

INQUIRY INTO  
THE  
QUEENSLAND  
GOVERNMENT'S  
ECONOMIC  
RESPONSE TO  
COVID-19



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TERMS OF REFERENCE SUBMISSION

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## Introduction

Rockhampton Regional Council (Council) welcomes the opportunity to make a submission to the Economics and Governance Committee with respect to its inquiry into the *Queensland Government's economic response to COVID-19*.

Council acknowledges the decisions of the Australian and Queensland Governments who have acted to attempt to manage and mitigate the potential economic consequences of COVID-19. In the midst of an uncertain environment, Governments at all levels have been required to make decisions under challenging circumstances.

The impact on local economic conditions and businesses across the Rockhampton Region as a result of COVID-19 has been significant and corresponds closely with restrictions on economic activity. These economic impacts of COVID-19 on our national, state and local communities are ongoing and will require continued attention and support from all levels of Government, particularly as current support measures are gradually unwound and the full economic impacts are realised.

Together with highlighting some of the ongoing economic impacts to the local Rockhampton economy and Council's initial response, this submission seeks to inform the committee of some of the unique challenges faced by Council and opportunities that exist to address the same.

## Impacts of COVID-19 on Rockhampton

With a population of approximately 81,512, the Rockhampton Region services a broader population of over 225,000 across Central Queensland<sup>1</sup>. The economic impacts experienced in Rockhampton from COVID-19 therefore have a flow-on effect to communities across the wider Central Queensland area.

Pre-COVID-19, the Rockhampton economy was growing slowly, with Gross Regional Product (GRP) for the year ending June 2019 of \$5.12 billion, growing just 0.4% since the previous year which is less than the \$5.2 billion GRP for the year ended June 2016.

The latest economic modelling from economy.id have provided estimates of the local economic impacts of COVID-19 in the June quarter. The .id impact model<sup>2</sup> suggests:

- Gross Regional Product is forecast to fall by -11.2% in the June Quarter 2020.
- Local Jobs are forecast to fall by -7.7% in the June Quarter 2020. This equates to a fall of 3,121 local jobs.
- If JobKeeper recipients impacts are included then the employment fall is estimated at -12.3% (4,967 jobs).

<sup>1</sup> ABS Region Data Summary, Estimated Resident Population as at 30 June 2019.

<sup>2</sup> See - <http://economy.id.com.au/rockhampton/covid19>



A 3,121 fall in local jobs would make Rockhampton's unemployment rate at an estimated 15.4%. Without JobKeeper that would be around 8,572 unemployed people and an unemployment rate of approximately 19.6%.

There will of course be other dynamics around timing of data, changes in participation rates and potential population shifts, however over the longer term, local unemployment in the Rockhampton Local Government Area has averaged 8.0% over the past five years with the December quarter unemployment rate sitting at 8.3%.

It is noted that the impacts to the Rockhampton economy from the COVID-19 crisis comes on the back of multiple natural disasters affecting the Region in 2011, 2013, 2015 and 2017.

With stubbornly high pre-COVID-19 rates of unemployment combined with low rates of economic growth, the impacts of the COVID-19 pandemic to the local economy and community will be more severe than the effects experienced in other regions. This will likely endure for a longer period of time without dedicated and ongoing support.

The sectors most impacted in terms of employment by COVID-19 are accommodation and food services, retail trade, other services and professional, scientific and technical services.

Latest information from the Department of Social Services of JobSeeker and Youth Allowance recipients indicates the number of recipients increasing by approximately 40% from March to May 2020 which may indicate a better than expected negative outcome. However, there may be some residents that have held multiple part-time or casual jobs and only count once as unemployed.

The impact on any changes to, or cessation of, the JobKeeper program in September 2020 will in turn have ongoing ramifications to the local economy and business activity come late 2020 and beyond. The longevity of the COVID-19 pandemic is a real constraint and rates of output, productivity and consumption on the local economy remain an uncertainty.

In response to government-mandated travel restrictions, the Rockhampton Airport has experienced sharp falls in travel demand and corresponding passenger numbers.

While this impact is felt across the country and not just Rockhampton, as the largest Local Government owned and operated airport in the Nation by way of passenger numbers and aircraft movements, the impact to Council's immediate and ongoing

financial position (and by extension, local residents/ratepayers) and the wider local economy is significant and is discussed further below.

## Rockhampton – Local Response and Recovery

Recognising the immediate impacts of COVID-19 and public health responses, Council agreed to an initial \$1.3 million relief package on 25 March 2020 to help support businesses and community groups in the Rockhampton Region. That package included:

- No additional interest on outstanding rates until 31 December 2020.
- Lease fee refunds for eligible sporting and community groups.
- Established and resourced the 'Rose's Angels' Network to support isolated and vulnerable community members.
- Existing business licenses extended until 30 June 2021.
- All Environmentally Relevant Authorities extended for a further 12 months.
- Rent relief for Council's commercial tenants from 1 April 2020 for an initial 3 months following which compliance with the Code of Conduct for Commercial Tenancies.
- Continuing support and refocusing of ASBAS business training through webinars.
- Established a COVID information portal on Council's web site
- Established a Local Business Directory on Council's web site to support local business
- In-kind support for the business community from Council's economic development unit, Advance Rockhampton
- Cash contribution of \$20,000 each for two local animal welfare agencies – Capricorn Animal Aid and Central Queensland Animal Society

In addition to these measures, Council has:

- Moved quickly to postpone and reschedule key major Council-run events. This work is ongoing as the situation evolves. These events will be important to supporting the tourism, accommodation and hospitality sectors that have been significantly impacted.
- Worked actively with community organisations, schools and other users to reschedule events at Council facilities.
- Reached out to many businesses in order to understand the impacts of COVID-19 and to ensure they are aware of support available from both Federal and State Governments. It has also continued to work with major project proponents to maximise local business opportunities.
- Committed \$350,000 to a multi-channel marketing campaign to support tourism, attracting and retaining workers, and promoting investment in the Rockhampton Region.



- Established a grants program for community organisations experiencing financial hardship. Grants of up to \$5,000 are available from a funding pool of \$100,000. Applications opened on 1 June 2020. A further \$50,000 funding pool was approved for the introduction of a Digital Capability Program which is a targeted grant scheme available to local businesses to obtain direct support via the SmartHub to improve their resilience, diversify and expand their operations online.

Council's own operations and capital works programs make a significant contribution to the local economy and its existing procurement and local preference policies consistently deliver in excess of 75% local content. Council also recognises the importance of cash flow to our local suppliers and has operated on seven day payment terms for many years.

## Rockhampton Airport

As noted previously, severe reductions in the domestic flying schedules since March 2020 has had a significant impact on passenger numbers resulting in major revenue losses and a predicted operating deficit to Council's 2019-2020 budget position.

Notwithstanding the financial assistance from the Australian Government to airlines to support essential local and regional community services during the COVID-19 pandemic, Council is incurring significant losses in maintaining operations and staff despite the significant reduction in flights and revenue.

Due to the manner in which funding for the Queensland Domestic Aviation Route Restart Program has been calculated (discussed further below), it is not expected that the funding announced under this program will address this shortfall.

Compounding the financial implications to Council is the current upgrade to the Rockhampton Airport Terminal to install and accommodate new security screening equipment as required by Federal Regulations. Whilst the security screening equipment itself was funded by the Australian Government, the capital costs of reconfiguration of the Airport to accommodate the new equipment have been a significant impost to Council.

In the period from March 2020 to date, the Rockhampton Airport has experienced a 95% reduction in revenue via passenger service charges and landing fees which is reflected similarly to commercial operators at the airport. In addition, Council has complied with the Australian Government's Code of Conduct for Commercial Tenancies

and provided rental reductions and waivers to commercial tenants who have experienced a similar decline in their own revenue as a result of COVID-19.

As a commercial business activity of Council, unlike privately owned airports, Rockhampton Airport does not qualify for the JobKeeper Subsidy Scheme to offset any of these losses.

Council is committed to preserving this critical link in connectivity for not only the Rockhampton Region, but the wider Central Queensland community, and wherever possible retain staff across the organisation. However, the financial cost to Council of doing so will have long-term budgetary implications.

Council acknowledges that the JobKeeper Subsidy Scheme is a stimulus support package initiated by the Australian Government and that the Queensland Government may not be in a position to provide a straight subsidisation of this situation. Council would however recommend that a special round of grant funding be made available to regional airports, owned by Local Governments, towards stimulus projects at these facilities that will build long-term capacity and facilitate post-COVID-19 recovery.

In order for the industry as a whole to recover, support from the Queensland and Australian Governments to provide financial assistance for Council owned and operated airports that are not eligible for funding under existing programs is critical.

**Recommendation** – that a special round of grant funding be made available to local government owned airports impacted by COVID-19 for identified stimulus projects at facilities that will build long-term capacity.

## Queensland Domestic Aviation Route Restart Program

On 12 June 2020 the Queensland Domestic Aviation Route Restart Program was announced with the stated intent to secure new domestic flights to 'fast-track the tourism industry's economic recovery.'

The \$5 million support package to 15 Queensland airports (including Rockhampton Airport) was a welcome announcement in light of the impacts to Rockhampton Airport highlighted above. Further, the tourism industry in Rockhampton is significant with economic outputs of around \$475 million annually. It employs some 2,288 people and supports a further 821 jobs.



Direct and indirect employment in the industry represents approximately 7.7% of all industries<sup>3</sup>.

The funding allocation methodology utilised and the exclusion of the nearby Livingstone Shire Council Local Government Area which is heavily reliant on the tourism industry, placed Rockhampton at a disadvantage in terms of the amount of funding allocated under the program.

As the Regional Capital of Central Queensland with a wide range of Government services based in the Region, the impact on passenger numbers related to business travel through Rockhampton Airport has also been significant. While Council acknowledges that the Queensland Domestic Aviation Route Restart Program was targeted to the tourism sector, for a regional service centre like Rockhampton, the combination of factors above (and earlier in this submission), has resulted in a significant gap in revenue to Council and subsequent financial implications which will ultimately have a negative impact on the local community.

Aviation connectivity is of critical importance to Rockhampton, not only the region's tourism sector, but as the broader service hub to many communities outside the Rockhampton Local Government Area.

In the short to medium term recovery phase, domestic tourism will be a key focus for the Rockhampton and Central Queensland economy. Accordingly, it is critical that domestic aviation connectivity and capacity into Rockhampton be supported and restored to the maximum extent possible following the relaxation of social distancing and travel restrictions, which includes opening up of new domestic flights for not only tourism but the broader business travel market.

***Recommendation*** – A second round of Queensland Domestic Aviation Route Restart Program that provides funding support is made available to secure new domestic flights which takes into account impacts on regional tourism and business travel markets.

## COVID-19 Works For Queensland

The 2017-19 Works for Queensland (W4Q) program is a \$200 million Queensland Government funding program designed to support local governments outside of the South East Queensland to undertake job-creating maintenance and minor works.

As part of the Queensland Government's Economic Recovery Strategy: Unite and Recover for Queensland Jobs, on 19 May 2020 the Premier announced \$200 million for a COVID Works

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<sup>3</sup> Source – NIEIR, 2020



for Queensland (2020–21 COVID W4Q) program, to be delivered during 2020–21 that was expanded to include all local governments across Queensland.

Council welcomes the 2020–21 COVID W4Q program announcement. The 2017-19 round of W4Q money funded 17 projects across the Rockhampton Region and the program has delivered projects that without it, Council simply would not have been able to fund itself.

The W4Q program provides a direct stimulus which has created employment across rural and regional Queensland.

**Recommendation** – That the W4Q program be confirmed in the 2022/23 year with a commitment to maintaining (and not reducing) the funding allocation available to Local Governments across regional Queensland.

## Small Business COVID-19 Adaption Grant Program

Council acknowledges the Queensland Government announcement of funding support for small-to mid-size enterprise (SME) such as the \$200 million commitment to Small Business COVID-19 Adaption Grant Program. The over-subscription of applications for round 1 of the program and the opening of a second round of funding is evidence of the significant impact of COVID-19 on SME's across Queensland and demand for support.

60% of Rockhampton's local businesses are sole traders/partnerships and immediately excluded from eligibility for this popular funding scheme due to the criteria requiring the employment of staff "and have fewer than 20 employees at the time of applying for the grant (employees must be on your payroll and does not include the business owner(s))".

**Recommendation** – That, in designing subsequent rounds of fiscal stimulus, the Queensland Government should seek to target sole traders/partnerships impacted by COVID-19.

## Additional Stimulus Initiatives

The economic crisis brought on by the COVID-19 pandemic requires fast, large, effective and targeted fiscal stimulus. While the size of the government's initial economic recovery packages are appropriate as an initial response, both the shape of that response and the design of future spending measures need to be carefully evaluated.

The fast tracking of capital works already planned or underway in the Rockhampton Region needs to be a priority for the Queensland and Australian Governments. Council has identified a range of additional stimulus priorities which will provide benefits across a broad

range of industry sectors to support short to medium term economic recovery, job creation and economic resilience including:

- Funding for the Rockhampton Airport Terminal Redevelopment and extension of the airport apron to counteract significant revenue losses and operating deficits and investment in growth infrastructure - noting the airport has regional benefit, supports tourism and is a critical piece of economic and community infrastructure;
- Construction of a Secondary school in Gracemere - Gracemere is a family suburb where 65.3% of the population have children (ABS Census data 2016) so a high school is needed to:
  - Cater for future and existing demand;
  - Drive more families into the town to increase population and economic growth; and
  - Strengthen the community fabric and social cohesion of a key socio-economic growth corridor in the Region.
- The proposed boundary realignment of Glenlee, Glendale and Rockyview be prioritised and residents in those communities be allowed to return to Rockhampton should they vote to return;
- Establishment of a State Development Area at Stanwell to leverage potential manufacturing opportunities emerging from the COVID pandemic and proposed hydrogen project at Stanwell;
- Commitment to the delivery of a major sports stadium for Rockhampton;
- A range of other critical infrastructure projects including:
  - South Rockhampton Flood Levee;
  - North Rockhampton Sewage Treatment Plant Augmentation;
  - Gracemere Sewage Treatment Plant Augmentation;
  - Parkhurst Strategic Road Access;
  - Glenroy Crossing New High Level Bridge.

**Recommendation** –*That, in designing subsequent rounds of fiscal stimulus, the Queensland Government should seek to target regional disadvantage with the fast tracking of major capital works and other initiatives planned or currently underway*

## Intergovernmental Reform

Long-term recovery for Queensland communities and the economy as a result of COVID-19 provides both challenges and opportunities of a nature, scale and complexity that we have not previously experienced. Meeting the challenges and realising the opportunities must be a priority for all levels of government working together.



The delivery of a rapid, agile and effective approach to planning for and supporting community and economic recovery from the impacts of the COVID-19 pandemic is critical and no level of government can do it alone.

The introduction of the National Cabinet model of intergovernmental forum has worked extremely well in effectively managing all aspects of the COVID-19 pandemic. Council supports further measures and reform to strengthen collaboration between local governments and the Queensland and Australian Governments to:

- Support local solutions to local issues and led jointly by all tiers of Government.
- Build real regional development partnerships between Federal, State and Local Government.
- Undertake systemic reform to intergovernmental relationships in both governance and resource allocation.
- Rebalance intergovernmental financial arrangements with increased funding to Local Government.
- Increase certainty of funding and improved efficiency of planning and project development.
- Advance regional development to bridge the growing divide between regional and metropolitan areas.
- Introduce population and investment policy to develop a network of large prosperous regional cities across regional Australia that will also contribute to taking pressure off Australia's capital cities and their hinterland.

**Recommendation** – *That the Queensland Government supports ongoing intergovernmental reform focusing on regional development outcomes.*

## Conclusion

Rockhampton Regional Council welcomes the Committee's interest in these matters and appreciates the opportunity to provide this submission and recommendations for its consideration. We would welcome the opportunity to discuss them in further detail.

If any clarification or further information in relation to this submission, please contact, Mr Evan Pardon, CEO, at [REDACTED]



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