infrastructure projects and managing the procurement of privately financed major public infrastructure and service projects
- + working with government agencies to realise the contracted value of major public infrastructure and service projects through the delivery and operations phases
- + providing commercial and policy advice on private sector investment in Queensland
- + managing the state's engagement in the Northern Australia development agenda
- + managing the state's project assessment framework to drive rigorous project development across government
- + assessing government-owned corporations' (GOCs) capital investments and driving a focus on maximising performance and rates of return through improved commercial focus

- + leading implementation of a new financial provisioning scheme for the resources sector
- + advising government on competition policy and legislation, economic regulation and structural policy
- + leading the state's negotiations with the Australian and local governments on City Deals.

Key issues in our environment

Uncertainty about Australian energy policy may impact on the government's ability to deliver reliable, affordable energy with an appropriate mix of baseload and renewable energy.

Objective

Enable sustainable growth that supports current and future government objectives

Powering Queensland Plan

The government is committed to making Queensland a clean energy leader through reaching the 50 per cent Queensland Renewable Energy Target (QRET) by 2030.

Throughout 2018–19, Treasury assisted with the implementation of the \$1.16 billion Powering Queensland Plan for affordable, secure and sustainable electricity supply for the state. Major actions under this plan included:

- + one-off funding of \$771 million to help stabilise electricity prices by funding the removal of Solar Bonus Scheme costs from electricity prices for three years from 1 July 2017 to 30 June 2020

- + progressing the Renewables 400 auction to procure up to 400 megawatts (MW) of renewable energy
- + directing Stanwell to put downward pressure on wholesale electricity prices and to return Swanbank E power station to service
- + establishing CleanCo Queensland Limited (CleanCo), Queensland's new renewable energy government-owned corporation (GOC).

As a result of these initiatives, Queensland's wholesale prices remain the lowest in the National Electricity Market (NEM).

Queensland's ownership of its energy assets means its businesses can be run for the benefit of Queenslanders, not just for profit. The Powering Queensland and Affordable Energy plans have reformed the market and delivered lower prices to Queenslanders.

Queensland has experienced significant growth in the renewable energy sector in recent years. Over 1,500 MW worth of projects have commenced operations, bringing more than \$3.1 billion worth of investment and more than 3,200 construction jobs. A further \$800 million worth of projects are under construction or committed, and are set to deliver another 1,000 MW of generation capacity by the end of 2019. These works will generate more than 820 construction jobs, and put Queensland on track to achieve the 50 per cent QRET by 2030.

Commercial services

Report

CleanCo Queensland Limited

In December 2018, CleanCo Queensland Limited (CleanCo) was established as the state's new renewable energy GOC.

CleanCo is a long-term structural solution to assist in the government's energy affordability objectives that will also offer renewables-focussed solutions to the energy market. CleanCo will improve competition in the wholesale electricity market, placing downward pressure on prices and increase system security and reliability.

With a mandate for securing 1,000 MW of renewable generation by 2025, CleanCo will help achieve Queensland's Renewable Energy Target of 50 per cent renewable energy by 2030.

On 31 October 2019, CleanCo will have a portfolio of the state's renewable and low-emission power generation assets and commence trading in the National Electricity Market (NEM). The foundation portfolio includes Wivenhoe Power Station and pumped storage hydro, Swanbank E, and the Barron Gorge, Kareeya and Koombooloomba power stations, transferred from CS Energy Limited and Stanwell Corporation Limited.

CleanCo will add to this foundation portfolio with new renewable energy generation assets over time, with government making an initial funding injection of \$250 million for CleanCo to build, own and operate renewable energy assets.

Treasury will drive forward with assisting CleanCo in its establishment while continuing to work with the state's existing energy generation businesses, Stanwell and CS Energy, to ensure they also have opportunities to be part of Queensland's renewable energy future alongside CleanCo.

Read more about CleanCo at cleancoqueensland.com.au/.

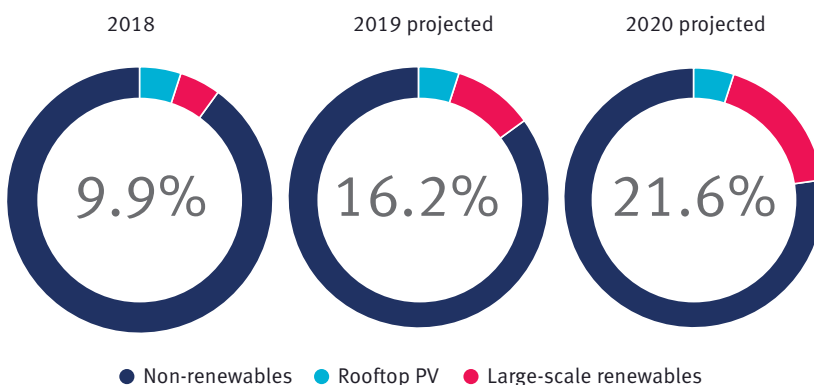
City Deals

City Deals are a mechanism of the Australian Government's Smart Cities Plan. They provide a new approach for all levels of government to work together to transform Australian cities. The Cities Transformation Taskforce in Treasury is leading the state's negotiations with the Australian Government and local governments on City Deals and Regional Deals.

As a consequence of the *TransformingSEQ: The South East Queensland City Deal Proposition* released by the Deputy Premier in early 2019, the Australian Government committed to negotiating an SEQ City Deal. A Statement of Intent was signed by local, state and the Australian Government. Negotiations for the agreement are expected to be finalised by mid-2020.

Australia's first City Deal was secured for Townsville. Throughout 2018–19, Treasury continued to work with the Australian Government and Townsville City Council on this deal. A formal review of the City Deal will begin by the end of 2019.

Queensland renewables output



Analysis

By the end of 2019, approximately 16.2 per cent of Queensland's electricity generation is expected to be comprised of renewables. This is expected to grow to 21.6 per cent by the end of 2020.



Jobs and Regional Growth Fund

Treasury works in partnership with the Department of State Development, Manufacturing, Infrastructure and Planning to deliver the Jobs and Regional Growth Fund, which creates jobs for Queenslanders and grows regional economies.

Nearly 1,000 operational jobs will be generated by fund-supported projects over the next five years. In 2018–19, the fund assessed and supported projects including:

- + NIOA's artillery shell forging plant in Maryborough, which will create up to 100 jobs when the facility is fully operational in 2022
- + Jimbour Beef and Bacon's new meat processing facility on the Western Downs, adding 35 new full-time jobs over the next three to four years
- + Laminex Australia's re-opening of the former Carter Holt Harvey timber processing plant in Gympie, securing continued employment for 42 local workers.

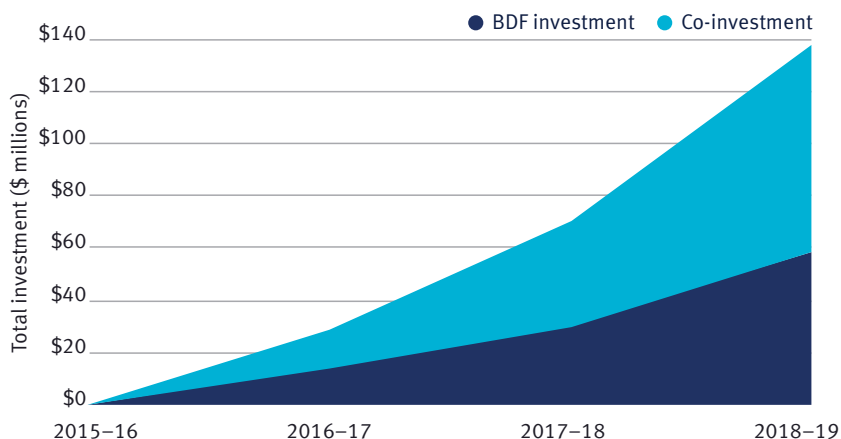
The 2019–20 Queensland Budget allocated a further \$25 million to the fund, taking its total to \$175 million.

Business Development Fund

The Business Development Fund is the government's \$80 million early stage and follow-on venture capital fund for growing innovative Queensland businesses.

During 2018–19, the fund invested \$28 million in businesses, with a further \$39 million secured in co-investment.

BDF and co-investment – total investment since inception



Analysis

BDF's leverage of private co-investment, combined with the fund's investment of \$59 million, resulted in nearly \$140 million in investment into innovative Queensland-based businesses since the fund's inception.

Investments included:

- + RedEarth Energy which develops and manufactures innovative solar storage batteries
- + Implicit Bioscience, a clinical-stage biotech drug development company focused on immunotherapy for a range of diseases
- + Cairns-based Didgigo, which seeks to further commercialise its tailored travel itinerary platform
- + Verton Technologies, which produces devices that increase the safety, productivity and efficiency of hoisting operations
- + Valti/Croomo, for its PrepL on-line interactive learner driver training module.

This brings the total amount invested by the fund to more than \$59 million, and more than \$79 million in co-investment since 2015–16.

Resources Regional Development Framework

Treasury makes a key contribution to securing resources investments under the Resources Regional Development Framework. This framework promotes investment in undeveloped or underdeveloped resource regions in Queensland including the Galilee and Surat Basins, and the North West Minerals Province. Proponents are required to provide jobs and common-user infrastructure, and to have a positive impact on the state's finances. Treasury works with applicants to determine their eligibility, and conducts detailed due diligence on both project and proponent, to ensure that the regions obtain the best possible outcomes under the framework.

Commercial services

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Land Restoration Fund

Treasury continues to work with the Department of Environment and Science to establish and implement the government's \$500 million Land Restoration Fund. The fund aims to:

- + facilitate a pipeline of qualifying Queensland-based carbon offset projects, including through private sector investment
- + pursue environmental and economic co-benefits as defined by the government
- + conduct research and development into emerging carbon farming areas where Queensland has a comparative advantage.

Financial provisioning for mining rehabilitation

From 2018, Treasury has led the implementation of the Financial Provisioning Scheme. This scheme will address the state's abandoned mine legacy by improving environmental and mine rehabilitation while reducing the financial risk to the State associated with the resource sector.

The focus during 2018–19 was on collaborating with stakeholder agencies, the resources sector and environment and community groups to deliver a functioning scheme and progress complementary reforms. Discussion papers were released on addressing the state's abandoned mines legacy, the management of other associated risks to the achievement of improved rehabilitation and the management of residual risks.

The scheme was formally established in April 2019 under the *Mineral and Energy Resources (Financial Provisioning) Act 2018*.

The sector is now transitioning to the new scheme, and the issuing of 'transitional' assessment notices has commenced. It is expected that approximately 38 per cent of environmental authorities will have been issued with a transition notice by the end of 2019–20, and the remainder will be progressively completed by 2022. Following transition, all applicable environmental authorities will be reassessed annually.

Looking forward:

- + Contributions to the Financial Provisioning Fund are expected to grow significantly over the three-year transition process, establishing a sustainable pool of funds to rehabilitate mining projects if an owner fails to.
- + Responsibility for the financial provisioning reforms will remain with Treasury. Other related reforms – including an improved abandoned mines program – will be implemented by the Department of Environment and Science and the Department of Natural Resources, Mines and Energy from 1 July 2019.

Build-to-Rent Pilot Project

Treasury is leading the Build-to-Rent Pilot Project, working with the private sector to deliver affordable rental housing for eligible low-to-moderate income earners and to establish and grow the Build-to-Rent sector in Queensland.

Build-to-Rent is a new residential property asset class for Queensland. Housing will be built and managed in areas within inner Brisbane by private sector owners. Investors will achieve returns from long-term rental income, rather than sales or capital growth.

Offering affordable housing within these developments can help ease housing stress for low-to-moderate income earners who work in the inner city yet can't afford inner-city rents. Build-to-Rent will deliver affordable housing against the targets established in the *Queensland Housing Strategy 2017–2027* and invigorate construction jobs and growth in the SEQ area.

Working with the Department of Housing and Public Works in 2018–19, the project has progressed to the Expressions of Interest phase.



Continued support for major infrastructure projects

During the year, Treasury continued supporting Building Queensland in developing detailed business cases for government investment decisions.

Treasury also had involvement in the delivery of major infrastructure projects with a number of government agencies, including:

- + Innovation, Tourism Industry Development and the Commonwealth Games to progress the Cairns and Gold Coast Global Tourism Hub projects, and on the delivery of the Queen's Wharf development in Brisbane
- + Housing and Public Works on the delivery of the Police counter-terrorism training centre
- + State Development, Manufacturing, Infrastructure and Planning on progressing the Advancing Our Cities and Regions strategy
- + Department of Education, with commercial advisory support for the scheduled periodic refinance of public-private partnership arrangements for various Queensland schools
- + project board and steering committee representation on a range of projects currently under delivery, including Toowoomba Second Range Crossing, Logan Motorway Enhancement Project, New Generation Rollingstock and Herston Quarter Redevelopment.

Support for these projects will continue throughout 2019–20.

Water for irrigation

Local management for irrigation schemes

During the year, Treasury supported the Department of Natural Resources, Mines and Energy in investigating the transfer of Sunwater's irrigation water channel distribution schemes to local ownership. The objective of local management is for irrigation customers to own and control the channel irrigation scheme on which their business relies.

The St George, Theodore and Emerald schemes transferred to local ownership during 2018–19 and Treasury will continue to support Natural Resources, Mines and Energy to potentially transfer the Eton scheme during the coming year.

Rural Irrigation Water Price Review

Irrigation water prices for 37 water supply schemes across Queensland are currently set until 30 June 2020. The Queensland Competition Authority (QCA), the state's independent economic regulator, began a review of irrigation pricing in October 2018. Throughout 2018–19, Treasury partnered with relevant agencies and stakeholders to progress the key policies that underpin the review. The QCA is to provide a draft report in August 2019, with the final report due by the end of January 2020.

In 2019–20, Treasury will work with Natural Resources, Mines and Energy to consider the QCA's recommendations, to allow government to make an informed decision on pricing for the period 2020 to 2024.

Cairns Shipping Development Project

The Far North Queensland Ports Corporation (Ports North) is delivering the \$127.6 million Cairns Shipping Development Project (CSDP) to deepen and widen the Cairns Port channel and upgrade ship berths and wharves. Dredging and construction for the project is expected to generate up to 2,700 direct and indirect jobs and allow for up to 103 additional cruise ship visits per year by 2031.

During the year, Treasury and the Department of Transport and Main Roads:

- + reviewed Building Queensland's detailed business case
- + progressed ministerial approvals for the project investment and arrangements for debt and equity funding.

Ports North's progress on the delivery of the project, due for completion in mid 2020, will be monitored over the coming year.

Commercial services

Report

Master Planning for the Priority Port of Gladstone and the Port of Townsville

Under Queensland's *Sustainable Ports Development Act 2015*, a Priority Port Master Plan must be finalised before capital dredging for expansion projects can commence within that Priority Port's boundary.

The Department of Transport and Main Roads is responsible for completing the Master Planning program for the Priority Ports of Gladstone, Townsville, Hay Point/Mackay and Abbot Point. Treasury assisted Transport and Main Roads, and Gladstone Ports Corporation (GPC) and Port of Townsville Limited (POTL) with input into long-term planning for future infrastructure and addressed public submissions on the draft and final Master Plans.

On 5 November 2018, the Minister for Transport and Main Roads approved the Final Master Plan for the Port of Gladstone. This will allow GPC to finalise other project approvals for the \$80 million Clinton Vessel Interaction Project. Also on 5 November 2018, a Draft Master Plan for the Priority Port of Townsville, a preliminary draft Port Overlay, and supporting materials were released for public consultation which closed on 17 December 2018.

Going forward, Treasury, Transport and Main Roads, POTL and GPC will continue developing and consulting with stakeholders on the Townsville Port Final Master Plan and Gladstone's Master Plan Port Overlay which contain the detailed planning regulations.

Townsville Port Channel Capacity Upgrade

The Queensland Government committed \$75 million towards the \$193 million Townsville Channel Capacity Upgrade to widen Townsville's shipping channel allowing larger ships access, facilitating future trade growth. This project will be delivered by the Port of Townsville.

After a Queensland Government request, on 4 September 2018, the Prime Minister announced the Australian Government's \$75 million funding commitment to the project.

Treasury will continue to work closely with Transport and Main Roads on final details for a National Partnership Agreement on funding for the various stages of the project.

Project delivery is being progressed by the Port of Townsville, which will also fund the balance of the project cost.

Queensland Competition Authority Declaration Review

QCA is reviewing whether services declared for third party access under the *Queensland Competition Authority Act 1997* should remain declared after the existing declarations expire in September 2020. The objective is to ensure that third party access to infrastructure is only applied where it is appropriate.

The services concerned are:

- + rail transport services on the Central Queensland Coal Network
- + rail transport services on the intrastate passenger and freight network operated by Queensland Rail

- + coal handling services at Dalrymple Bay Coal Terminal.

The QCA released draft recommendations in December 2018. It will make final recommendations to the Treasurer by March 2020. The Treasurer then has 90 days in which to make decisions about the services' declarations.

Treasury is actively monitoring the review and will support the Treasurer in the decision-making phase. Further information is available at www.qca.org.au.

Aurizon Network Access Undertaking

Rail transport services on Aurizon's central Queensland coal network are declared for third party access under the *Queensland Competition Authority Act 1997*.

This means that third parties can gain access to the coal network rail infrastructure to provide their own rail transport services. Access is provided to users on terms and conditions set out in the *Aurizon Network Access Undertaking 2017–21*, which was finalised on 21 February 2019.

On 3 May 2019, Aurizon Network announced that it had reached agreements with the majority of its customers on amendments to the undertaking and submitted a Draft Amending Access Undertaking (DAAU) to the QCA. The QCA is currently considering stakeholder submissions prior to making a final decision, which is expected later in 2019.



Queensland Productivity Commission Inquiries

Treasury is responsible for the strategic direction of the Queensland Productivity Commission, including its work program.

- + A key project in 2018–19 was the commission’s Inquiry into Imprisonment and Recidivism, which began in September 2018. The inquiry examined how government resources and policies can be used to reduce imprisonment and recidivism and improve outcomes for the community over the medium and longer term.

The commission published a draft report in February 2019 and will provide a final report to the government in August 2019. The government will then prepare its response, which will be publicly released with the final report before February 2020.

- + In February 2019 the Queensland Government requested the QPC to monitor and report on any adverse pricing effects or behaviours from the operation of the Container Refund Scheme over its first 12 months. The scheme, introduced on 1 November 2018, allows people to take empty drink containers to a collection point for a refund, to help improve the overall recycling rate and reduce the amount of litter in Queensland. An issues paper was released in May 2019. The interim report will be delivered in August 2019 and the final report will be delivered to the government in February 2020.

Treasury will be working with other key departments in the development of the government’s response to these inquiries.

Further information is available at www.qpc.qld.gov.au.

Northern Australia Infrastructure Facility

Treasury works with the Northern Australia Infrastructure Facility (NAIF) to pursue significant investment in infrastructure across North Queensland, including chairing a panel that manages the state’s interest in NAIF. The panel assesses projects when they enter due diligence and again when an investment proposal is received from NAIF, to ensure they align with the state’s interests.

Over the year, the NAIF Board made investment decisions for the following loans:

- + up to \$98 million to James Cook University for its Technology Innovation Complex in Townsville
- + up to \$50 million to Queensland Airports Limited to redevelop the Townsville Airport passenger terminal.

Objective

Partner proactively to facilitate better outcomes for the community

Cross River Rail

Cross River Rail is Brisbane’s 10.2 kilometre underground rail link from Dutton Park to Bowen Hills. It will ease congestion, improve network reliability and increase accessibility to the Brisbane CBD.

During the year, procurement for Cross River Rail major works packages significantly advanced and early works became visible at sites around central Brisbane. The preferred bidders for the major works packages are:

- + Tunnel and station development – Pulse consortia. Delivering the tunnel and four new underground stations
- + Rail integration and systems – Unity. Design, supply and install the supporting rail system
- + European train control system – Hitachi Rail

Contract close with the Pulse consortia was achieved on 30 June 2019, with the completion of procurement for the other packages expected in mid 2019. Construction of major works is expected to commence by the end of 2019. The project is being managed by the Cross River Rail Delivery Authority through the Cross River Rail Delivery Authority Board, which includes the Under Treasurer.

Treasury will continue to support the finalisation of procurement processes and project delivery.

Construction of Cross River Rail is due to be completed by 2024. Read more at www.crossriverrail.qld.gov.au. The Cross River Rail Delivery Authority publishes its own annual report.

Revenue management

Service report

Customers are the focus

To drive economic and jobs growth, and help fund services for Queenslanders, Treasury administers a revenue base of around \$16.9 billion by delivering and administering simple, efficient and equitable revenue management services for state taxes and royalty revenue. Additional responsibilities include revenue compliance, grant schemes, and debt recovery and enforcement activities for the state.

Treasury, through the Office of State Revenue (OSR), fulfils its revenue responsibilities by:

- + adopting leading e-business practices with high-level client support, and firm and fair enforcement
- + providing legislation and revenue policy advice to government
- + progressing online tools and services to support innovative business practices
- + developing and implementing targeted, fair and efficient debt enforcement strategies
- + leading end-to-end penalty debt management improvements through collaborative stakeholder engagement
- + using business intelligence and behavioural insights to inform debt recovery.

Key issues in our environment

Queensland's economic growth in 2019–20 is forecast to be 3 per cent.

This growth is underpinned by increased GST revenue from the Australian Government, as well as royalties. However, royalty revenue from coal is forecast to decline gradually over the two years to 2021–22.

Revenue from taxation is expected to increase at an average rate of 5.8 per cent over the four years to 2022–23:

- + A slight reduction in transfer duty revenue is expected in 2019–20, driven by a decline in the volume of residential property transactions over the first half of 2018–19. This revenue is forecast to then increase over the three years to 2022–23.
- + New land tax measures in the 2019–20 Queensland Budget are expected to increase land tax revenue during the year, and include:
 - + higher land tax rates for companies and trustees with aggregated landholdings over \$5 million
 - + an increase in the surcharge rate for absentee landowners
 - + a new surcharge for foreign companies and trustees from 1 July 2019.

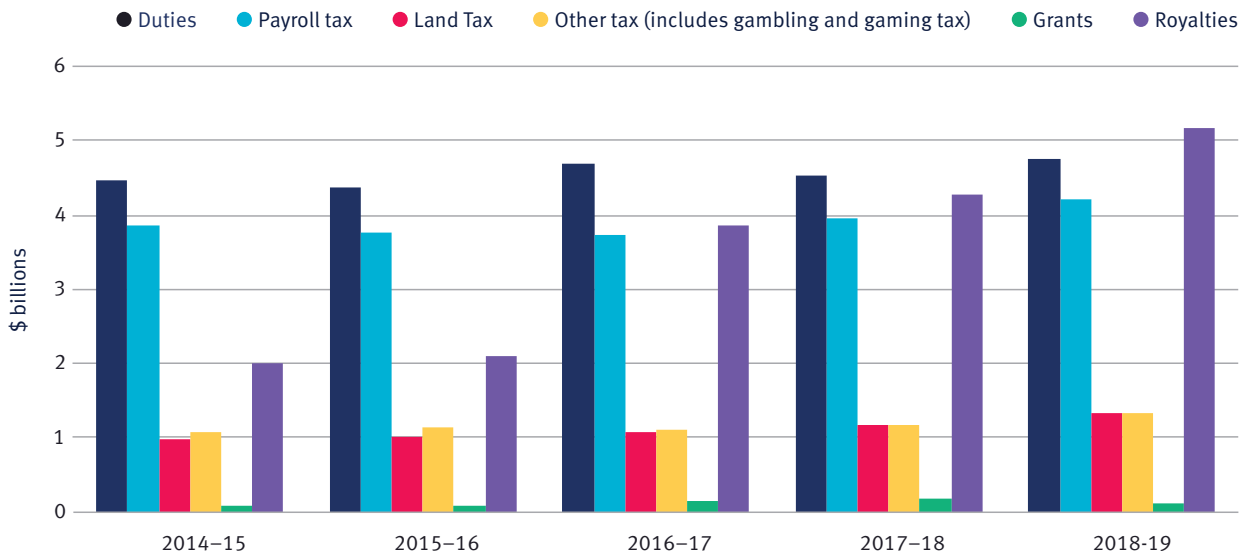
+ Payroll tax revenue is expected to grow in 2019–20 driven by wage and employment growth, along with the increased payroll tax rate for employers with annual taxable wages above \$6.5 million (from 1 July 2019). This is forecast to more than offset reduced revenue from budget initiatives of:

- + an increased payroll tax exemption threshold to \$1.3 million in annual taxable wages. This will mean 1,500 Queensland businesses will no longer have to pay this tax.
- + a discounted payroll tax rate for regional employers
- + a rebate for employers that demonstrate a net increase in full-time employees
- + an extension of the apprentices and trainees rebate.

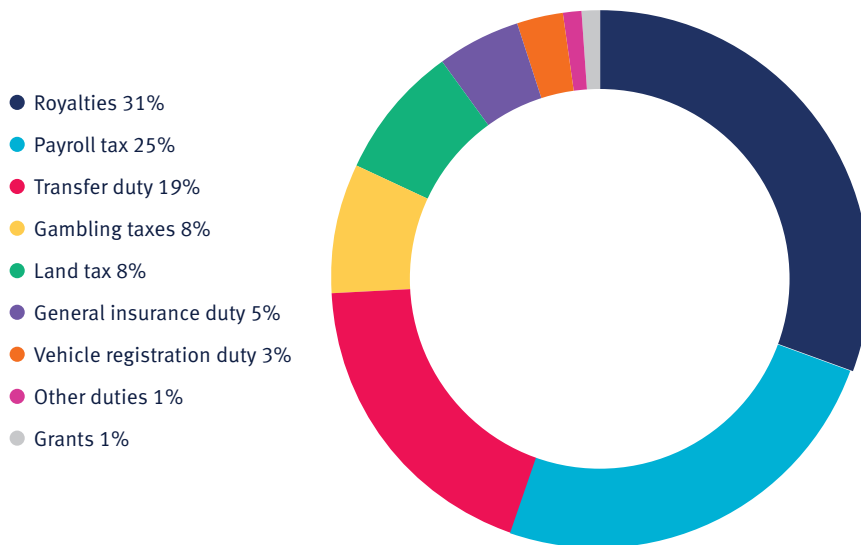
Royalty revenue is expected to grow in 2019–20 largely driven by increased petroleum royalty rates from 2019–20 onwards along with the increased royalty revenue from base and precious metals, which is expected to more than offset a decline in royalty revenue from coal. Total royalty revenue is expected to decrease in 2020–21 in line with coal prices gradually declining to medium-term levels by early 2021.



Total revenue administered by Office of State Revenue 2014–15 to 2018–19



Office of State Revenue administered revenue 2018–19



Revenue management

Service report

Objective

Ensure our services are tailored, fit-for-purpose and easy to access

During 2018–19, Treasury continued transforming its revenue management service, to deliver services and outcomes for taxpayers, staff, government and Queenslanders that are client centric, digitally enabled and data driven. This included:

- + extending OSR's intelligent virtual assistant Sam to all remaining revenue lines. From February 2018 to 30 June 2019, Sam has logged more than 17,300 taxpayer interactions, with over 80 per cent of enquiries being resolved at first contact.
- + delivering a new online portal for land tax, OSR Online, which allows land taxpayers to receive and pay assessments, claim exemptions, and have full transparency over their taxable landholdings. In the coming year, OSR Online will be extended across all revenue lines.
- + delivering a new business intelligence product to support all aspects of OSR's reporting. The product uses machine learning to deliver smart insights that identify and predict trends, and will allow OSR to quickly discover data patterns that will help drive improved business intelligence outcomes.
- + implementation of an enterprise data warehouse to enable OSR to realise the full value of its data in all analytics and intelligence related activities

- + using software solutions to deliver insights into taxpayer behaviours and drivers, enabling OSR to transform interactions with clients, leading to improved outcomes.

Objective

Partner proactively to facilitate better outcomes for the community

Treasury's approach to achieving better outcomes for the community in the field of penalty debt involves:

- + direct engagement and services that help people resolve their debt
- + firm measures for high-value debtors
- + options for people in hardship.

Transforming penalty debt management in this way has yielded positive results in 2018–19:

- + Growth in the debt pool fell from almost 15 per cent in 2015–16 to under 3 per cent in 2018–19. This is a strong result when compared to annual average growth rates of approximately 11 per cent over the past 15 years.
- + Debt finalisation has reached 97 per cent, well above the target of 85 per cent.
- + The State Penalties Enforcement Registry (SPER) achieved near-record collections of \$291 million in 2018–19. This is despite suspensions for Queenslanders impacted by natural disasters during that time.

- + The data enrichment program that began in February 2018 has resulted in the collection of \$33.15 million in debt.

Direct engagement to resolve penalty debt

SPER continued its outbound contact campaign initiatives in 2018–19, calling customers who had not paid their debt. Since its implementation in June 2016, around 62,000 customers have been called, resulting in the collection of \$32.4 million in debt.

SPER officers joined police on roadside operations such as random breath testing, drug testing and automatic number plate recognition to engage with people who have avoided their debts. Similar activities were undertaken with Queensland Rail, TransLink and police railway officers. These collaborative partnerships and initiatives increase SPER's visibility in the community and improve public perceptions of SPER.

During the year, SPER continued to lead the Penalty Debt Management Council, a collaboration of agencies to improve end-to-end penalty debt management across government. Through the council, SPER and the Department of Transport and Main Roads have agreed to prohibit vehicle registration transfer for vehicles under SPER enforcement action.

In the year ahead, SPER's focus will be on improving information sharing with penalty debt agencies.



Enforcement for high-value debtors

In the three years to 2018–19, Treasury has collected more than \$12.7 million in penalty debt through vehicle immobilisation (wheel clamping), seizure and sale (VISS). VISS is targeted towards people with higher value debt who can-but-won't pay.

This is an important enforcement measure, as it meets community expectations that penalty debt is resolved.

Options for people in hardship

While Queenslanders expect that most people will do the right thing and resolve their SPER debt quickly, some people are unable to pay due to genuine financial or other hardship.

Work and development orders (WDOs) allow people in hardship to resolve their debt through unpaid community work with government and community-based organisations, supervised by Queensland Corrective Services.

The WDO program is continuing to see positive results in enabling people in hardship to resolve their SPER debt.

Since WDOs began in December 2017, around 8,200 WDOs have been created, and around 2,800 have been completed. In the 19 months of the program to 30 June 2019, a total of \$7.6 million worth of debt has been resolved.

Objective

Enable sustainable growth that supports current and future government objectives

Each year, Treasury implements revenue initiatives designed to deliver a secure, sustainable revenue base to support the government's priorities for Queensland. These initiatives are increasingly supported by replacing repetitive, rule-based transactions with automated machine-based responses, and by improved data quality and analytics.

In 2018–19, OSR introduced several automation projects, which have saved more than 160 weeks of manual processing activity. One of these was the introduction of an enhanced debt management solution for all revenue lines. This will enable:

- + access to more client information in one location to better serve clients, for example, with itemised statements of their complete debt
 - + greater system flexibility for more targeted recovery actions that address high risk and high value matters more efficiently and effectively
 - + earlier interventions and tailored communications
- and a less rigid collection process.

Foreign landowners

From 2019–20, the land tax surcharge on absentee landowners increases from 1.5 per cent to 2 per cent and a 2 per cent surcharge will apply to foreign companies and trustees of foreign trusts.

These measures are forecast to result in an increase in revenue of \$131 million.

From 2019–20 the definition of absentee will also change so that Australian citizens and permanent residents living outside of Australia will no longer be considered absentees and will be exempt from the absentee surcharge.

Apprentice and trainee rebate

The Queensland Budget 2019–20 included an extension of the 50 per cent apprentice and trainee rebate for two more years.

First Home Owners' Grant

The First Home Owners' Grant helps Queenslanders buy their first home and helps stimulate the state's construction and related sectors. The grant applies to newly constructed houses, townhouses or units valued at less than \$750,000. During 2018–19, Treasury received 6,827 applications worth \$119 million.

Land tax – home exemption

In Queensland, landowners are entitled to apply for an exemption from land tax for the land they use as their home. In 2018–19, Treasury automated its processing of these exemptions and at least 50 per cent of home exemptions are now approved automatically. This means fewer follow-up inquiries by clients, and Treasury can redirect time saved to other service delivery activities.