

2. STATE CAPITAL PROGRAM – PLANNING AND PRIORITIES

INTRODUCTION

The Queensland Government is committed to creating the infrastructure necessary to support the economic and social development of the State. It does so:

- by providing infrastructure in support of core service delivery priorities – General Government sector investment
- through investments made by commercial entities of Government, including Government-owned corporations (GOCs) – Public Non-financial Corporations (PNFC) sector investment
- where appropriate, by fostering private sector investment

This chapter outlines key capital planning and expenditure priorities for the 2010-11 Budget.

CAPITAL PLANNING AND PRIORITIES

Capital investment decisions are primarily driven by the policy priorities of Government and factors such as demographic changes and planning requirements which impact upon service delivery requirements.

The Government has a range of mechanisms available to deliver the capital needed to support its priorities. These mechanisms include the Government directly funding and constructing infrastructure and providing capital grants to local government, the private sector and profit and not-for-profit organisations to deliver capital projects and provide services on behalf of the Government. The Government also considers opportunities for private sector involvement in public infrastructure delivery either through joint ventures or stand alone projects.

Investments made by the PNFC sector also constitute a major part of the State capital program. Entities in the PNFC sector operate on a commercial basis and, as such, their capital programs reflect needs identified within the market sector serviced by these entities.

South East Queensland Infrastructure Plan and Program

The *South East Queensland Infrastructure Plan and Program 2010-2031* (SEQIPP) will outline the Government's infrastructure priorities to support the SEQ Regional Plan to 2031 and represents a long term commitment to capital works in South East Queensland.

SEQIPP is still the largest infrastructure program in the country with 383 identifiable projects supporting about one million jobs to 2031.

Five years into the SEQIPP program \$20.8 billion has been invested and 160,000 jobs have been sustained.

In 2010, the Government continues investment in the largest infrastructure program in Australia, as well as looking at how it can deliver infrastructure outcomes earlier and within the context of a constrained financial environment.

2010-11 HIGHLIGHTS

The Government is committed to continuing to develop Queensland's infrastructure base. Highlights of capital spending in 2010-11 are outlined in this section.

Health

In 2010-11, the Government continues its significant investment in health infrastructure with a \$1.709 billion capital program. The focus for 2010-11 includes investment in regional cancer services, new hospitals, hospital redevelopments and expansions (including emergency department upgrades), development of community health centre infrastructure and investment in information and health technology.

Sunshine Coast University Hospital will progress at a total estimated cost of \$1.973 billion, and will open with 450 beds in 2016 and expand to 738 beds by 2021. In the interim, the Government and Australian Government will provide funding to enhance clinical services at Nambour General Hospital through the development of a cardiac catheterisation laboratory, endoscopy suite and vascular surgery suite, improvements to neurosurgery services, increased access to aero medical retrieval services and purchasing of radiation oncology services from the private sector. Clinical capacity at Caloundra Department of Emergency Medicine will be increased to meet rising demand until the opening of the new Sunshine Coast University Hospital.

Other program highlights include:

- \$16.4 million (\$179.3 million over four years) for the construction or upgrade of cancer centres throughout Queensland. The new regional cancer services will be located in Townsville (with outreach services to Mt Isa); Rockhampton, Bundaberg and Hervey Bay (with outreach services provided from the Royal Brisbane and Women’s Hospital); and Toowoomba (with outreach services provided by the Princess Alexandra Hospital).
- \$257.4 million over four years (under the National Health and Hospital Network package) to implement a number of initiatives, including emergency department treatment times, elective surgery, rehabilitation, sub-acute care, mental health, palliative care and multi-purpose facilities.
- Further development of tertiary hospitals in South East Queensland (\$626.1 million in 2010-11: Gold Coast University Hospital and the Queensland Children’s Hospital).
- Redevelopments of hospitals (\$252.7 million in 2010-11) at Cairns, Mackay, Mount Isa, Townsville and Rockhampton continue.
- In partnership with the University of Queensland, Queensland University of Technology and the Mater Medical Research Institute \$57.2 million in 2010-11 (\$334 million over four years) will be invested in developing the Translational Research Institute (TRI) in the Princess Alexandra Hospital grounds. TRI will provide a high quality research environment that will focus on the translation of research outcomes to clinical trials and practice.

Transport and Main Roads

In 2010-11, capital funding of \$7.325 billion is provided for roads and other transport infrastructure including the Department of Transport and Main Roads, Airport Link, QR Limited, the ports corporations, Queensland Motorways Limited, RoadTek and the TransLink Transit Authority.

Roads

In 2010-11, capital funding of \$3.276 billion is provided for roads projects. Highlights of the 2010-11 roads capital program include:

- \$198 million to upgrade, to six lanes, a section of the Gateway Motorway, from Mount Gravatt-Capalaba Road to Miles Platting Road, at a total estimated cost of \$240 million

- \$88 million to commence the two lane extension of the Port of Brisbane Motorway from Lindum Road to Pritchard Street, at a total estimated cost of \$332 million
- \$37.6 million towards the completion of the duplication of the Forgan Bridge in Mackay, at a total estimated cost of \$148 million
- \$29.5 million for the Calliope Range deviation on the Dawson Highway, at a total estimated cost of \$70 million.
- \$550 million to continue the federally-funded Ipswich Motorway upgrade, between Dinmore to Goodna, at a total estimated cost of \$1.95 billion
- \$288 million, in state and federal funding, to upgrade the Bruce Highway between Cooroy and Curra (Section B – Sankeys Road to Traveston Road), at a total estimated cost of \$613 million
- \$48.5 million, in joint state and federal funding, to continue the widening of four lanes of the Douglas Arterial, on the Bruce Highway (Townsville Ring Road), at a total estimated cost of \$110 million

Rail and ports

In 2010-11, capital funding of \$3.246 billion is invested towards the continued business as usual operation for rail and ports projects. Highlights of the 2010-11 rail and ports capital program include:

- coal network – \$864.2 million for coal network tracks and new and upgraded locomotives and wagons. This includes \$502.2 million for the Goonyella to Abbot Point Expansion Infrastructure Works construction and \$192.1 million for the continuation of the Jilalan Yard Upgrade and for new and upgraded electric and diesel locomotives and coal wagons.
- Citytrain track infrastructure upgrades - \$446.4 million to upgrade infrastructure and rollingstock on the Citytrain network as part of SEQIPP.
- Port of Brisbane Corporation Limited - \$56.7 million to continue construction of berths 11 and 12 to accommodate increasing trade throughput and \$14.5 million for major road upgrades at Fisherman Islands.
- Far North Queensland Ports Corporation Limited - \$9.3 million for the southern extension of the boardwalk and foreshore promenade in the Cairns Cityport.

- Gladstone Ports Corporation Limited - \$40.2 million for upgrading works at the RG Tanna Coal Terminal and \$14 million for construction of a new tug facility.
- North Queensland Bulk Ports Corporation Limited - \$53.5 million to complete the Abbot Point Coal Terminal X50 expansion at a total estimated cost of \$818 million which will increase the terminal capacity of the terminal to 50 million tonnes per annum. A further \$39.6 million is provided to complete the renewal of coal stockpile machinery for the Abbott Point Coal Terminal.
- Port of Townsville Limited - \$57.5 million for construction of the Townsville Marine Precinct project to provide a dedicated marine facility to the local industrial and commercial marine industries.

Other Transport

The Department of Transport and Main Roads' capital expenditure program in 2010-11, for other than roads-related transport, totals \$744.3 million and predominantly comprises investment in public transport infrastructure and systems.

In the 2010-11 Budget, the Government continues to progress the implementation of SEQIPP. Some major projects in South East Queensland include:

- \$219 million for the Gold Coast Rapid Transit System, a light rail project from Parkwood to Broadbeach, at a total estimated cost for stage 1 of \$948.7 million
- \$197 million to continue construction of the Northern Busway between Enoggera Creek and Kedron, at a total estimated cost of \$734.7 million
- \$150 million to continue construction of a 1.05 km busway connection between South East Busway and Main Avenue with bus stations at Stones Corner and Langlands Park, at a total estimated cost of \$465.8 million
- \$20.3 million to continue construction of cycle links to enhance the cycle network in South East Queensland. This is made up of \$9.4 million towards the construction of state-owned cycle links and \$10.9 million in grants to be provided to local government.

The TransLink Transit Authority capital expenditure program for 2010-11 totals \$59.4 million, including \$39.1 million towards the TransLink Station

Upgrade Program, to improve existing bus stations and build additional station infrastructure.

Water

South East Queensland

To meet current and future water supply needs in South East Queensland (SEQ), the Government is continuing construction of the Water Grid, ensuring climate-resilient supply arrangements and allowing water to be regionally managed and allocated to meet demand in the areas of highest need.

\$202.2 million is budgeted for the Northern Pipeline Interconnector Stage 2, to be completed in 2011-12. This pipeline will extend from Landers Shute water treatment plant at Eudlo to Cooroy on the Sunshine Coast, and facilitate the integration of Sunshine Coast Regional Council into the SEQ Water Grid. As part of the project, reverse flow capacity will be installed on Stages 1 and 2 of the pipeline. Longer-term planning is for the pipeline to deliver water from future northern water sources, including possible northern desalination facilities. Alternatively, it could deliver water to the Sunshine Coast, should the next major supply be located elsewhere in SEQ.

The \$348 million Wyaralong Dam project is now under construction. In 2010-11, \$105 million will be spent on construction activities. The dam, which is scheduled for completion in 2011, will provide an additional 26,000 ML/pa of water when operated with the Cedar Grove Weir and the Bromelton Offstream Storage.

The Queensland Bulk Water Supply Authority is allocating \$90 million in 2010-11 for the Hinze Dam Stage 3 project. This project is due for completion in 2011 and will raise the Hinze Dam wall 15 metres, giving the dam a total capacity of nearly 310,000 ML.

Energy

Electricity usage in Queensland has grown strongly during the past ten years, and this trend is expected to continue. Queensland's annual electricity consumption over the last three years averaged approximately 48,957 GWh and is expected to grow at an annual average of 4.2% over the next three years to 2012-13.

The growth continues to be driven largely by economic activity, increasing population, and the growing use of lifestyle appliances such as plasma televisions and air-conditioners. The growth in energy consumption has been more significant in South East Queensland, due to the concentration of population and industry.

The proportion of residences with air-conditioners in Queensland has increased from around 35 per cent in 2001 to over 70 per cent, and is a key driver of peak demand. It is estimated that ENERGEX and Ergon will spend around \$3 billion over the next five years on new distribution network infrastructure to meet the increased load from air-conditioners.

Investment in electricity infrastructure continues to be driven by peak demand, with in excess of 12 per cent of ENERGEX's distribution network being utilised for only one percent of the time, equating to less than four days per annum. While demand management strategies are being explored as medium to long term responses, significant capital investment in the electricity sector is required to ensure the sector continues to meet demand.

An additional 914 megawatts of capacity was added to the state's electricity supply by the private sector with the commissioning of liquid fuel fired generation at Mt Stuart and gas-fired plants at Darling Downs and Condamine. A further 169 megawatts of capacity will be added with the commissioning of a gas-fired plant at Yarwun.

Powerlink will invest \$574 million on new transmission infrastructure and augmentation, while ENERGEX and Ergon Energy will similarly invest a total of \$2.189 billion on the distribution networks to maintain reliable and secure transmission and distribution electricity networks across the state.

Altogether, a total of \$3.130 billion has been budgeted to be spent in 2010-11 by the Government owned electricity corporations on plant and network overhauls, maintenance and augmentation. This will ensure that the State's electricity assets and infrastructure continue to maintain secure and reliable supply and are well positioned to meet forecast growth in demand.

Highlights of the 2010-11 electricity capital program include:

- **Generation sector:** the primary focus will be capital works to ensure ongoing generation plant reliability and efficiency. CS Energy will spend \$50.2 million on improvements to the Callide power station for overhauls and major refurbishment work on the B station, \$20 million and \$24.5 million respectively on improvements to the Mica Creek and Kogan

Creek power stations. Stanwell will spend \$67.4 million on comprehensive maintenance works and plant upgrades of Stanwell, Barron Gorge and Kareeya power stations with a further \$8.7 million investment in low nitrogen burners for the Stanwell power station.

Similarly, Tarong Energy will spend \$72.4 million on maintenance and improvements at the Wivenhoe, Tarong and Tarong North power stations. An additional \$38.4 million will be spent on mine fleet and equipment upgrades and refurbishments at the Meandu coal mine.

- **Transmission sector:** Powerlink will undertake major transmission augmentation and new capital works of \$574 million to reinforce electricity supply and maintain a secure and reliable transmission network across the state.
- **Distribution sector:** ENERGEX and Ergon energy have budgeted network and non-system capital expenditure of \$1.251 billion and \$937.7 million respectively for the augmentation and maintenance of the distribution network and to improve the security and reliability of electricity supply in their respective regions.

Housing

In 2010-11, Government continues its significant investment in affordable housing infrastructure with a capital program of \$1.086 billion focused on delivering additional social housing as well as improving existing dwellings to continue to meet the needs of social housing clients. This investment will assist in meeting the growing need for affordable and appropriate housing for clients, improving Queensland's response to people who are homeless or at significant risk of homelessness and improving the condition and availability of housing in Indigenous communities.

This major investment in capital works includes funding of \$90 million from the Queensland Future Growth Fund and \$699.8 million from National Partnership Agreements with the Australian Government including the Nation Building and Jobs Plan, Social Housing, Homelessness and Remote Indigenous Housing.

In 2010-11, the value of the social housing portfolio is expected to reach in excess of \$15.3 billion.

Education and Training

The education capital works budget in 2010-11 will total \$1.240 billion (including an expensed component of \$145.2 million), while the training budget will total \$133.3 million (including \$19.6 million expensed) and \$71.4 million (including \$4.3 million expensed) for early childhood education. A further \$254.6 million is allocated for the South-East Queensland Schools Public Private Partnership (SEQ Schools PPP), capital grant payments to other organisations and plant and equipment purchases for the department. This infrastructure investment will also generate further employment opportunities.

A total of \$135.0 million will be spent on facilities to cater for population growth areas across the state. This funding will provide two new schools at Springfield, undertake staged work at six schools, buy land and provide additional classrooms at existing schools. During the 2010-11 financial year, schools in wider Bellbird Park area (Ipswich), Collingwood Park (Ipswich) and East Coomera will be opened under the SEQ Schools PPP which will provide seven schools in total.

The Government's State Schools of Tomorrow program will also complete its roll out with the allocation of \$207 million to deliver new and upgraded facilities in schools. This includes:

- \$48 million to complete the relocation of Bremer State High School;
- \$23 million to complete the amalgamation of three primary schools at the former Wynnum North State High School site; and
- \$5 million to complete the renewal of Wynnum State High School.

The Government's commitment to invest \$321 million to establish up to 240 new or additional kindergarten services by 2014 will provide \$35.7 million in 2010-11, which will include the construction of 12 services on state sites for 2011.

Just over half of the education capital works budget will be used to build or upgrade facilities in Queensland schools as part of the Australian Government's Building the Education Revolution program. In 2010-11, \$703 million will provide for the building or upgrade of large scale school infrastructure (such as libraries, halls and science and language laboratories) as well as the renewal of existing school buildings.

The Queensland Skills Plan included a six-year infrastructure program worth over \$350 million. Under this plan, in 2010-11, \$109.8 million will be invested in major facilities for trade and technician skills and for the redevelopment of TAFE campuses generally.

QUEENSLAND FUTURE GROWTH FUND

The Queensland Future Growth Fund (the Fund) was established in June 2006 with the net proceeds from the sale of State Government-owned energy retailers.

The Fund supports initiatives and infrastructure benefiting Queensland by:

- implementing strategies to secure water supply and providing funding for water infrastructure
- providing funding for infrastructure projects that support the State's growth, particularly in the areas of transport, housing and commercial infrastructure
- supplying funds to research and develop innovative technologies that address climate change and proactively advance the State's environmental sustainability.

The Queensland Future Growth Corporation was created under the *Future Growth Fund Act 2006* to administer the Fund.

In 2009-10, the Fund has allocated \$658.8 million toward transport and water infrastructure, clean coal technology, climate change and Smart State projects, commercial infrastructure and social housing stock.

The Fund will continue to contribute to the following key priorities with an estimated \$362.6 million allocated to projects in 2010-11:

- constructing water and transport infrastructure
- funding for clean coal technology that will make a proactive and positive contribution to the science and technology of reducing carbon emissions
- funding for climate change initiatives such as the Solar Hot Water Rebate Scheme, energy conservation and demand management measures to reduce peak electricity demand in Queensland and grants for a range of renewable energy projects

- contributing further towards Smart State projects, including the Innovation Building Fund. The 2010-11 allocation also provides funding towards the Life Sciences Partnership Fund – a venture capital fund between the Queensland Government, global biopharmaceutical company Eli Lilly and other strategic investors that will be based in Brisbane and help make Queensland a key biotechnology hub
- funding for priority works on the Mount Isa rail line to facilitate capacity growth and develop the North West Minerals Province
- continuing to provide funding to expand the State’s social housing stock.

Table 2.1 shows the allocation of the Fund towards various projects.

Table 2.1							
Queensland Future Growth Fund projects							
	Total allocation	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Budget	2009-10 Est. Act.	2010-11 Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Transport infrastructure	500,000	..	149,300	153,600	135,100	125,600	3,700
Water infrastructure	1,000,000	557,200	14,800	278,700	73,400
Clean coal technology	300,000	29,600	22,400	46,900	19,000	16,600	4,700
Climate change projects	100,000	3,000	43,200	26,200	43,200
Smart State projects	128,100	..	6,800	20,000	23,200	700	80,900 ¹
Commercial infrastructure	600,000	400,000	..	50,000	50,000	71,000	66,700
Social housing stock	500,000	..	85,000	125,000	140,000	140,000	90,000
Total	3,128,100	429,600	263,500	955,700	425,300	658,800	362,600

Note:

1. Allocation includes the forecast conversion of US\$25 million to A\$ relating to funding towards the Life Sciences Partnership Fund. The actual drawdown amount from the Queensland Future Growth Fund will be based on the conversion of US\$ to A\$ on the day of the drawdown and therefore, will differ from the forecast allocation.