



QUEENSLAND
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QLD POLICY LEADERS' FORUM

**FUNDING QUEENSLAND'S
ESSENTIAL SERVICES
AND INFRASTRUCTURE**

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PANELISTS:



MICHAEL BRENNAN

Chief Executive Officer,
e61 Institute



ANTONIA MERCORELLA

Chief Executive Officer,
REIQ



DR ARUNA SATHANAPALLY

Chief Executive Officer,
Grattan Institute



GENE TUNNY

Director,
Adept Economics



**MODERATOR
DAVID EDWARDS**

Principal,
BGE Advisory

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**Southern
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QFI Events



Snapshot

The panel discussion brought together senior voices from economics, public policy, housing, professional services and industry to examine how Queensland can fund essential services and infrastructure in a way that is fiscally sustainable and forward-looking. The conversation ranged across the state budget outlook, productivity reform, tax settings, industry policy, housing affordability, public-private partnerships, workforce development, climate resilience and the role of technology in public service delivery.

A central theme was Queensland's deteriorating fiscal position. While the state's underlying economic fundamentals remain strong - including population growth, resources, agriculture and lifestyle advantages - Queensland is running an operating deficit of approximately \$9 billion.

Housing affordability emerged as one of the most critical issues facing the state. Brisbane's median house price has reached around \$1.4 million within the LGA and just under \$1.1 million across the broader metropolitan market, with prices up roughly 80% over five years.

AI and technology were also identified as productivity levers, provided they are accompanied by service model redesign, better targeting of public spending and mature partnerships between government, industry and the community.

Summary of Key Themes

- Queensland's fiscal position is under serious pressure, with a \$9 billion operating deficit requiring urgent action on spending discipline, service efficiency and the long-term sustainability of recurrent commitments.
- Tax reform remains an unresolved challenge. Incremental reform can be useful, but accumulated policy 'barnacles', vertical fiscal imbalance and GST redistribution pressures point to the need for a more comprehensive rethink of the federal fiscal compact and state revenue base.
- Essential service delivery must be better targeted. Health, primary care and disability services illustrate the risk of funding models that entrench old business models, direct public money poorly and fail to align spending with need.
- Government's role in the economy has shifted toward greater intervention, raising questions about the discipline and rigour needed to ensure industry support does not distort markets or entrench uncompetitive activity.
- AI and technology offer significant scope for improving government productivity, targeting services, reducing administrative burden and detecting compliance risks, but formal adoption by governments lags the private sector considerably.
- Housing affordability is the most pressing social and economic issue for Queensland, with home ownership at record lows, rental vacancy at crisis levels, a 50,000-dwelling annual target being missed, and construction costs making new supply unviable in many market segments.
- Public-private partnerships have delivered major infrastructure outcomes in Queensland but require mature and realistic risk allocation. Governments must resist transferring risks the private sector cannot efficiently bear.
- Skilled migration and workforce mobility are essential to meeting Queensland's infrastructure, construction, health and service delivery ambitions, but can only be sustained if the housing market can absorb new arrivals.
- Climate resilience must be embedded in infrastructure and housing decisions, with Queensland's exposure to extreme weather events imposing growing costs that are insufficiently captured in long-term budgets.

Key Themes and Discussion Points

Fiscal Position and Budget Outlook

- The panel opened with an assessment of Queensland's fiscal position ahead of the state budget. Panellists acknowledged that the state's fundamentals remain strong. Population growth is solid, the resources sector remains significant, agriculture is high-performing and Queensland continues to be attractive to people and investment. However, those strengths are being offset by a weakening budget position and growing pressure on essential services and infrastructure delivery.
- Queensland is running an operating deficit of approximately \$9 billion. This means the state is borrowing not to fund productive capital investment, but to cover day-to-day recurrent spending, including wages, services and ongoing program costs. Panellists stressed that this is not 'good debt' and must be addressed before the broader debt sustainability question can be resolved.
- The short-term task is to stop making the position worse. Examples raised included the 50-cent public transport fare policy, which was described as popular but unaffordable, and the need to scrutinise government-attached bodies and underutilised assets. Panellists also discussed the role of the Productivity Commission, automation opportunities, and longer-term options including private sector participation in energy assets, renegotiation of the federal fiscal compact and reform of GST distribution arrangements.
- The discussion also linked fiscal discipline to delivery discipline. Cross River Rail was cited as a cautionary example of major project escalation, with the project described as moving from an expected cost of around \$6 billion to around \$22 billion and well beyond earlier delivery expectations. The broader implication was that Queensland cannot fund its future infrastructure program unless project selection, business cases, risk allocation and delivery oversight are materially strengthened.

Tax Reform and the Federal Fiscal Compact

- The panel examined whether Queensland, and Australia more broadly, has given up on meaningful tax reform or whether conditions are emerging for a more substantial rethink. While incremental reform was acknowledged as sometimes appropriate, panellists agreed that accumulated policy barnacles have created a system that increasingly requires a broader overhaul.
- The vertical fiscal imbalance - where states rely heavily on Commonwealth transfers and GST revenue that can be redistributed away from Queensland because of commodity price calculations - was identified as a structural problem requiring federal-level negotiation. Panellists noted that reforms of the scale seen in the mid-1980s and in 2000 were preceded by substantial intellectual groundwork and community consensus-building. Similar preparation would be needed before another major reform package could succeed.
- There was also discussion around whether community sentiment is shifting on the treatment of wealth relative to income. While a wholesale consumption-income tax switch may not yet have strong political momentum, there appears to be greater public salience around wealth-related concessions and the ability of wealthier Australians to structure their tax affairs in ways that are less available to wage earners.

Key Themes and Discussion Points

Productivity, Industry Policy and the Role of Government

- A substantial portion of the discussion focused on productivity and how governments should engage with industry in a global environment where the conditions that shaped free-trade era thinking have materially changed. Panellists challenged both the reflexive dismissal of industry policy and the uncritical embrace of government intervention.
- The central productivity point was that governments do not directly create productivity growth. The private sector has a decisive role in driving innovation and output, while government is most valuable when it sets the conditions for a thriving economy. Those conditions include regulatory settings, energy infrastructure, trade access, planning frameworks, skilled labour and confidence in public institutions.
- Panellists identified a series of structural 'barnacles' that hold Australia back, including different rules, taxes and occupational standards across seven jurisdictions. Given Australia's geography, dispersed population and high infrastructure needs per capita, governments need to reduce every avoidable point of friction that sits within their control.
- Essential services were also discussed as a major productivity and targeting challenge. Health budgets are under sustained pressure from wage growth, ageing, chronic disease and the cost of supporting people through longer lives. The current system remains heavily designed around episodic emergency care, even though a growing share of need relates to decades-long management of chronic conditions. The National Disability Insurance Scheme (NDIS) is an example of a well-intentioned scheme whose design and cost trajectory require reform if it is to remain sustainable.
- The industry policy risk identified was not simply that governments pick losing industries, but that losing industries successfully lobby governments by presenting unviable businesses as strategically essential. Once support begins, it creates entrenched interests that are politically difficult to withdraw. While the case for a simple 'no' to industry policy has weakened, panellists argued that any engagement must be disciplined, evidence-based and clear about the sharing of risk and reward between public and private actors.

AI and Technology in Government Service Delivery

- The panel explored the pace of AI adoption in government relative to the private sector, and the scope for technology to improve public service productivity. The overall assessment was that governments lag significantly behind the private sector, driven by greater sensitivity around privacy, community attitudes and institutional risk aversion.
- However, the scope for improvement is substantial. AI is well-suited to tasks governments undertake at scale: tailoring advice to individuals, detecting anomalies for compliance and fraud, targeting services based on need, and processing large datasets to improve resource allocation. Australia was described as well-positioned in terms of underlying AI readiness, ranked alongside leading jurisdictions including Denmark and South Korea, even though formal adoption within government systems remains limited.
- Panellists also observed that informal, decentralised AI use is already widespread across organisations. Staff are integrating AI tools into daily workflows without necessarily waiting for a formal enterprise-wide mandate. While imperfect, this pattern can be a practical starting point for broader adoption, provided individuals remain accountable for their outputs and agencies develop clear guardrails.
- The panel also highlighted the challenge of embedding AI productively into service delivery models built around outdated business logic. Medicare was used as an example: public funding still largely remunerates a GP sitting with a patient in a physical consultation, often for half an hour or more. Technology adoption will therefore require model redesign, not merely the overlay of AI tools on existing processes.

Key Themes and Discussion Points

Housing Affordability and Supply

- Housing was described as the most important issue facing Queensland, not merely as an economic concern but as a foundational question of social security, community stability and human wellbeing. Brisbane's median house price has reached around \$1.4 million within the LGA, with the broader metropolitan median just under \$1.1 million. Prices have increased by approximately 80% over five years, and regional markets have outperformed Brisbane in many parts of the state over that period.
- Home ownership rates have fallen to about 63%, Queensland's lowest on record and the lowest of any state. This is well below the historic benchmark described in the discussion as closer to a 70/30 ownership-rental split. The sharpest decline is concentrated among people aged 25 to 39, creating a growing cohort that does not see a credible pathway to ownership.
- Rental vacancy rates sit at just 0.9%, well below the 2.6% to 3.5% range associated with a healthy rental market. This is creating a mobility problem: tenants are staying in place longer out of fear of not finding alternatives, which suppresses household formation, labour mobility and economic participation.
- On the supply side, Queensland needs roughly 50,000 new dwellings annually and is consistently missing that target. Construction costs in Queensland are already materially higher than the national average, and recent global cost pressures in materials such as steel, concrete and plumbing supplies were described as adding 20% to 30% in recent months. Combined with labour shortages and the coming Olympic infrastructure pipeline, these pressures are constraining feasibility across many market segments. The result is that only higher-end housing is consistently stacking up, while more affordable supply is delayed or abandoned.
- Panellists also noted a mismatch between dwelling type and household composition. With an average of around 2.4 persons per dwelling and growing numbers of single-person and smaller households, Queensland is not building the diversity of housing needed to match how people actually live. Planning, density policy and infrastructure coordination must adapt to this reality.

Public-Private Partnerships and Infrastructure Delivery

- The panel examined Queensland's track record in public-private partnerships and the conditions required for them to work effectively. Positive examples were cited, including the Airtrain, Queen's Wharf, port investments and the Olympic infrastructure pipeline. However, panellists stressed that success depends critically on realistic and disciplined risk allocation.
- Governments have historically sought to transfer as much risk as possible to private partners, including risks the private sector cannot efficiently bear, such as geological uncertainty in tunnelling or demand risk in politically sensitive settings. This can make projects unbankable or create situations where governments are forced to intervene anyway when projects or assets are at risk of failing.
- The discussion also highlighted political risk. Even where private investors are nominally bearing a risk, governments may ultimately remain exposed if a project is politically or socially too important to fail. This makes it essential to be explicit from the outset about which risks can genuinely be transferred and which must remain with government.
- Expertise in structuring complex infrastructure partnerships is accumulating within State Treasuries and agencies, particularly in New South Wales and Victoria, but is often shared more effectively through professional services than across government. Better cross-jurisdictional knowledge sharing was identified as a priority, alongside a more mature national approach to PPP frameworks as Queensland faces a substantial Olympic and post-Olympic infrastructure program.

Key Themes and Discussion Points

Workforce Development and Skilled Migration

- The panel concluded with a discussion of workforce supply as a binding constraint on infrastructure delivery and service provision. Queensland faces significant labour shortfalls across health, construction, trades and professional services. This challenge is compounded by the Olympic infrastructure program, broader population growth and acute pressure in service sectors where physical labour and specialist skills cannot simply be replaced by technology.
- Panellists were broadly supportive of skilled migration as a necessary and valuable source of labour, noting that Australia's stability and lifestyle make it genuinely attractive to workers considering international relocation. However, the sustainability of migration-based workforce strategies depends directly on the availability and affordability of housing. Without a credible housing response, skilled migration can become harder to sustain politically and practically.
- Interstate skills mobility was also raised as a more immediately accessible but underutilised lever. Inconsistent occupational standards and licensing requirements across jurisdictions create friction that prevents workers from moving fluidly across state lines. The example of different plumbing standards and licensing arrangements between Queensland and other states illustrated how apparently practical workforce solutions are often blocked by regulatory inconsistency. Harmonisation of these standards was identified as a practical reform that would improve labour market flexibility without requiring major policy transformation.

Climate Resilience and Infrastructure Planning

- Climate resilience was raised as a cross-cutting consideration, particularly relevant to Queensland given the state's exposure to extreme weather events. Panellists noted that disasters increasingly impose costs that are not adequately captured in state budgets, appearing as episodic spending spikes rather than a structural and escalating liability.
- The discussion framed climate shocks as a supply-side constraint as well as a disaster recovery issue. Floods and severe weather can destroy or damage existing stock, divert construction capacity into repair work and drag infrastructure systems backwards at the same time as population growth is increasing demand. This reinforces the need to treat climate resilience as part of core infrastructure planning rather than as a separate environmental issue.
- The panel emphasised the importance of proactive spatial planning, ensuring that new housing supply is not developed in flood-prone or otherwise climate-exposed areas. The experience of New South Wales in unlocking fringe land that subsequently proved vulnerable to climate events was cited as a cautionary example. For Queensland, greater density in established and resilient urban areas was identified as a more appropriate long-term response than continued fringe expansion.

Insights and Implications

- Queensland faces a compound set of fiscal, demographic, environmental and infrastructural pressures that will not resolve without deliberate policy choices. The discussion made clear that the state's economic fundamentals remain strong, but structural settings are increasingly working against long-term prosperity.
- The fiscal position demands immediate attention. Running a \$9 billion operating deficit is not a problem that can be managed indefinitely through borrowing. Meaningful reform requires spending restraint, better targeting of public expenditure and the intellectual and community groundwork necessary to build support for more comprehensive tax and federation reform.
- Housing sits at the intersection of multiple policy challenges: construction productivity, land use planning, infrastructure provision, workforce mobility, migration and community resilience. Addressing it requires coordination across levels of government and a sustained commitment to supply, diversity and resilience over several budget cycles.
- Technology offers a genuine and underutilised lever for improving government productivity. The challenge is not technical readiness - Australia ranks well globally - but institutional willingness to redesign service models around what technology makes possible, rather than simply overlaying tools on outdated processes.
- Workforce supply will remain a binding constraint across health, infrastructure, construction and professional services. Meeting Queensland's ambitions, particularly for the Olympic program and post-pandemic social infrastructure, requires a coordinated approach to training, skilled migration, housing supply and licensing reform.
- Climate resilience and infrastructure planning must be treated as fiscal issues as well as environmental ones. If the growing costs of disasters remain under-budgeted, the state will continue to absorb repeated shocks that undermine housing delivery, productivity and long-term budget repair.

Conclusion

- The forum reinforced that Queensland's challenges are interconnected and systemic. Fiscal sustainability, housing supply, infrastructure delivery, workforce development, essential services reform and productivity growth are not separate problems. They are expressions of the same underlying question: whether government settings are calibrated to enable long-term growth and social resilience.
- The panel's message was clear: strong fundamentals are not sufficient if policy settings work against them. Queensland has the assets, population trajectory and institutional capacity to navigate this moment well. But doing so will require difficult spending decisions, more disciplined project delivery, better targeted public expenditure, reform of service models, and cross-sector partnerships capable of delivering infrastructure and services at the scale Queensland's future demands.

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FOR FURTHER INFORMATION

Steve Greenwood | Chief Executive Officer
steve.greenwood@futuresinstitute.com.au

www.futuresinstitute.com.au
Level 11, 111 Eagle Street Brisbane QLD 4000