As discussed, here is the info from Leigh on schools funding. We will see what we can get on locations for the new schools early tomorrow morning.

John

- Based on population growth projections, there is also a requirement for an additional 1,300 State school classrooms including in 5 new schools by 2021 (commencing within the current FE period). There is also a growing backlog maintenance liability and asset renewal shortfall that requires immediate attention. Recent estimates indicate an additional funding requirement of approximately $1B to 2021.
Jennifer Kindt

From: Leigh Pickering
Sent: Tuesday, 3 February 2015 8:20 PM
To: John O'Connell; Mark Gray
Cc: Alison Rayner; Catherine McFadyen; Kathleen Begley; Allison Mew
Subject: FW: SAchools info for Katter party briefing

John/Mark

Alison has provided the new schools as requested (refer below).

Leigh Pickering
Assistant Under Treasurer
Budget Portfolios Division
Queensland Treasury and Trade
Level 10, 100 George Street
Phone: 07 303 51977 (dial full number)
Mobile: 0457 567 964
Email: leigh.pickering@treasury.qld.gov.au
Web: www.treasury.qld.gov.au

Great state.
Great opportunity.
And a plan for the future. Queensland Government

From: Alison Rayner
Sent: Tuesday, 3 February 2015 6:53 PM
To: Leigh Pickering
Cc: Kathleen Begley; catherine.mcfadyen@treasury.qld.gov.au
Subject: Re: SAchools info for Katter party briefing

Leigh

Location of the 5 new primary schools:-

1. Blacks Beach Mackay
2. Burdell Townsville
3. Caloundra South
4. Yarrabilba
5. New Beith (Greater Flagstone)

Alison Rayner, CA
A/Director
Education & Technology Group
Queensland Treasury and Trade
ph: 303 51441
Jennifer Kindt

From: Jon Grayson <Jon.Grayson@premiers.qld.gov.au>
Sent: Wednesday, 4 February 2015 4:57 AM
Mark Gray; Barry Broe (Coordinator-General)
Subject: Fwd: Preliminary Questions for Treasury and Coordinator General

FYI. Happy to discuss

Sent from my iPhone

Begin forwarded message:

From: "Kate Johnson (Ministerial)" <Kate.Johnson@ministerial.qld.gov.au>
Date: 3 February 2015 9:33:06 pm AEST
To: Jon Grayson <Jon.Grayson@premiers.qld.gov.au>
Subject: Fwd: Preliminary Questions for Treasury and Coordinator General

Please find following email from Mr Katter's office. Can you please forward onto the Under Treasurer and Co-ordinator General?

Kind Regards,

Sent from my iPad

Begin forwarded message:

From: Scott Fittler
Date: 3 February 2015 9:22:03 pm AEST
To: <kate.johnson@ministerial.qld.gov.au>
Subject: Preliminary Questions for Treasury and Coordinator General

Hi Kate

Anne asked me to send through the following preliminary questions for Mr Katter and Mr Knuth’s meeting with Treasury and the Coordinator General’s office tomorrow.

Treasury

need cost analysis of net debt position and gross debt position including the income generated annually from government owned corporations and assets
government borrowings and expenditure including superannuation funds - net debt position of investment portfolio
where does the 1.3 billion dollars committed to fund election promises aside from asset sales come
cost benefit analysis of floating government bonds to fund major infrastructure projects such as the Adani railway line in the Galilee Basin
can we get a picture if the funding difference between Brisbane and rural/regional QLD
how much of the debt is ‘good’ debt (i.e. debt that has a return on investment)

This Part Out of Scope of Application

RTI Document No. 3
Coordinator General

What is the status of the following projects?

Galilee Basin Rail Line
what is the structure of the funding arrangements - how much is Federal; State and private
how committed is the state to the project? Is there any chance of renegotiating the project

BaT Tunnel
what is the structure of funding - how much is Federal; State and private
what is the projected net cost over the next ten years
where is the contract/negotiation at - can it be paused/renegotiated for a better deal

1 William St
- projected net cost to government

Status of the Toowoomba range bypass?

Major 5 year infrastructure project pipeline with costings and breakdown of projected planned payment (i.e. asset sales; federal funding, etc)?

Many Thanks,

Scott Fittler

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Hi Mark and Barry

As per Jon's request below, can you please include me in your meetings with KAP?

Thanks

David Hourigan
Deputy Director-General
Policy Division
Department of the Premier and Cabinet
Ph: (07) 300 39280
david.hourigan@premiers.qld.gov.au


Sent from my iPhone

Begin forwarded message:

From: Jon Grayson <Jon.Grayson@premiers.qld.gov.au>
Date: 4 February 2015 6:32:35 am AEST
To: David Hourigan <David.Hourigan@premiers.qld.gov.au>
Cc: Craig Wilson <Craig.Wilson@premiers.qld.gov.au>
Subject: Re: Preliminary Questions for Treasury and Coordinator General

Yes

Sent from my iPhone

On 4 Feb 2015, at 6:15 am, David Hourigan <David.Hourigan@premiers.qld.gov.au> wrote:

Yes I am happy to attend. Presume Mark and Barry have been notified?
Queensland Treasury Briefing

4 February 2015
Economic and employment growth forecasts have been downgraded from Budget

Economic Forecasts, Queensland
(year average, original terms)

<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome</strong></td>
<td><strong>Budget</strong></td>
<td><strong>MYFER</strong></td>
<td><strong>Budget</strong></td>
</tr>
<tr>
<td>Real GSP</td>
<td>2.3</td>
<td>3</td>
<td>2½</td>
</tr>
<tr>
<td>Employment</td>
<td>1.8</td>
<td>2</td>
<td>1½</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.0</td>
<td>6</td>
<td>6¼</td>
</tr>
<tr>
<td>CPI</td>
<td>2.8</td>
<td>2¾</td>
<td>2½</td>
</tr>
<tr>
<td>Wage Price Index</td>
<td>2.6</td>
<td>3</td>
<td>2½</td>
</tr>
<tr>
<td>Population</td>
<td>1¾</td>
<td>2</td>
<td>1¼</td>
</tr>
</tbody>
</table>

Note: Figures in decimal points are actuals.
Sources: ABS 3101.0, 5220.0, 6202.0, 6345.0, 6401.0, and Queensland Treasury and Trade.
General Government Budget position, 2014-15 MYFER

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>46,734</td>
<td>49,149</td>
<td>52,951</td>
<td>54,510</td>
<td>56,270</td>
</tr>
<tr>
<td>Expenses</td>
<td>46,115</td>
<td>49,213</td>
<td>49,873</td>
<td>51,390</td>
<td>53,259</td>
</tr>
<tr>
<td>Net operating balance</td>
<td>619</td>
<td>(64)</td>
<td>3,078</td>
<td>3,120</td>
<td>3,011</td>
</tr>
<tr>
<td>Net Capital</td>
<td>3,200</td>
<td>2,778</td>
<td>2,747</td>
<td>2,903</td>
<td>2,376</td>
</tr>
<tr>
<td>Fiscal balance</td>
<td>(2,581)</td>
<td>(2,842)</td>
<td>331</td>
<td>216</td>
<td>634</td>
</tr>
<tr>
<td>Borrowing</td>
<td>41,403</td>
<td>45,801</td>
<td>46,097</td>
<td>46,630</td>
<td>47,072</td>
</tr>
<tr>
<td>Borrowing (Total State)</td>
<td>72,716</td>
<td>77,553</td>
<td>78,241</td>
<td>78,840</td>
<td>79,792</td>
</tr>
</tbody>
</table>

The fiscal balance takes into account net capital expenditure (capital purchases less depreciation) to approximate a borrowing requirement for the year.
Debt can still increase with an operating surplus

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Result ($B)</th>
<th>Increase in Debt ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>0.035</td>
<td>3.950</td>
</tr>
<tr>
<td>2009-10</td>
<td>(0.056)</td>
<td>5.638</td>
</tr>
<tr>
<td>2010-11</td>
<td>(1.516)</td>
<td>9.173</td>
</tr>
<tr>
<td>2011-12</td>
<td>(0.233)</td>
<td>4.424</td>
</tr>
<tr>
<td>2012-13</td>
<td>(4.558)</td>
<td>8.366</td>
</tr>
<tr>
<td>2013-14</td>
<td>0.619</td>
<td>3.524</td>
</tr>
<tr>
<td>2014-15 (projected)</td>
<td>(0.064)</td>
<td>4.398</td>
</tr>
</tbody>
</table>

Large increases in debt can occur despite achieving operating surpluses. Unless there are sufficient funds generated by operating surpluses, the only other major source of funds for capital expenditure is debt.

For example, in 2008-09, there was a General Government operating surplus of $35 million but an increase in borrowings of $3.95 billion. In 2009-10, there was an operating deficit of $56 million, but an increase in borrowings of $5.6 billion.
For the Budget position to be sustainable, revenue must grow faster than expenses, as per the current forward estimates.

- **Revenue**: 4.8%
- **Expense**: 3.7%
Risks to revenue are to the downside

- The Commonwealth Grants Commission, which determines state shares of GST revenue, is conducting a review of their methodology (due to the federal Treasurer at the end of February). There is a risk that Queensland’s share of GST will be reduced.
- The timing of Natural Disaster recovery payments is subject to change.
- Tax forecasts are reliant on an improvement in the labour market (payroll tax has been weaker than expected) and ongoing strength in property market volumes.
- Royalties are a very volatile source of revenue. The MYFER assumed an oil price of $80 per barrel, which is currently below $60, coal prices are also lower, offset to some extent by a lower exchange rate.
Departmental expenditure has been very disciplined in recent years

- Decade to 2011-12: 8.9%
- 2012-13 and 2013-14: 0.1%
- 2014-15 to 2017-18: 3.7%
Expenditure pressures are building

- Health requires additional ‘growth funding’ to allow for increases in demand and cost of service delivery.
- Police require additional funding to meet demand for services.
- Employee expenses growth of 3.8% per annum on average over the forward estimates is consistent with achieving existing 2.2% wages policy and FTEs growing in line with estimated population growth.
- There is a need for additional prison capacity to cater for increased prisoner numbers.
- More broadly, it is recognised that the Government will face public pressure to increase capital expenditure following a period of restraint.
Capital spending has moderated

- Departments
- Government businesses

Year: 2005-06 to 2017-18
SEQ and rural/regional Qld capital spend, ($M)
2014-15 Budget

SEQ
- Capital purchases
- Capital Grants

Rural/Regional Qld
- 51% of capital spend, 67% of state population
- 48% of capital spend, 33% of state population

$5,897M
$5,558M
Reliance on debt funding has reduced

Total Government capital program – sources of funds

- **2011-12**
  - Free cashflow: 4%
  - Borrowings: 96%

- **2014-15**
  - Free cashflow: 3%
  - Borrowings: 47%
  - Other: 50%
Growth in debt has been largely non-commercial

- **Departmental**
- **Other GOCS and Water**
- **Self supporting**
But total Government debt to revenue ratio remains significantly higher than in other states

Net debt to revenue(%)
Gross debt, net debt and superannuation (30 June 2014)

Assets

Cash and investments including assets for superannuation $38 billion

Net Debt $35 Billion

Liabilities

Borrowings $73 billion

Employee entitlements including superannuation liabilities $31 billion

Net debt includes assets held for employee entitlements such as superannuation but does not include the associated liabilities.
GOC contributions to the Budget ($M)

- Revenues
- CSOs
- Net Flows

2014-15: 2,500
2015-16: 2,500
2016-17: 3,000
2017-18: 3,000

Great state. Great opportunity.
And a plan for the future.
Bus and Train (BaT) Tunnel

Business case completed.

LNP government was unhappy with costs. Further work being undertaken:
- Optimising BaT design and costs
- Examining other public transport solutions better aligned to service needs

No decisions have been taken
No funding has been allocated to BaT in 2014-15 Budget or MYFER
LNP Government had provisionally allocated $1 billion to BaT from asset leasing program

Contrary to Public Interest

Sch. 3(2)(1)(c)
1 William St (1WS)

Project Deed executed December 201
Project being constructed by Brookfield Multiplex for the joint private sector developers: Cbus Property and ISPT (both subsidiaries of large building and property superannuation funds)
No capital costs are being incurred by the Government.
Construction is 30% completed.

Construction due for completion late 2016.
Government has committed to lease 75,000 square metres of space for 15 years
Seeking to privately tenant 15,000 square metres to offset some of the State’s costs

Sch. 3(2)(1)(c)
Toowoomba Second Range Crossing

Final bids due from 3 shortlisted consortia on 25 February 2015.
Selection of preferred proponent scheduled for June 201
No final decisions have been taken on the project.

Funding agreement is Commonwealth 80% and Queensland 20% of capital costs.
Funding commitments to date are:
   Commonwealth: $1.285 billion
   State: $321 billion
   TOTAL: $1.606 billion
Operating costs to be met from tolling revenue, with any shortfall to be met by State
Design efficiencies from tender process may reduce costs.