# *ECONOMICS AND GOVERNANCE COMMITTEE*

**Members present:**

Mr LP Power MP (Chair)
Mr RA Stevens MP (via teleconference)
Mr ST O'Connor MP
Mr TR Watts MP
Ms KE Richards MP
Mr LR McCallum MP

**Staff present:**

Ms L Manderson (Committee Secretary)
Mr J Gilchrist (Assistant Committee Secretary)

## PUBLIC HEARING—INQUIRY INTO THE QUEENSLAND GOVERNMENT'S ECONOMIC RESPONSE TO COVID-19

### TRANSCRIPT OF PROCEEDINGS

**MONDAY, 10 AUGUST 2020**

**Brisbane**

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**The committee met at 9.35 am.**

**CHAIR:** Good morning. I declare this public hearing open. I would like to begin today's proceedings by acknowledging the traditional owners of the land on which we participate today and pay my respects to elders both past and present. My name is Linus Power, the member for Logan and chair of the committee. The other members of the committee are: Ray Stevens MP, the member for Mermaid Beach and deputy chair, who is joining via teleconference; Lance McCallum MP, the member for Bundamba; Trevor Watts MP, the member for Toowoomba North; Kim Richards, the member for Redlands; and Sam O'Connor, the member for Bonney.

The purpose of today's hearing is to assist the committee with its inquiry into the Queensland government's economic response to COVID-19. The hearing is a proceeding of the Queensland parliament and is subject to the standing rules and orders of the parliament. It is also being recorded and broadcast live on the parliament's website. Before we proceed, I ask all those present to ensure that mobile phones are switched off or turned to silent.

### ANDERSON, Mr Kirby, Director, Strategy and External Relations, Queensland Resources Council

### BARGER, Mr Andrew, Policy Director—Economics, Queensland Resources Council

### KIRKWOOD, Mr Dean, Acting General Manager, Resource Industry Network (via teleconference)

### MULDER, Ms Katie-Anne, Policy Director—Resources, Queensland Resources Council

**CHAIR:** I welcome our first witnesses today. Good morning. I now invite each of you to make an opening statement, after which committee members will have some questions for you. Dean, would you like to make an opening statement?

**Mr Kirkwood:** Yes, we would. Thank you, Chair. Resource Industry Network is an industry association located in Mackay. Our members are businesses working in the resources supply chain—locally, nationally and internationally—and also businesses that are supportive of the sector generally. The supply chain we represent provides a range of services from project management, shutdown workforce, fabrication, heavy equipment, maintenance, engineering consultancy, training, safety products, and associated services such as legal, finance, health and accommodation. The businesses we represent at RIN are local. They are locally based workforces. They buy locally and support the community through sponsorship of sporting teams, community events and charities.

The majority of our members are part of the mining and METS sector. METS Ignited, which is a federal government growth centre for METS, outlined that those sectors represent 15 per cent of the national GDP, which is 1.1 million jobs. The METS sector alone in Australia adds $92 billion in gross value to the Australian economy, 300,000 direct employees. For the Bowen and Surat basins, that represents $18 billion of that. It is some 63 per cent of total regional economic activity.

If we break it down to the Mackay region, the resources sector adds $12.2 billion in gross regional product, over 73,000 jobs. I wanted to point that out because it does show the importance of the resources sector and the mining and METS sectors to our economy in the Bowen Basin. I add that the decision to make the mining sector an essential industry at the onset of COVID was applauded by RIN. This provided a safety net to our region with our workforces associated with resources and METS able to move around the state and country. It shielded many of the businesses in the region from the immediate effects of COVID-19 that were felt in so many other regions.

The role of RIN during this time was an important one for our members. Our members turned to us for information that was correct and timely. Our job was to ensure that we delivered that information in ways that were easy and accessible. This was difficult during this time as we were affected financially as well. During this time, we were supported by the Local Buying Foundation and also METS Ignited which enabled us to deliver programs to ensure that information was disseminated to our members in that correct and timely fashion.

One area we noted in our submission in our strategies for recovery was that at the time being an essential sector shielded us slightly from the effects of COVID-19. We pointed out that there will be a lag in that given that commodity prices were lowering and also demand for coal was diminishing due to COVID-19. This has certainly become the case. We are starting to see that within our members now. Within the Bowen Basin, pits within mines are being put on temporary stoppage to production, which has led to crews being stood down, which are often labour hire, and equipment not being maintained. This has a flow-on effect to our members who are responsible for maintaining that equipment. Maintenance has been pushed out as production becomes a key priority for the mine sites. Again, this has an effect on our members who normally do those maintenance days. A number of projects has been delayed to at least next year. Those projects that have been awarded to our members are now being pushed out. While the vast majority of these projects are not major projects, they are small to medium ones. That adds up for our members. To quote one of our members, he said, 'It is almost like a death by 1,000 cuts.' With a number of these projects being taken off the table, it does certainly add up for them.

What we suggested at the time was some form of financial support similar to JobKeeper that would allow our members to keep their staff numbers the way they are. In the normal run of events, we have a shortage of skilled labour who participate in the mining and METS sector in the Bowen Basin. We cannot afford for these people to be put off by our members and therefore go into other industries because, quite simply, they do not come back. When production is ramped up again, the numbers of skilled labour just will not be in the region for us to do that.

Late last week, there was an announcement by the federal government in terms of the expansion of JobKeeper. We are investigating whether this will help our members, but we see that as possibly a way forward to support our members during the back end of this year, during this downturn or slowdown, until we can get production up and going again and the need being there for our members to provide their services back into the mining sector. I wanted to point that out as an extension of one of our strategies.

**CHAIR:** I now turn to the Queensland Resources Council. I believe Mr Anderson is going to address us.

**Mr Anderson:** I thank the committee for the opportunity to appear. As you mentioned before, I am joined by policy directors Andrew Barger and Katie-Anne Mulder. Like you, we would like to acknowledge the traditional owners of the land on which we gather and pay our respects to their elders past, present and emerging.

The Queensland Resources Council is the peak industry association for the explorers and developers of coal, metals and gas resources and their supplier companies. I would like to pass on our apologies from our chief executive Ian Macfarlane, who would like to be here today but has a prior commitment.

We would like to be in a position today to say we have good news for Queensland. At this time we can say we have better news for Queensland. That better news is this: the Queensland resources sector remains resilient. Despite the ongoing COVID-19 crisis, despite the restrictions on people movement, as many of the 372,000 Queenslanders as possible who rely on the resources sector for their job have been working and earning.

During the COVID-19 crisis, despite deep impacts on our community, the resources sector has strived to maintain as much of its $76 billion annual economic contribution from last financial year as possible. To put that economic contribution in context for the committee and for all Queenslanders, the Queensland resources sector delivers the equivalent of $41 for every Queensland man, woman and child every day.

During the COVID-19 crisis, despite the havoc on international markets and the dramatic shifts in commodity prices, coal, mineral and gas continue to provide 80 per cent of Queensland's goods exports, or more than $62 billion, in the 12 months to June this year. This has not been done out of good luck. It has been the result of the very hard work by many men and women who work and work with the industry, the cooperation and steadfast support of the resources communities, their mayors, local businesses represented so well by groups likes RIN, and international investors and the partnership with all levels of government.

For the Queensland Resources Council and our members, this has been extremely busy. We have helped flatten the COVID-19 curve in Queensland. We have helped Queenslanders hold their jobs and in the many months and years ahead we can help underpin a strong and swift recovery for Queensland. We are not afraid to roll up our sleeves. In helping other Queenslanders during this challenging time, companies have done things like open up seats on regional charter flights to health practitioners and testing laboratory staff and adapted machinery to make surgical masks, and individual companies have donated to efforts like finding our world a vaccine for COVID-19. The government has recognised our role and our potential in its unite and recover Economic Recovery Strategy. In his foreword to the strategy, Treasurer Cameron Dick said—

Queensland's Economic Recovery Strategy is focussed on measures which will ensure the resource and agriculture industries can continue to power on and take advantage of new opportunities, while also providing more support to the tourism, construction and small business sectors which we know face a long and difficult recovery.

The Queensland Resources Council and the Association of Mining and Exploration Companies have presented the government and this committee with a plan of 40 of those measures the Treasurer wrote about. We are pleased the government has already committed to elements of our plan, but we continue to urge the government and this committee to support the full package of measures. To do so would be the best way to secure the jobs, the economic activity, the businesses and skills that Dean just spoke about and the investment, the exports and the royalty revenue that Queensland needs more than ever. The document is not a to-do list, but it is must-do list—must do if we are to secure the strongest recovery for Queensland. We welcome any questions from the committee.

**CHAIR:** Thank you very much. Usually at this point I turn to my deputy chair. I cannot see him signalling that he has a question. Deputy Chair, do you have a question?

**Mr STEVENS:** I do. I did not want to interrupt, Chair. You were doing such a fine job. I do have a question. I am probably asking Kirby Anderson this question. This is an inquiry into the Queensland government's economic response to COVID-19. What measures or financial assistance could the Queensland government have provided that other states such as New South Wales or Western Australia have provided? Why have we not put those measures in place? Can you give us some advice about what assistance you would have been seeking from the Queensland government?

**Mr Anderson:** As I said, the government has implemented some of the measures like conditional funding for the Collaborative Exploration Initiative. I think we have seen in other states, particularly Western Australia, a commitment to invest in infrastructure which supports the industry. I think our overarching request of the government is to develop an industry plan which would be underpinned by long-term stability on measures such as the rate and thresholds for royalties. The government has committed three years for coal and metals and five years for petroleum. We would like them to look at a longer period for that. Also, we would like to see the government commit to streamlining the assessment and approval processes for major projects to bring those jobs, investment and ultimately royalty revenue forward. I might ask one of my colleagues Katie-Anne or Andrew to add to that.

**Ms Mulder:** Prior to putting in our submissions to this inquiry in regard to the recovery agenda which also includes the *Streamlining report*, which is a pretty hefty report on what Kirby mentioned as streamlining red and green tape essentially, we did work quite closely with the department around working with some of those issues with our members on current operations. What about those companies that are currently exploring in Queensland? Explorers particularly tend to feel the pain to begin with, so I will start there. Their business models are quite different to a producing mine, so they do not have a lot of cash reserves. Secondly, they are not typically eligible for JobKeeper under the federal government criteria as well because they do not run off profits, so they cannot therefore prove that they have had a profit loss. That was a really big focus for us. I think going forward there needs to be a focus on how do we maintain our exploration industry in Queensland?

What the department has done so far which we wholly support is look at how companies will need to vary their work programs that they have committed to in the age of COVID. We previously have precedent for how we deal with that through the global financial crisis responses as well, so that has been good but we would like to see that continued.

Something that we did ask for—and I understand the department is looking into it—was how do we possibly reduce rent for those companies? We are not talking about hundreds of employees. They might only have two or three employees. How do they keep their lights on in times like these? One of those ways would be to waiver rent or a deferral of rent. The department has done that, but that will close in a couple of months.

At the time we were not sure how long COVID was going to last, so there were some temporary measures put in. I think it is time to review those temporary measures to see whether they are appropriate and how much longer we need to extend those for. I will extend it to Andrew, if you want to add anything?

**Mr Barger:** No, thank you. I think that is a comprehensive answer.

**CHAIR:** The committee has been charged to look at both the federal and the state economic response, but there was a specific question from the deputy chair. Is there anything you wanted to add Dean?

**Mr Kirkwood:** Generally we have found the response of the state government very good. They stepped in and looked at utility pricing. That is obviously one of the big expenses to our businesses. Probably the other area where we would ask them to consider is maybe assessment with capital for growth for some businesses in the area. There are some businesses that are busier than ever. It sounds strange based on what I said initially, but their capability to find investment, cash and investment capital to grow is very difficult. The banks have labelled our region as a difficult region, if you like, based on the fact that we are coal. That means that they are struggling to gain traction in being able to get investments in their business to be able to grow. Maybe something in that area would be of great help to some of our members.

**CHAIR:** I throw it open to the floor.

**Mr McCALLUM:** My question is to the QRC, although if RIN would also like to make any comments I would be most interested to hear them. It is in relation to the government decision to bring forward the latest round of exploration grounds. Ms Mulder, I think you referred to a waiver of rent. There were also freezes on fees and charges. There was about 7,000 square kilometres released. What was the response to that like in terms of in industry? Do you think those measures were effective in relation to stimulating industry activity in response to COVID?

**Ms Mulder:** Thank you, member. That is a great question. Firstly, you mentioned the Collaborative Exploration Initiative, the CEI. We mentioned that initiative in our COVID recovery agenda with AMEC as well. That is a really successful initiative. We absolutely supported bringing the funding forward for that round. It meant that it was one of the largest rounds we have ever had, not just in money but also in the amount of the response from industry—pretty much double the number of applications were received which is pretty incredible. The criteria was also changed as well in light of the situation that we have with COVID now where there was no requirement for matched funding. That really helped with those explorers, particularly up in the north-west and north-east regions. There has been a real focus on those exploration initiatives which has been really good.

The only thing going forward is that we always had a forward-looking agenda of what is coming up for next grants coming forward. We would hope that this does not mean that next year’s funding for the program is no longer available. We would like to see that continued. The availability of that initiative across Queensland in this latest round was expanded. Previously it was limited to the north-west region. There was some funding allocated to a number of companies in the Wide Bay-Burnett region. We outlined specifically in our recovery agenda that we would like to see areas like the Wide Bay-Burnett become eligible for those sorts of grants.

I think overall it is really positive. From what we have seen so far they are very keen to work closely with us on those areas. That will mean exploration can continue as much as possible.

**Mr WATTS:** To everybody who might like to take it, I am interested in regulatory uncertainty. You might be aware that in my area the Acland Coal Mine has been through a 13-year process. It is still as yet unclear. As we look to stimulate the economy coming out of the COVID economic crisis, what can be done in a regulatory sense to try to increase that investment and/or give some certainty to investment so that companies such as New Hope do not face this sort of 13-year decision as to whether they should invest or otherwise? Also, could you tell me how that compares to the regulatory frameworks in other states?

**Ms Mulder:** Thank you for that excellent question. This is a big question. Essentially, it is about having certainty of the process so that when companies invest, it is not that they expect an approval but that the process is fair and predictable in a sense. Over the years we seem to think that the case of Acland was possibly the exception to the rule of most projects going through the system. I think in the past two years we have probably flipped that in thinking that maybe it is not the exception anymore; it is probably the rule going forward. Our approvals process has become very complex.

I can give you an example. For a mining project that goes through the process, they have to go through numerous notification and objection processes—not just one. They have to go through one under the Mineral Resources Act for their mining lease and they need to go through a separate one as there is an ability to object through the Environmental Protection Act, through their environmental authority. Most mining projects will also have an impact on water so they will be required to go through a notification and objection process under the Water Act, which was recently changed, probably about 18 months ago. Thirdly, they might also have a notification and consent right through the Regional Planning Interests Act, which was put through in 2016. That is not even including the federal Environment Protection and Biodiversity Conservation Act, the EPBC Act, process, where there is a number of different assessments that can duplicate Queensland's assessment process. We do have an assessment bilateral in place, not an approval mechanism, so that means there is quite a bit of duplication.

One issue that we have outlined through our *Streamlining report* is around the inconsistencies in mapping and biodiversity offsets and all those sorts of things. It sounds like something so small, but if it was consistent it would save a lot of time and effort for companies through that sort of thing. I mentioned all those notification and objection processes as well. If there was just one, if they were combined, that would save a lot of time. I am not excluding Acland from that process. There is still the Water Act process for them. It is that continuous one-on-top-of-the-other process with approvals.

Our *Streamlining report*, which we link to in our submission, includes a number of recommendations not just for the approval process but also how do you operate in an efficient environment. Once you get the approval that is all good and well, but the operating environment also needs to be efficient. We have outlined a recommendation in there around reporting. Reporting is not really something that is sexy as a recommendation, but it is something that would be a huge improvement on the current system. Companies have to report numerous times in different forms the same information to different departments, and not just state departments but federal departments as well. That all takes time and money. It all adds, especially in some commodities. If you look at the oil and gas sector at the moment, it is highly regulated and there is lots of reporting. If some of that were cut back a little bit—not cutting into how we regulate them in terms of environmental things and things like that—the outcome would still be the same; it is just that the department or the government is only getting it once. It is things like that. We are not saying that they need to go through fewer steps or reduce the level of approvals that they go through. It would still be the same. We are just saying that they need to be streamlined, like any development basically. Too many cuts will kill them.

**Mr WATTS:** How does that compare both nationally and internationally with other jurisdictions? What learnings are there for us? Ultimately, we want to reduce our costs on the curve to make us internationally competitive with resources.

**Mr Barger:** I think the question is a good one and you do not even have to look at other jurisdictions. If you look at the different way Queensland's planning scheme treats a major project as opposed to a resources project, if you had put in an application for a factory 13 years ago and the decision is still running today the assessment occurs on the laws as they stood at the day the application was accepted. What Katie-Anne is alluding to is that with resources you have a protracted assessment process with nested approvals, appeal rights at each decision point and at any time if the laws change you can reset that process. Part of the complication that bedevils the Queensland system is that not only do you have an open-ended assessment process but also you are writing the rules as you go along. If you think about how much our legislative framework has changed in that 13-year period while the Acland project has been in play, you have had several major new stop-go decision steps imposed on it. You get to the farcical point in some of the court cases where criticisms are being made that the data that the court is being asked to assess is dated because the decision was made three or four years ago and the project has been jammed in a court process since then.

I think the very strong message, even just looking within Queensland borders, is that you cannot have an open-ended assessment process. That is an anathema for investment certainty. If I am an investor looking to invest in a project in Queensland and I do not know when that product will be produced—Acland has had almost two full cycles of coal pricing in global markets while it still has a question mark hanging over it—that is a really difficult environment. Last week we talked in a different inquiry to this committee around how the international community sees that. The Fraser Institute's investment attractiveness index gives Western Australia first in the world for appeal on resources projects. Queensland is languishing down at No. 15. As Katie-Anne was saying, the complexity of the assessment project is where professional investors cannot look at a project and say, 'Okay, if I put this information on the table I will have a decision at this point and I will know whether the project is viable or not.' That is a big red flag.

You can look at what happens in some of the other resource jurisdictions in Australia, but I would argue that you can actually have a look at some of the improved practice that we see in planning projects for non-resource projects here in Queensland. Grandfathering the regulatory framework at the time an application would be made would create a lot more certainty and would certainly help projects such as Acland, which seems to have been caught in this never-ending cycle of regulation, appeal, court cases. I think one of the messages of our recovery is that you can reduce the amount of assessment by making it more effective. Nobody is saying do not give everyone a say, but you do not need 45 nested says. There does not need to be a never-ending procession of QCs arguing points of law. You need a clear framework where you say, 'This project will proceed on its merits. Here is how we will assess it. Here is the information you need to make that decision. You are the proponent. It is up to you to provide that information and we, the state, will make that decision within a reasonable time.'

**CHAIR:** When we talk about that time frame, we are specifically talking about a project where, at that point, the Leader of the Opposition strongly objected to the original proposed project 13 years ago and presumably the member for Toowoomba North was also one of those objectors in the community. You talked about that being the exception. How does that contrast with a project such as Olive Downs, which is obviously a much larger investment and the process certainly did not attract, for instance, objections from the Leader of the Opposition at that stage?

**Mr Barger:** I am probably not super enthusiastic to make comments about how the position of the Leader of the Opposition affects the assessment framework, but I do not think that was what you were asking. One of the problems with our approval system is that it bends over backwards to let everyone have their say and even a legal right to object so that there are multiple opportunities to stop the clock. If you have a motivated group of neighbours that decides they are going to go all out to throw every spanner they can into the approval and they are resourced or they have resources made available to finance those court cases, you are right: the difference between the process that a project such as Olive Downs has been through versus New Acland is chalk and cheese.

The risk is that you do not read about Olive Downs in the newspaper. If you Google 'mine approvals Queensland', it is Acland, it is Adani. It is the bad news that the international investors see. You are right: part of the recovery story is telling that Queensland story better. Agencies such as Trade and Investment Queensland do a good job of presenting broader industry information rather than just the 'woe is us' news cycle stuff. One of the recommendations we make in our report is to actually set out an industry framework for the major commodities—coal, gas, metals—so it is very clear not only what resources we have in Queensland but also how projects are assessed, how they can get assistance, how they can get up and running. That is where those good news stories start to cut through.

**CHAIR:** I probably did not frame that right. I was illustrating that the project had significantly changed and there was initially very widespread community opposition to it.

**Ms RICHARDS:** I think both organisations have alluded to an issue with JobKeeper and eligibility for the workforce within the resources sector. Given that we are looking at both federal and state, can you comment a little more on what we might be able to do to advocate to assist in the JobKeeper space? Secondly, could you talk a little about your views on the industry sector's take-up of payroll tax relief?

**Ms Mulder:** I will start off with JobKeeper. This is a national issue obviously and QRC is a Queensland based industry association. We have joined in submissions with the Australian Association of Mining and Exploration Companies, which has been leading the advocacy at the national level on that. We have been providing some input into that process. There are some suggestions around what you could include as well as profits to ensure that you are looking at all types of business models. That could be around employees and things like that. I am very happy to provide you with the submissions that we have provided. I can do that out of session.

**CHAIR:** We welcome any supplementary submissions.

**Mr O'CONNOR:** The QRC submission mentioned a one per cent drop in employment of about 1,000 jobs. Do you have any idea of where that will go over the next six months or year? Will it stabilise, increase or decrease? Do you have any ideas?

**Mr Barger:** No. The crystal ball is a pretty cloudy at the moment. I think that the point of the inquiry is that it is an economic lens on what is a health crisis. We saw some news late last week that some of the producers are looking at voluntarily reducing back their production of commodities where prices are soft to try to help put a floor under prices. I do not yet have any detail on how that will be implemented. Going to Dean's point about maintenance and operational work, it may well be that projects are not closed; they just do a lot of that background work to make sure that their maintenance is done, in which case it might perversely deliver an uptick in employment. It is really hard to tell.

We deal in global commodities. There is an enormous amount of certainty priced into those markets at the moment, so it really is difficult to tell. The point we made in adding that one per cent figure is that the industry, in normal times, would say it is doing it quite tough, but we look over our shoulder at colleagues in tourism or higher education and are probably pretty happy with which sector we are in at the moment. It is really difficult to forecast. The demand fundamentals are still pretty good, but prices have been soft and demand is falling away. It is very difficult to put your hand on your heart and say that, while it is difficult to see that stability continuing, the signs are reasonably good.

**Mr O'CONNOR:** How soft and by how much is the demand—

**CHAIR:** I am sorry, member for Bonney, but we have time limits. Thank you for appearing. Obviously it is difficult as we are very much hostage to international pricing. We welcome any additional submissions. Thank you for appearing today.

## GRAY, Ms Stephanie, Queensland Campaigner, Solar Citizens

## ISON, Ms Nicky, Energy Transition Manager, WWF Australia (via teleconference)

## POINTON, Ms Revel, Special Counsel, Environmental Defenders Office

**CHAIR:** Good morning. I welcome our next panel of witnesses. I now invite each of you to make an opening statement, after which committee members will have some questions for you. Ms Ison, I invite you to make a brief opening statement.

**Ms Ison:** Thank you to the committee for giving me the opportunity to present on Queensland's economic recovery from the COVID economic crisis. WWF is the world's largest and Australia's most trusted environment and conservation organisation. We operate in more than 100 countries including Australia's closest trading partners such as Japan, South Korea, Singapore et cetera. For decades WWF has worked to accelerate the uptake of clean energy in Australia and around the world. Currently we have programs including the Business Renewables Centre that helps broker corporate PPAs between large energy users and renewable companies and we are in the process of establishing a similar program to support the decarbonisation of construction materials such as steel, aluminium, glass, cement et cetera.

Most recently I have been brought on to the organisation to run a campaign to accelerate Australia to become the world's leading renewable exporter by 2030. There are few places in the world and few places in Australia that are better positioned than Queensland to become a renewable export powerhouse and to prosper as the world chooses to act on climate change with world-leading solar resources, excellent wind resources, extensive land, know-how, shipping and port infrastructure as well as critical minerals to the decarbonisation technologies that we are seeing accelerate around the world. However, if left too long, Australia and Queensland may miss out. We are seeing countries around the world use the absolute need for jobs and economic stimulus to accelerate the transition to clean energy, not just in the electricity sector but in the transportation and industry sectors as well. Globally, there are three times as many jobs in a clean energy or renewables recovery as a fossil fuel recovery. In Europe, for example, we have just seen a recent commitment to creating a 40 gigawatt hydrogen economy by 2030 using short-term stimulus measures to kick-start that industry. In China we are seeing massive clean energy rail expansions, and this is just the tip of the iceberg.

It is in this context that WWF commissioned a report from leading consultancy EY to look at the economic stimulus measures for Australia in a clean energy recovery. This report investigated the economic trends that Australia, including Queensland, is facing as a result of the COVID-19 crisis. These included supply chain disruptions, changes to business practices around increasing resilience and agility, as well as changing consumer behaviour. The report also looks at what are the sectors most affected by job losses in response to COVID-19. Of the seven top most impacted sectors, construction, manufacturing and professional and scientific and technical services present huge opportunities for greater job growth if renewable stimulus measures were put in place. This EY report identifies six main areas for investigation that we commend to the committee for further investigation. I want to talk to four of those opportunities that I think are particularly pertinent to Queensland right now.

The first is the establishment of renewable energy zones—that is, where large-scale transmission infrastructure and renewable energy infrastructure is co-located to enlock jobs and speed up the acceleration of renewables deployment. In New South Wales we have seen the acceleration of two renewable energy zones in the central west and New England and a commitment to accelerating 11 gigawatts of renewable energy, creating 2,000 construction jobs per year and unlocking $23 billion in private sector investment. Similar programs of work could happen in Queensland if similar commitments to renewable energy zones were made. The second is hydrogen. We have already seen some good commitments by the Queensland government to accelerating renewable hydrogen, but more can and should be done, particularly looking at the mining sector and the opportunity for renewable hydrogen mining trucks, as well as the creation of renewable industry precincts and hydrogen hubs co-located with heavy industry and port infrastructure. This could be connected to the aforementioned renewable energy zones.

Thirdly, there are batteries. Batteries are essential to the decarbonisation not just of the electricity sector but to the transport sector as well. Australia has the opportunity not just to deploy batteries nor to dig up and ship out the essential minerals in creating batteries but to create a battery supply chain and all the manufacturing jobs that come with that. Earlier this year we saw the establishment of the first battery recycling plant in Victoria. Just last week in Western Australia they announced a stimulus measure of $13 million to attract a cathode active battery manufacturing plant to that state. Similar manufacturing potential could be created in Queensland around batteries if similar stimulus programs were established.

Finally, I want to mention the opportunity for local solar. As I am sure you all know, Queensland leads the way in rooftop solar but still Aboriginal and Torres Strait Islander communities and many not for profits are missing out. A stimulus measure that supported the rollout of local solar projects with a focus on local job creation and lowering power bills would be an economic stimulus measure with an economic multiplier. Already we have seen Western Australia and Victoria take up these short-term stimulus opportunities. There are of course many other opportunities that our report covers including bus manufacturing, which I know is relevant to the Gold Coast, and energy productivity more generally. Unfortunately, Queensland does not yet have an energy efficiency program unlike other states and already Australia lags behind the rest of the OECD in terms of energy efficiency and energy productivity. This is a jobs multiplier and a huge opportunity for economic stimulus and the ability to make Australian households and business and manufacturing more cost competitive as we emerge on the other side of the COVID-19 crisis. I want to thank you for the opportunity to make this opening statement and I look forward to your questions.

**CHAIR:** Thank you very much. Ms Pointon, I invite you to make a brief opening statement.

**Ms Pointon:** Good morning, Chair and committee members. Thank you so much for inviting me to present to you today. I firstly want to commend the Queensland government for their fast response to the pandemic. Only through listening to the health professionals throughout the pandemic and acting on this advice are we in the very solid position that we are in today, so I think that has to be commended. The concerns we wanted to highlight today really relate to the changes that have been made through the pandemic to our planning and environment laws. Since March various laws have been introduced which provide for deregulation or reduced regulation of development activities. We do not deny for a moment that some of these amendments were needed and very timely in responding to the pandemic and the unique circumstances that came up as a result—for instance, obviously the need to allow supermarkets to be stocking shelves consistently to allow for demand to be met. What we question is the introduction of some powers and continuation of these powers long past lockdown having finished in Queensland—hopefully. We also raise concerns that many of these new powers lack sufficient transparency and accountability in the legislation to balance the substantial powers that have been provided.

In the public health emergency amendment act the minister is empowered to broadly issue temporary use licences through an application process which can either change use rights or allow noncompliance and the decision criteria is broadly whether the minister considers there is sufficient grounds for the change in light of the nature of the applicable event. To the department's credit, they have been putting these changes online. However, that is not a requirement of the legislation and nor are there provisions for providing reasons with the decisions to understand why the change was necessary during this period.

The justice amendment act was passed in late May 2020—past the peak of the crisis—and includes powers such as the power to exempt polluting activities from obligations to comply with conditions of approval or temporary increases in scale or intensity without a thorough assessment, and to our knowledge these licences are not being provided online and nor is there a requirement to do so in the legislation. Such powers have the potential to result in unnecessary environmental harm and impact to communities that could far outweigh the short-term need for them. The power to allow increases in the scale or intensity also unnecessarily extends to the resource sector, which has not needed to change in response to COVID in the same way as, for example, distilleries that switched from beverage to hand-sanitising production. It is important that the use of these new broad powers remains time limited and is not extended beyond the end of the current crisis.

We would also like to raise particular concern with the recently proposed planning framework amendments seeking to reduce the environmental assessment around designated infrastructure which can be significant projects that have environmental impacts and community impacts. Insufficient justification has been provided around the need for these amendments and we consider that these changes inappropriately increase the risks of unaccountable, ill-considered decision-making and should not be implemented.

Finally, we strongly recommend that the Queensland government and all political parties do not agree to the devolution of federal environmental powers which is also currently proposed as a stimulus measure around Australia. This is being hastily proposed when in fact it is a highly sensitive undertaking, requiring significant investment of time and resources to ensure that state laws can sufficiently protect matters of national environmental significance. We implore the deep consideration and, ideally, the rejection of this proposal. The Australian government is responsible for our international obligations to protect these environmental values. States are not mandated to act and do not act in the national interest. Our state environmental laws and enforcement processes are not generally up to standard to protect matters of national environmental significance and do not consider the cross-border cumulative impacts of state based decisions. State governments often have conflicting interests—for instance, being a proponent, a sponsor or a beneficiary of the projects that they are assessing.

Finally, the Queensland government would need significant resourcing assistance to take over the job and potentially the liability of the federal government in assessing impacts to matters of national environmental significance, but no resourcing has been committed by the federal government to assist them in doing so. We strongly recommend that the government focuses on a positive, safe and healthy future with long-term focused decision-making, as my colleagues presenting with me today will be showing. There is essential work needed right now to move Queensland to a clean economy and to ensure those sectors and regions dependent on fossil fuels move easily and fairly to cleaner, more sustainable jobs.

We finally recommend that the government reconsiders the current hiring freeze for non-frontline public servants. This freeze may hinder departments doing critical work needed now, including responding to the unique circumstances of the pandemic while undertaking their normal daily jobs. Government jobs are jobs too and uniquely jobs which the government itself has control over the creation of and which can assist Queensland in being served by a well-functioning government. Thank you so much for having me present today and I look forward to any questions.

**CHAIR:** Ms Gray, I invite you to make a brief introductory statement.

**Ms Gray:** I want to start by talking about a recent trip I made to Hughenden, which is a very small town between Mount Isa and Townsville. Hughenden is the site of the Kennedy Energy Park, which is the world's first solar, wind and battery storage facility. The park was built in that area because North Queensland in particular has world-class solar resources but also really great wind resources that are complementary to solar because the wind blows in the evening. The local community directly benefited from this project by $20 million and so this town, which is very small and was badly affected by the drought, saw an influx of activity with the construction of the site over a one-year period.

I went to the town to speak to locals, and I spoke to local business owners Sally and Steve who own an earthmoving business. They told me that this project absolutely set up their business. I went to their house where they used to work out of the backyard in a small shed with a few pieces of equipment, but when I visited them this time they had a huge shed with a big fleet of trucks, diggers, scrapers and also light vehicles. It is not just them. The local electricity shop was about to go out of business before the Kennedy Energy Park came to town.

We know that there are 108 large-scale renewable energy projects in the planning and development pipeline across Queensland. If these projects were to proceed, it would create 51,000 construction jobs, 2,500 ongoing jobs as well as a very important $36 billion of investment. But, at the moment, renewable energy developers in Queensland are hamstrung by a dire need for more transmission infrastructure. I have been speaking to a range of different renewable energy developers who time and again say, 'We are not looking in Queensland anymore. These projects that we were planning and looking at, we are no longer pursuing at this time because there is no pole and wire capacity in a lot of the state.' At the moment, there is still some capacity in the Darling Downs, which is why we are seeing some activity there, but in North Queensland I would not be surprised if hardly any more projects came online.

There is a real role for government to invest in new transmission infrastructure. One project which is particularly supported by a diverse range of stakeholders is the CopperString 2.0 project. That transmission line will connect Mount Isa to the rest of the National Electricity Market. The line will go right past Hughenden and unlock a range of renewable energy resources and a huge capacity of renewable energy. At the moment, industry in Mount Isa is having a hard time competing with the global market because it has such high electricity prices. At the moment, it relies on expensive gas-fired electricity, but if we unlock more renewable energy potential in the north and in the rest of the state it can provide cheap energy for industry. The point I really want to make here is that the value in renewable energy is not just in construction and jobs directly, it is in getting cheap energy and driving new industries to Queensland. A new report that came out showed that if CopperString went ahead, it would facilitate 3,560 long-term jobs in mining in the North West Minerals Province. That is just one of the projects.

There is a whole range of other things and other industries that could grow from cheap renewable energy—manufacturing, minerals processing, hydrogen—all of which are explored in our submission. I encourage the government to look at how it in particular can support more transmission infrastructure that looks like CopperString 2.0 but also other renewable energy zones like those in New South Wales and like Nicky mentioned. There is a whole range of renewable energy zones outlined by the Australian Energy Market Operator that would bring a wealth of opportunities to our state.

**CHAIR:** We will move to questions.

**Mr STEVENS:** My question is directed to Ms Pointon and relates to her submission. It states that at the start of the COVID-19 pandemic there was a lack of consultation regarding some of the measures to be introduced. Could Ms Pointon explain those matters and how it could have been better undertaken? Could she also advise what the state should consider for consultation in the future?

**Ms Pointon:** Obviously we are aware that changes had to be made fast, but we are also accustomed to changes being made fast and having to respond in a timely fashion to amendments proposed. For the laws that were introduced into parliament, the Environmental Defenders Office was given no notification of the potential changes and time to respond, even overnight, which we could easily have done and often are required to. Consultation processes like those ensure that different perspectives are provided on the legislation to make sure that, for instance, some voice is given to the need for transparency and accountability processes in our laws, particularly when they are providing for long-term changes as some of our planning laws have done. Not having had this opportunity, inevitably we have poorer quality laws going through without proper consultation because we do not have the different perspectives that the various stakeholders can provide that are the very benefit of consultation.

**Ms RICHARDS:** In regards to hydrogen, Ms Ison are you aware of the work going on at the moment in Gladstone and of the state government's investment in the hydrogen space?

**Ms Ison:** Yes, absolutely. I am across what the Queensland government is doing around hydrogen. I am aware of the new training centre announced as part of the stimulus measure and the number of Gladstone based feasibility studies and projects in development. I have also been talking to some people in industry who are proposing a renewable hydrogen project around the Abbot Point terminal. There are a lot of hydrogen renewable projects in development. I am very cognisant that the Queensland government has done as much, if not more, than other state jurisdictions in Australia to accelerate the opportunity of renewable hydrogen. I wanted to put into context that, while there is good work going on in terms of the scale that we are seeing internationally, particularly in Europe, it is not currently big enough to be really capturing the scale of the international market that we see as the opportunity for Queensland and Australia.

**Mr O'CONNOR:** My question is specifically to Solar Citizens. You mentioned the dire need for transmission infrastructure upgrades. Can you go into that in a little more detail? You mentioned a couple of the renewable energy zones in your submission and just then you talked about the Darling Downs having some more capability than some of the other ones up north. How bad is it? What sort of investment is needed? Do you have any figures on how much is needed and where in particular it is needed to open up some of that investment?

**Ms Gray:** It is a real problem. The problem is that the transmission lines can only hold a certain amount of capacity. Many of the lines are reaching that point where they are at capacity. I mentioned the Darling Downs because it is a region close to Brisbane that still has some capacity left. If we are to see more projects come online, they will be in the Darling Downs. If we go north, there is just not the space for new projects to connect. Even though the Kennedy Energy Park, which I talked about, was constructed a year ago, it is still not connected to the grid in a way that it is able to export its electricity at full capacity. It is only allowed five megawatts at any point in time. That is a huge curtailment for a project that is there, able to produce power and ready to go. It is not the only one.

Sun Metals in Townsville built its own solar farm to power its zinc refinery for cheaper electricity. We are seeing that solar farm curtailed as well. The reason that that is happening across the board in North Queensland is because there are some grid issues that regulators did not really keep on top of in terms of putting more renewables there. There is a need for more things like synchronous condensers, which are these big, quite expensive machines, but also just augmentation of the grid and more investment. I do not have numbers. The Australian Energy Market Operator's integrated system plan, which it released in late July, looks at the next transmission infrastructure that governments should be looking at. It outlined that the Darling Downs could be a renewable energy zone next, and then around Rockhampton. There are already opportunities for investment there.

The CopperString project I mentioned is really important because it solves a whole bunch of grid issues in North Queensland. If that were built, it would resolve those and allow those renewable energy projects to start pumping out their electricity. There is so much potential capacity up there and this would unlock a decent chunk of that. A big part of that is that the electricity needs somewhere to go. When connecting it to industry and things that use a lot of power, there is suddenly a need so those projects can go ahead and start pumping out their power.

**Mr O'CONNOR:** It is a complete overhaul of the grid for these new ways of generating compared to how electricity is generated at the moment; is that the best way to describe it?

**Ms Gray:** Our grid was built to facilitate large, centralised generators like coal-fired power stations. Renewable energy areas where there is great potential have been identified and they need to be connected to the grid. That is the point—it is reshaping the grid for the New World.

**Mr McCALLUM:** I would certainly agree with your comments around CopperString 2.0 and note that the Queensland government has committed $14.8 million towards the next stage of that project. Certainly, when it comes to the integration of intermittent renewable sources into the national electricity market, this is a national issue that has been grappled with with unfortunately not as much success as we would like from a policy perspective. We can date back to whether it is the *Finkel Review* or any of the plans that have come through from AMEO or AEMC in terms of better integrating renewable sources.

My question is in relation to driving jobs and economic recovery through COVID and the opportunities that clean energy, renewables and energy storage might present as we move forward. In my electorate, for example, which is an urban one—and most of the discussion has been around large-scale projects out in the regions—I have over 26,000 solar PVs. Some of the ways that we are looking to bring forward economic stimulus and jobs includes putting PVs on schools—this will drive jobs for tradies—as well as bringing forward infrastructure associated with things like electric vehicles. How do you see renewables being able to provide a stockpile or pipeline of jobs both in urban and regional areas going forward as we recover from coronavirus?

**Ms Gray:** In our submission we detailed—I have only spoken about large scale—a whole range of initiatives for the small-scale space as well. Previously, the Queensland government had a loan scheme that enabled people to get a loan for more solar installations. That was a really successful scheme which could be expanded. There is also a huge potential for more initiatives around rental homes but also public housing. I forget the figures off the top of my head—they are in the report—of how many jobs could be created if we started to put it on one-third of public housing.

The big one I am really passionate about is battery storage. In Townsville there is a proposed battery manufacturing plant that in full operation would employ 1,150 people in long-term jobs. That is huge for a community where a lot of shops have closed down. We would like to see a rebate or subsidy scheme around household battery storage for 50,000 Queensland homes that prioritises batteries manufactured in Queensland where this is already happening—we already have assembly plants in Brisbane—but also will drive new manufacturing facilities in Townsville and elsewhere. We need to help industry and installers get work, but we have a knowledge bank in Queensland of clean energy expertise. We already have people on the cutting edge of developing battery technology and that software.

If we have a scheme that helps not only manufacture batteries in Queensland but also where the technology is developed here, it is a win-win because we have more storage in the system, we have more installation jobs and, as well, we are fostering these new industries—or these smaller industries at the moment—that have a real potential to grow. I commend the government on the Solar for Schools initiative, because that is going really well.

**Ms Ison:** I agree with my colleague from Solar Citizens. I also think that there is an opportunity for solar and batteries and energy productivity in both regional towns and urban regions that is targeted at the commercial and manufacturing sectors. As I mentioned in my opening remarks, unfortunately our critical manufacturing sectors are some of the least energy productive in the OECD. There is an opportunity to combine a program that looks to increase energy productivity while also increasing the uptake of rooftop solar batteries, smart metering and the new smart technology that we are seeing companies such as Planet Ark Power in Brisbane pioneer. That is really targeted at that commercial and manufacturing scale. It has the opportunity to bring down power bills while also employing tradespeople and a number of other people, particularly in the scientific services that I mentioned earlier. There are programs that we are seeing such as the New South Wales Sustainability Advantage program that could be adapted and adopted in Queensland in order to do this.

**Mr WATTS:** This question is to the Environmental Defenders Office. I want to understand a little more about the transparency and accountability in rushed legislation. Obviously, one of the difficulties of rushed legislation is that you sometimes have unintended consequences. Do you think there is an opportunity to retrofit some transparency and accountability amendments into that? Given the short time, can you briefly outline those?

**Ms Pointon:** Definitely. Obviously amendments can always be made. There are simple provisions such as a requirement that decisions are put online and provided with reasons, and some guidance as to what kind of information would be provided with that, to allow the community to understand what the decision was and why it was necessary during these applicable events, as they are known under our planning and environment laws, and equally for the Environmental Protection Act measures. That would be a very easy fix for more transparency and accountability processes in these powers going forward.

I would be happy to provide on notice any other amendments that we thought could be suggested to improve the powers that have been introduced, given that they are ongoing. While obviously relevant only to an applicable event being declared, that power continues to exist for the minister to declare those events and the powers to be used going forward.

**Mr WATTS:** I would encourage further submissions. I am always a great believer in transparency and accountability so I think it would be a good thing.

**CHAIR:** We make the point that we welcome any further submissions as a continuing part of the process. We thank you very much for your assistance in appearing here today. We will not put that on notice, but we do welcome you to make further submissions. We will take a brief break while, in a COVID-safe fashion, we move the next people into the room.

## CHESSHER-BROWN, Ms Kirsty, Chief Executive Officer, Urban Development Institute of Australia

## COX, Ms Anna, Director of Policy, Urban Development Institute of Australia

## PERCY, Mr Nathan, Senior Policy Advisor, Property Council of Australia

## VANN, Mr Greg, Director, Planning, Ethos Urban

**CHAIR:** I now welcome representatives from the Property Council of Australia, the Urban Development Institute of Australia and Ethos Urban. I invite you to make opening statements, after which committee members will have some questions for you. We will start with Mr Percy, move to representatives from the Urban Development Institute of Australia and then Mr Vann from Ethos Urban.

**Mr Percy:** Thank you for the opportunity to provide input into the committee's inquiry into the Queensland government's economic response to COVID 19. The Property Council of Australia is the leading advocate for Australia's biggest industry—property. We are a national not-for-profit organisation established to promote the work of the property industry in delivering prosperity, jobs and strong communities to all Australians. Here in Queensland, the Property Council represents over 350 member companies across the residential, commercial, retail, retirement living, industrial, tourism and education sectors. As you would have seen through our submission, we have highlighted some key issues that the property industry has had to deal with during the pandemic and put forward several stimulus policies to drive the economic recovery. I thought I would take the opportunity to update the committee on some of those matters.

Firstly, the implementation of the Retail Shop Leases and Other Commercial Leases (COVID-19 Emergency Response) Regulation has placed a significant financial and administrative burden on the property industry. Our members were quick to provide assistance to tenants when restrictions were first brought in and this has continued throughout the period of the pandemic. We understand that, despite over 38 per cent of companies negotiating rental relief around Australia, Queensland's Small Business Commissioner has had to action only 111 disputes up to 29 July 2020. In our view, this shows that the vast majority of landlords and tenants have been able to negotiate a path forward. This is due to our members' understanding of the commercial imperative to protect and maintain existing relationships with their tenants.

In the current economic climate our members are seeking stability and certainty, particularly in relation to ensuring their buildings remain tenanted. An important factor in providing relief to tenants has been the ability for landlords to access land tax relief through the 25 per cent rebate that the government offered to properties for the 2019-20 financial year. For this financial year, land tax will be payable; however, the government has deferred this liability for three months. Property is the only sector that has been actively regulated to provide additional support to other sectors during the COVID period. This is in stark contrast to the banking sector, which has been required to only defer the financial obligations of customers rather than waive them. With the regulation due to expire on 30 September 2020, it is our strong view that the deadline should not be extended and we are seeking the committee's support on this matter.

Since lodging our submission, the government has made announcements on a number of the matters that we have put forward, and this relates in particular to the economic stimulus matters that form part of our submission. These include the announcement regarding catalyst infrastructure funding through the Building Acceleration Fund and the announcement that the Build-to-Rent pilot project had progressed to the next stage. I look forward to answering any questions on these or other items outlined in our submission.

**CHAIR:** Thank you very much. We now turn to the Urban Development Institute of Australia.

**Ms Chessher-Brown:** Thank you for the opportunity to address the committee this morning. UDIA Queensland is the peak body representing the property development industry throughout Queensland. We were established just 49½ years ago—that half is very important. We have 11 regional branches across the state. We also operate a research foundation that does large bodies of qualitative and quantitative work throughout the year. These three things combined mean that the institute is well placed to offer expert advice and analysis on the Queensland government's economic response to COVID-19.

The property development industry is a stable powerhouse of economic activity and employment. We employ one in 10 Queenslanders and we offer a diverse range of jobs including architects, surveyors, bricklayers, stonemasons, carpenters and joiners, in addition to town planners, engineers and, of course, property developers. Those jobs are not just clustered around the Queen Street Mall; they are spread the length and breadth of the Queensland coast, meaning that people have jobs where they live. A further 13 per cent of Queenslanders are indirectly employed in our industry in roles associated with our supply chain. Directly, we contribute $26 billion to the state economy each year and a further $35 billion in indirect economic impacts. Taken together, this means that the health of the Queensland property industry is intrinsically linked to the economic wellbeing of Queensland communities and families everywhere.

The institute has conducted two pieces of key research since the start of the COVID-19 impacts and they provide the framework of our analysis. The first step that we undertook was a survey of our own members' workbook. This yielded a very worrying picture of members' intentions regarding opening new projects. Secondly, we commissioned independent researchers Urbis to conduct an economic analysis into the implications of COVID-19 in the residential property market. This too yielded a similar worrying picture of businesses at risk of collapse. Headline findings from the survey included that 33 respondents had already placed current projects on pause; only 40 per cent of projects were currently going ahead as planned; 50 per cent of respondents at that stage had already made decisions to defer future projects and another 29 per cent were actively considering deferrals; and 14 per cent expected a reduction in future projects in the next three months, 46 per cent expected a reduction in the next six months and 22 per cent expected a reduction in the next 12 to 18 months. The situation is quite serious and remains that way for the industry. Headline findings from the Urbis report included that the pandemic is likely to have an undeniable impact on the real estate sector and those effects will be long lasting.

The residential housing sector, in particular, is fundamental to a fast recovery of the jobs market and significant interventions by the state and federal governments have been welcomed to date. However, we know that we need more to be able to inject the necessary fuel to fire up the property market in the second half of 2020 and beyond. In short, against a backdrop of real-world investment decision-makers telling us that they are anticipating pulling the pin on very significant numbers of new projects shortly, our independent researchers are telling us that what the Queensland government has done has been welcomed; however, it is insufficient. We believe that more needs to be done in the form of things such as land tax and stamp duty holidays, removing foreign investor surcharges and stamp duty for all new and off-the-plan sales, expanding the mortgage relief scheme and funding councils to provide important support to the sector, including infrastructure charges relief schemes and rapid delivery schemes.

The Queensland government, alongside the federal government, has made a good start to its economic response to COVID-19. However, such is the scale of the forecast downturn in the property development sector that more needs to be done and it needs to be delivered quickly and in a decisive manner, on both the supply and demand sides of the property market.

**CHAIR:** Thank you, Ms Chessher-Brown. Mr Vann, would you like to address us?

**Mr Vann:** I want to give a quick overview. Ethos Urban is a national urban solutions company that has expertise across town planning, urban design, engagement and, notably, economics. We put wellbeing at the centre of what we do. Personally, I have 40-plus years experience and at 63 years of age I have never lived through an event like this, so I do not think anyone else here has probably. I have expertise in planning and economics. I was the project director for the regional plan ShapingSEQ. I will start by simplifying the essence of what we have put forward.

I think wellbeing should be the centre of the economic response. It is not just an economic thing; it is about people's lives, people's welfare and their health. If you do that, you get better outcomes socially and environmentally, but most importantly you get better economic outcomes. People are more productive if they are healthy and well and are happy in their lives. That is the central piece here, I think.

Obviously, infrastructure is a big part of the response. Big infrastructure is important not only because it is building things that are useful for our communities but it fills the pipeline for a whole lot of people who are involved in the process of moving infrastructure from an idea to reality. While they are important, I do want to say that I think one of the philosophies for the government response which you can see happening is what I call, 'from little things, big things grow'. There are a whole lot of small investments that can be made across programs like local parks, pathways for walking, cycling and other wheeled devices, community infrastructure—there are big lists of them out there in 'local government land' and no doubt across state government—that are ready to go. These are a lot of small investments which importantly also touch communities across the state. It is not one place getting a big lump.

I want to then just turn to housing. The catalytic investment the government has announced is a good initiative because it will unlock further housing opportunities. It is relatively small by other states' standards. I know of some areas where large lumps of that would only unlock one area, so I would encourage more there. In relation to housing, I know there are investments being made in social housing. I think it is relatively small again, and that would be an area where much more would be welcome. There are also the initiatives that Nathan mentioned, build to rent but also co-housing. There are other housing models arising and emerging out of societal needs, and this is an opportunity to grab those. We also put forward a few system changes—logjam breakers, I call them—for projects that get stuck in the system. There is some detail in our submission about ways in which there might be a way of freeing that up.

Green infrastructure is another area we touched on. People think of parks, footpaths and open space generally as individual things, but they all link and operate as a system. If we are serious about community wellbeing, thinking of it as a system is really important and connecting it all up. Lastly, I want to focus on local. I think what the pandemic has shown us is that local is the new black. When people are living at home they really value their local area. Investments that support that have a range of obvious economic benefits. It also means that more people access things locally, so businesses do better. It actually changes the transport task that we need to do across our cities. They are the big pieces we have suggested. Some of them are underway, and I am happy to talk about any of them in more detail.

**CHAIR:** Deputy Chair, do you have a question?

**Mr STEVENS:** The voice from the Deep South. Thank you, Chair. My question is to Mr Vann, formerly of Buckley Vann and now with Ethos Urban, as I understand it. How are you, young Greg?

**Mr Vann:** I am very well, thanks. Am I allowed to call you Ray?

**Mr STEVENS:** You most definitely are. Everyone else calls me a lot worse, I can tell you.

**CHAIR:** Deputy Chair, do you have a question?

**Mr STEVENS:** In terms of your submission you have proposed streamlining planning scheme amendments to improve planning scheme processes, which probably are a longer term addressing of the COVID problem that we have. Could you just expand on that proposal? Also, considering we have just had a presentation from the Environmental Defenders Office that the state should oppose the federal government's referral of planning processes—I presume it would be under the EPBC that would affect those planning processes—could you also give commentary as to the impediments that that may place on the approval processes for the state?

**Mr Vann:** With regard to streamlining planning scheme amendments, committee members may not realise that typically a good idea takes about 18 months to two years to materialise into a planning scheme, which is an awfully long time. Some of the things that we are talking about today—build to rent and some of these new housing models—will need a response in planning documents, and that is just way too long. If there are ways of shortening that, we think that should be something that is pursued. We did go through some detail of that, which I can speak to a bit further.

The second part of your question is really a question of the integrity of the environmental assessment. It deals with different things to a lot of the projects that I was focusing on when we put that together, so I think that is a separate discussion. It is a matter for the state to ensure the integrity of its processes rather than oversight and perhaps overriding from the federal government.

**Mr McCALLUM:** In the opening remarks there was mention of both local projects and working with local councils and social housing. The government has announced a $200 million Works for Queensland program, and we have certainly heard a lot of feedback from local councils and associations in that regard, so I would be keen to get your insight from a real estate industry point of view. With respect to social housing, the government also announced a $100 million tradies package to deliver 215 social homes. I am guessing that is the kind of program you want to see, so I would also be interested to get your feedback in relation to that.

**Ms Chessher-Brown:** One of the key initiatives that we put forward was a $200 million local infrastructure rapid delivery scheme, which differs a little bit from the announcement that has been made by the government to date. The $200 million catalytic program was certainly a step in the right direction, but part of our members' concerns exists around unlocking future housing supply. Often things that can hold those future projects up and the ability to provide jobs on those things are simple things like a sewer main upgrade or an upgrade to an existing road. We see continued investment by the Queensland government in infrastructure projects both big, as Greg was referring to, but also those very small projects, and allowing local government to get on with that is a step in the right direction.

**Mr McCALLUM:** Does the catalytic investment fund not do exactly that: put a sewer in place to enable the unlocking of a particular area?

**Ms Chessher-Brown:** It certainly will, but it is also some of those smaller projects that we believe, given the size of the catalyst infrastructure fund boost that was provided, will be almost too small to apply for those projects. They will be eligible, but whether or not they get caught up in that will be the other question.

**Mr McCALLUM:** But they are certainly eligible.

**Ms RICHARDS:** Certainly eligible, yes, absolutely.

**Ms Chessher-Brown:** Yes.

**Mr McCALLUM:** When it comes to the COVID response and the latest round of $200 million under Works for Queensland, in my electorate that has translated into upgrades to local parks and local amenities, which is what I took it that you were referring to.

**Mr Percy:** Obviously, that is definitely supported. Within our submission we put forward a package of information around social housing in particular. The Property Council over a number of years has sought to work with other groups, including QCOSS. Their submission within the document itself is done in partnership with the National Affordable Housing Consortium. Mike Myers, who heads up that organisation, is someone who has been involved in delivering that type of product for many, many years. I would probably just refer back to our submission in terms of some of the other things we think government could be doing in that space. Everything from some of the redevelopment of existing stock, shared equity home models and a few other things that are contained in our submission we think would definitely have an opportunity during this time and would unlock a lot more housing opportunities for disadvantaged people.

**Mr Vann:** I think part of that question was directed to me. I think they are both excellent programs; it is just a matter of quantity. I appreciate the government's constraints on fiscal management and so on, but in the end 100 or 200 social houses across a state of this size is not a huge change. It is a welcome one, but I think a heck of a lot more could be done. The package that will get down into park improvements and the like is great. I think also, as I said, the opportunity for that to be spread more widely across the state is an excellent initiative. When you boil it down it is actually going to make some change, but more money would make a lot more change.

**Mr WATTS:** My question is directed to the Property Council. In your submission you advised the fast-tracking and expansion of build-to-rent pilot projects. The Palaszczuk Labor government made a $70 million announcement in 2018. How many of those have either been commenced or completed in that time?

**Mr Percy:** The announcement back in 2018 was, as I understand it, $70 million to start a pilot project within Queensland. I might just pause there. I think the important thing is that build to rent is a new asset class that has been talked about in Australia. Other states, including New South Wales and Victoria, are certainly keen on that product. Most recently we have seen some movement from the New South Wales government to encourage it through land tax rebates. In terms of the actual pilot project, it has been going through a stage of speaking with proponents around that project, and at this stage the next step in that is for those proponents who have been short-listed to come back with their proposals, which will be announced in the next couple of months, from what I understand.

At this stage there has not been a project delivered through the funding that was allocated. It is important also to understand that $70 million was to fund an affordable housing component within that. Whilst build to rent is a stand-alone asset class, the funding that was put on the table was not only to deliver a build-to-rent product but also deliver it with an affordable housing component. With that comes some complexity because the proponents of those projects need to factor in that ability, but the $70 million will obviously assist in doing that as well.

**Mr WATTS:** What we are interested in here is to stimulate the economy as we try and pull ourselves out of the COVID situation. Over two years no projects have started even with that $70 million. My question is: what needs to happen to get some activity on the ground? What is the process we need to go through?

**Mr Percy:** I think there are two bits here. Obviously, there is the pilot project, which is welcome. We think that process should continue and happen. There is the other bit around what does build to rent look like in Queensland and what are those levers that can be pulled in a Queensland setting to get a broader uptake and more projects happening on the ground. Tax is one of those issues. As I mentioned in my response to the first question, last week the New South Wales government announced a series of land tax reductions. I do not have the figures offhand, but they were significant. The response from industry has been that that will definitely stimulate activity in that sector.

There were a number of articles in the *Financial Review* around that, with many of our members welcoming that decision, saying this would definitely be an opportunity to fast-track that. I definitely think that is one opportunity. Probably the best opportunity to incentivise it now would be through some form of land tax holiday or land tax reduction, however it may work. In terms of the pilot project, as I mentioned it has got through to that next stage, so we would anticipate that we would see some action fairly soon in terms of proponents getting on and delivering that once the government has made a decision.

**Ms RICHARDS:** My question is for all of the panellists. We are looking at both the Queensland and federal government responses. I would be interested to hear from you, Nathan, with regard to what further can be done. You talked about the property industry being the only one regulated and the banking industry not. I would be keen to hear more from you on that. I would be keen to hear your observations by comparison to other state jurisdictions how Queensland's economic injection into your industry might differ.

**Mr Percy:** I think it is fair to say that when the national cabinet announced the national code of conduct it certainly put a shudder through the industry. It was certainly a big step for the national cabinet to take and one that we felt was not warranted, because our members were already on the ground supporting tenants and getting them through that. I think that is the point for us in terms of why we believe there should not be an extension to the deadline for the existing regulation. That is because it has been shown that our members and more broadly landlords—there will be exceptions—

**Ms RICHARDS:** I can tell you there are some exceptions from the experience of our officers.

**Mr Percy:** I think the broad structure that is being put in place here in Queensland, including the introduction of the Small Business Commissioner, which was a great initiative, should give some confidence to those tenants in terms of being able to get through this period. In our view, the majority of people are doing the right thing and working with tenants to get them through this period. Secondly, our members know that they need those tenants at the back end to support them as well. We believe the regulation has done its job is probably what I boil it down to.

**Ms RICHARDS:** Your thoughts around the banking sector?

**Mr Percy:** We do not necessarily have a view on that. We are using it as an example to show that, yes, there needs to be pressure put on other parts of the economy to assist other parts of the economy. What we are saying in relation to what has happened here for the commercial landlords and so forth is that they have physically had to waiver or dip into what would have been funds that would have been collected through those tenants, whereas from a banking perspective, my understanding is that you can either defer your requirement, as in your loan payments, or go back to interest-only, those types of things, but that is not a waiving of what the bank collects in the end.

**Ms RICHARDS:** Finally, a comparison to other jurisdictions around Australia?

**Mr Percy:** Firstly, in terms of Queensland, the government here was a first mover on land tax and that was welcomed. We had national cabinet's decision around going for a code of conduct and the Queensland government was a first mover in terms of those land tax rebates, and that was welcomed. Just to recap, that was a 25 per cent rebate to landlords where they were passing on that requirement back to tenants who were obviously impacted—well, still many are still impacted—by COVID-19. I do not have the figures, but other states subsequent to that announced other schemes. How they match up, I would have to go back and have a look, but I think it is fair to say that the Queensland government was the first mover in that space.

**Ms Chessher-Brown:** To your question, at the moment our members are very heavily concentrated on HomeBuilder and the Office of State Revenue's interpretation of the application of HomeBuilder in a Queensland context. We have worked quite closely with OSR and, at a national level, as has PCA, with the federal government. Our concern at the moment lies with local government's ability to be able to move very quickly during the plan sealing process, given the very tight time eligibility requirements of HomeBuilder. The importance of local government in economic recovery certainly cannot be underestimated. I talked before about an injection fund into local infrastructure. That also relates to things like transferring and being able to process offsets and refunds for trunk infrastructure in a timely manner. That is all about cash flow.

In terms of our context—and I will hand over to Anna shortly—the $5,000 regional home buyers boost was certainly very warmly welcomed by members in regional Queensland. Certainly in terms of HomeBuilder, our attention has very quickly focused to local government's processing times and ability to be able to free out the offsets and the refunds in relation to trunk infrastructure, as well as planned sealing.

**Ms RICHARDS:** I imagine the extension of the first home buyers scheme would have been quite warmly welcomed by your membership base as well?

**Ms Chessher-Brown:** Of course, with the $5,000. I have focused on the $5,000 regional boost because that has been something that the UDIA has focused on for a very long time—the ability to provide a differential in regional Queensland which was very much welcomed.

**Ms Cox:** As Kirsty mentioned, the UDIA has 11 regional branches throughout Queensland. We have people on the ground in display offices and on site, and that was certainly something that was very well received because it fed directly into that need for buyer confidence. One of the things we mentioned in our submission is that, on the question of economic stimulus, it has to be a package. There is obviously no silver bullet here. There has to be a range of things across both the supply and the demand side. On that side, boosting buyer confidence through the $5,000 boost was warmly welcomed across the state. It is also the reason we have suggested other initiatives in our submissions such as extension or further support and awareness for mortgage relief schemes which the Queensland government has run over many decades. Again, these are the things that are already there. They already have a risk framework around them, they are already being delivered, but to see some further support for those schemes again feeds directly into that buyer confidence which is really critical.

The other thing that we have seen from the regional perspective is that, as we said, local government is really critical here. How local government will go as those very short time frames for things such as HomeBuilder become apparent will be really critical. It really will be make or break for a whole range of potential home buyers throughout Queensland.

Sticking with regional for a moment and the theme of local government, the other thing we had suggested was a Queensland government boost to local governments to do things such as deliver infrastructure charges schemes. Infrastructure charges relief schemes are something that local governments do quite commonly throughout the state. There is a long history. They will do them for different reasons at different times because they want to incentivise a type of development or incentivise development in a certain place from a town planning point of view. They come in all sorts of shapes and forms, whether that is deferrals, discounts or outright waivers. They can be quite useful because it is the level of government that is very close to the industry so they can move quickly, which is what we are all trying to do here. Again, to highlight, it is something that they do already. It is not a new—

**Ms RICHARDS:** I was going to say, I think that is an ability of most local governments to initiate that lever without the state government mandating that. We have seen that with Brisbane City Council in terms of their infrastructure rebate schemes for hotels, student accommodation, aged care. If you are making a suggestion on what local government could do in terms of a part of the lifting, getting us through this COVID crisis, that would be one of those?

**Ms Cox:** Yes. We took that one step further in the context of this and suggested a scheme for state government funding to fund councils to deliver those during this COVID recovery period because, as we said, it is a measure that could be put in place quickly and very tailored to what is going on in that local government area. That was the background that I was going to touch on for our suggestion for the $200 million infrastructure charges relief scheme which you would have also seen in our submission.

**Mr O'CONNOR:** I was wondering if we could go back to the Catalyst Infrastructure Fund. You all variously mentioned it in your submissions. I was wondering if we could get a little more detail on any particular projects that you would be looking for, if you had any in mind as a wish list. I think the UDIA was suggesting a $500 million boost over four years on top of the money that has been put there. I wonder if we can get more detail on what in particular you would like to see from the state government out of that fund.

**Mr Percy:** More broadly there are a couple of parts to it. Firstly, obviously the announcement a couple of weeks ago now was very much welcomed because that hit the majority of what we were asking for in terms of a first boost to that existing Catalyst Infrastructure Fund now falling under the banner of the Building Acceleration Fund. Effectively, what it is doing is helping our members deliver on the ground. It comes back to the earlier conversation around greenfield areas. Many greenfield areas are caught up for a long period of time because of the infrastructure that is required to unlock them. Economic Development Queensland had the Catalyst Infrastructure Fund as well as the Catalyst Infrastructure Program to fund specific projects where both local councils and the developers were able to put forward a case as well as co-funding to get those projects going. The good part about that program is there is buy-in from both sides for projects that are willing to happen and to get the go-ahead straightaway.

What we are asking for in terms of our submissions, and I think more broadly across all of us, is more funding being put into that program. As Greg mentioned, we could find that $200 million is not enough. At the same time we do believe there is potentially some options to direct fund some of the infrastructure as opposed to a co-funding model. I might hand over to Kirsty if there is anything further I have not covered in that as well.

**Ms Chessher-Brown:** No. I agree with you, Nathan. I think we could all point to some examples and obviously we would not want to get into specifics. We will have some cranky members, I am sure, if we do that. Our view is that we expect that fund will be oversubscribed very quickly. There certainly is, based on our respective experiences, a lot of need for that type of funding. Obviously, as Nathan said, our idea is that that does unlock future supply. That is important now in terms of jobs, but it is also important in the future. While our interstate borders and our international borders are currently closed, there still will be pressures on delivering housing and on land supply, so this gives us an opportunity to get ahead of the game and deliver some of that infrastructure that is urgently needed.

**Mr Vann:** If I could comment briefly on that, to give you some sense of scale, rather than an individual project, I am aware of at least one major growth front which is in the regional plan and is intended to proceed which really needs a $50 million-plus catalytic investment to get it going. How that is put together depends on whether or not it is all from the fund. I just wanted to give you a sense of the scale that we are dealing with here. It is not all a small sewerage connection. Some of them are pretty big things that are needed that are just not capable of being funded under the existing models.

**CHAIR:** We are getting the correct title: it is the Building Acceleration Fund. One of the bigger things in the medium term is that there is uncertainty for the industry about the federal government's immigration plans—obviously there is not a lot of immigration going on at the moment—and how and when that will recover and what structure it will take. Queensland has always been dependent in population terms, for the most part, on internal migration. Is there an expectation in the industry of where that is going to go or are there just a lot of unknowns?

**Mr Percy:** I think there are a lot of unknowns, but what I would say, and it is probably backed up in an article—I think it is in today's *Courier-Mail*, to be honest—that Queensland is in a good place to be able to benefit from some of that interstate migration in the sense of the word and from our health response to the crisis here in Queensland. Obviously the things that we all love about being in Queensland now makes it an attractive internal migration place. There are opportunities for Queensland to capitalise on what we have already done in the past, noting that borders are closed at the moment, and that is absolutely necessary. There could be some more thought around how we can capitalise on that interstate migration to begin with and then ultimately when international borders reopen—we have always been attracted to international migration as well—we need to be thinking about that over the long term as well.

**CHAIR:** Compared to other states, we are proportionately more reliant on interstate as much as external immigration?

**Mr Percy:** I would have to check the figures, to be honest with you.

**Ms Chessher-Brown:** Yes, I understand that is correct, and I understand it is almost a flow-on effect that immigration starts in Sydney and Melbourne and then moves up to Queensland as a direct result. We receive the flow-on effect. Similarly to what Nathan said and speaking to some of our very experienced developers over the past few weeks, their positioning is that they see Queensland is in a strong position given our management of the health component of this crisis. Our fundamentals still remain strong. In terms of housing affordability, we are more affordable than our southern states. Then, of course, there is our lifestyle that we know and love. We believe that we are in a strong position, hence why we are so passionate about ensuring that our economy and our industry is able to be competitively positioned for that recovery. We know that the Victorian and New South Wales governments are certainly very competitive in that space. At the end of the day, both Nathan and our members are competing for the investment dollar. That is why our passion is so strong on making sure Queensland is well positioned. A final point I would make is that, from what we have seen through HomeBuilder and the regional housing boost, there is still strong underlying demand in Queensland for property. The great Australian dream of owning your own property is still alive and well.

**Mr Vann:** Whilst we have traditionally relied on a lot of interstate migration, it is effectively a form of de facto overseas immigration that comes to those states and then a lot of people move here. They are technically interstate but then move. The second thing is that we will see the likely emergence of more Australians coming home in the short term and we will also see in the medium term the lifeboat effect, I call it: people who want to go somewhere where the living is good and the threat is not great from countries that are not our traditional sources of immigration. There are a lot of unknowns there, but there are factors that I think are probably going to work to continue a fairly high level of growth.

**Ms RICHARDS:** We just heard from the Resources Council in our last session. The comment was made that, looking over their shoulder, they felt that they were in a good position by comparison to other industries impacted by COVID-19 at this point in time. What are your thoughts on your industry and its position to others in terms of impact from COVID?

**Mr Percy:** I would probably need to break it down into some of the sectors. As Kirsty mentioned, HomeBuilder has certainly brought on a lot of demand for house-and-land. It has issues in terms of it being eligible for infill or larger unit projects. I think over the near term we will see some impacts and potentially some job concerns around those projects if we do not find something to fill the void there. Commercial and retail is obviously hurting, and hurting big time, and that was the crux of my comments upfront and in our submission around what could be some longer term impacts if we are not able to go about trade and get those bits of the economy back up and working sooner rather than later. Industrial is an interesting space. There is still plenty of leasing activity happening in the logistics space and there are some green shoots around the manufacturing sector as well. It would depend on who you spoke to in our membership as to what answer you would get. I am sorry to give you a cook's tour, but that is definitely what is happening across the membership.

**Ms Chessher-Brown:** Focusing on residential, it is a tale of two markets at the moment very much out there. As Nathan said, there are concerns around the future of apartment and in-fill product which is a strong regional plan priority. Our concern has always been on the back end of 2020 and into 2021. I imagine that in terms of the impacts that our sector is likely to see, there will be a lag effect and our main focus remains on the first half of 2021 at this stage.

**Mr Vann:** I agree.

**CHAIR:** I really appreciate your participation here today and also the detailed submissions that were put forward. It gives us an overview of both the threats and opportunities that are available in the industry. We really appreciate that. We note that there are no questions taken on notice. Thank you for your assistance. We will adjourn for a short break.

**Proceedings suspended from 11.31 am to 11.51 am.**

**CHAIR:** We now resume this hearing of the Economics and Governance Committee's inquiry into the Queensland government's economic response to COVID-19. For those of you who may have just joined us, my name is Linus Power, the member for Logan and chair of the committee. The other members of the committee are: Ray Stevens MP, who was on the phone and may rejoin us; Lance McCallum MP, the member for Bundamba; Trevor Watts MP, the member for Toowoomba North; Kim Richards MP, the member for Redlands; and Sam O'Connor MP, the member for Bonney.

**ANDREWS, Ms Rebecca, Queensland State Head, Ai Group.**

**CHALMERS, Mrs Shay, Director, QMI Solutions (via teleconference)**

**PARKER, Mr Mark, Non-Executive Director, QMI Solutions (via teleconference)**

**CHAIR:** I would like to now welcome our final panel for today's hearing which focuses on Queensland's manufacturing sector. Good morning. I invite you all to make an opening statement after which committee members will definitely have some questions for you. I might start with a representative of QMI Solutions and then we will hear from Rebecca.

**Mrs Chalmers:** Thank you for allowing us the opportunity to participate in this inquiry. QMI is responsible for several key recommendations which we will outline over the next few minutes. We have been heavily involved in the Queensland government's response to the COVID-19 pandemic. Together with Ai Group we have worked alongside the department of state development in the COVID supply task force to support the transition of our local manufacturing community to supply much needed medical equipment and supplies.

The speed and agility that the department demonstrated during the crisis response was impressive. Queensland was well ahead of the other states in understanding the PPE needs of our healthcare system and the gaps between those needs and our manufacturing capability. Through QMI's industry capability network Queensland rapidly posted manufacturing and supply opportunities to our database of over 22,000 Queensland businesses. Nineteen work packages were listed on the ICN and there were over 17,000 page views. The speed at which we were able to respond is a testament to the government's team involved in the response and their collaboration with industry. This is a direct result of the work already completed under the advanced manufacturing road map and the manufacturing hub model. We believe, however, that there is opportunity to leverage the positive work that has already been done and amplify what is already existing. We can enhance our manufacturing capabilities through the optimisation of our local procurement policies.

As we look forward, the level of risk and uncertainty for the next decade is high. It is going to be challenging for us all to select the right path and our strategic direction, but from a manufacturing perspective we already have a framework for success with a road map and priority areas. We just need to ensure that our procurement policy acts as a capability driver. For manufacturing we need to have the underlying capability that allows us to pivot. Manufacturing capability comes with steady business, continuity and security of orders. For our local manufacturers, 96 per cent of whom are small to medium enterprises, orders are oxygen. Long-term visibility of the order pipeline enables manufacturers to develop the underlying capability. It allows them to invest in new equipment and invest in upskilling and training their staff. Government has an opportunity to use its everyday purchasing across a broad base to build momentum throughout our manufacturing industry whilst enhancing the capability of manufacturing. This capability is what enables our industry to pivot, when needed, to issues like we are facing right now with COVID-19.

We welcome the government's 25 per cent target for SME procurement, as it demonstrates that the government procurement can change and adapt to the needs of the broader community. We encourage the government to look deeper into the supply chain and extend this target to locally manufactured goods. In addition, we need to ensure that we have the right mechanism to measure success and monitor the impact of these procurement policies. Manufacturing capability brings highly skilled, stable, lifelong, meaningful employment. Through supportive policies providing continuity of orders for our manufacturers, it reduces the cost of goods. In turn, this enables our manufacturers to compete on a global scale.

We commend the work of Trade and Investment Queensland during the COVID response. TIQ is an avid supporter of our manufacturing industry and are crucial to ensure that we maintain a strong focus on export competitiveness which is critical to our success. TIQ have a demonstrated track record of being able to coordinate across departments to get things done and have been pivotal in supporting global digital connection for our manufacturers during COVID. This work is increasingly important as we are isolated from our global customer base. All this activity directly benefits taxpayers and creates significant value to the Queensland economy. Government's investment in procurement creates broad economic value.

Policy change is the driver of behavioural change. Our opportunity is to influence the purchasing and procurement programs so that businesses get used to looking locally. We need to embed this behavioural change. Government can be at the forefront and lead by example. We need to learn to recognise the value for money for the economy over the life of the product as opposed to just the initial up-front cost. This is where the true value of Australian manufacturing lies. We will become competitive and we will build our capability through strong manufacturing procurement policy. Our goal is to accelerate the onshoring and reshoring of critical manufacturing processes. This is how we build our sovereign capability and reduce the risk to Queenslanders.

In summary, let us start with good policy that sets the vision and agenda for our manufacturing capability. Let us lead by example. The 25 per cent SME procurement target is an excellent foundation and this needs to be extended to include local manufacturing. Let us build on and leverage the existing framework and infrastructure; continue to invest in the hub model; enable them to facilitate the execution of shovel-ready projects; focus on connection and collaboration between the manufacturing hubs, industry and our research institutions; support the Queensland World Economic Forum Advanced Manufacturing Hub to bring global competitiveness to Queensland; and, lastly, we would love to see more support for TIQ to continue to provide exceptional support for manufacturing exporters, amplify the resources and the work that TIQ does to create opportunities to include reshoring and leverage their track record of supporting Queensland innovation and manufacturing in global markets. Let us set the agenda by strong policy, start leading by example and not lose our global focus. Thank you.

**CHAIR:** Ms Andrews, would you like to give us a brief opening statement?

**Ms Andrews:** Thank you for the opportunity to attend today. I will give you a quick explanation about our group in case you do not know who we are. We are the peak employer organisation and we have been around for 140-plus years. Our members are small, medium and large right across Australia. They are manufacturing, construction, engineering, mining services and defence, and now with a bit more of a broad church we have airlines, ICT and retail. Predominantly, our heartland is the manufacturing sector.

I do not think it is any news to anyone that the global pandemic is having a severe impact on businesses and communities. We have provided support and information to thousands of businesses during this time that have experienced the consequence of activity restrictions and a reduction in business and consumer spending. We have been collating this information since March and I am going to give you a quick summary of it. This is based on Queensland business feedback, not our national feedback.

From March to June, the majority of our businesses that reported their experience of COVID-19 said that the No. 1 thing was reduced customer demand. That was the primary impact on their business. There was some positive news, with 22 per cent of our members saying their workforce was not directly impacted, and actually seven per cent said things had slightly improved. However, for the majority, all reported a significant reduction in sales and orders, a disruption to their supply chains and a lack of forward orders, which is concerning.

We asked them what their response had been. This has obviously changed from the March to June period. Firstly, it was moving staff to work from home and increasing their communications to their team. With the introduction of JobKeeper in May, this helped many businesses maintain their employment that would have otherwise been cut. In June most of them were reporting that they were continuing to adjust so they could remain open and competitive.

We asked what would help them—and this was in terms of assistance from government, from us as an industry organisation, from health authorities and from professional groups. In March, it was clear that there was an urgent need for clear rules and instructions. However, from April onwards, that changed to direct assistance from the government. The top types of assistance suggested have been: stimulus payments and grants; suspension of payroll tax, not deferral; and wage subsidies. In May and June though, we noticed that this was changing and it changed to investment in infrastructure. That was nominated by businesses with increasing frequency as a means to support and sustain local economic recovery. This is a significant shift in the type of assistance that businesses are looking for and is a call for us to invest in construction, asset maintenance, infrastructure and hence their supporting supply chain, which is the manufacturing sector, to stimulate—rather than direct cash grants or funding. Related to this, businesses have suggested areas of local procurement provision by government, investment in supply chains and a stronger promotion of Australian and Queensland goods and services.

Our role in Ai Group with our engagement with the Queensland government has been vast—from being included in the Premier's industry alliance and associated subgroups, the Treasurer's workers support task force, the Small Business Roundtable, the Skills and Training Task Force as well as our continued activities in the ministerial manufacturing committee, PIAG and the Small Business Roundtable. We have also provided direct feedback to numerous departments on a regular basis, including Premier's, Treasury, DESBT, DSDMIP and now DRDM. We wrote to the Premier on 30 April and 5 June specifically with regards to the COVID impacts and recommendations around these focus areas—tax reform, regulatory reform, investment in infrastructure, industry development, procurement, skills and training, and direct investment into the manufacturing sector.

I would like to specifically raise some challenges and provide feedback from a member around procurement processes from March to June, specifically on the government's focus on PPE. In March, the former DSDMIP contacted me to assist them find businesses that had current supplies in PPE but also to seek our advice on businesses which could supply or pivot to supply. Firstly, I would like to make it clear that in my view, the team—particularly the leadership team at DSDMIP—were genuine in their commitment to find solutions for the government while supporting Queensland business. However, even with their best intentions, the systems, processes and culture in place across broader government could not accommodate this. This can be directly demonstrated by a member who I asked to outline his experience before my appearance today, and I am going to quote from him directly. He has given me permission to give his name. I will not do that at this stage, but I am happy to do that if you wish. This was his experience. He said—

> The PPE disconnect is that the department and staff who were so heavily inquiring about the private sector's capacity to produce product did not have any authorised follow-through from the government procurement officers with purchase orders. Businesses then made decisions to forge ahead and do their part to build capacity and procure materials to produce based on the energy that State Development created and the perceived need. However, then the orders never came. The private and public procurement teams were so desperate to get sanitiser to continue their operations safely that they procured product from manufacturers that were unsafely and illegally manufactured, not in accordance with the TGA relaxations on sanitiser, nor in line with the Dangerous Goods Code. The manufacturers who did this properly in accordance with the law and with safety standards in mind turned up then late to the party, finding product that was made illegally or unsafely had filled the void. There is no community or government policies or public and private movement to truly build a momentum around buying Australian, and why would we when cheaper alternatives exist that are imported because we are too expensive, thanks to the government's, at every level, inability to help manufacturing be more competitive.

That was his quote for today. I am aware that he suffered a significant financial hit based on his decision to make hand sanitiser and then the order that was promised never came.

Therefore, it is our strong view at Ai Group that in all levels of government procurement should be reviewed to support the development of competitive manufacturers and this should be more than just PPE. The process should be simplified and barriers removed. Consistency is needed with conformity to standards, with no preferential treatment for offshore suppliers. We need to focus on the whole-of-life cost rather than simply obtaining the lowest cost. We need ongoing reviews to ensure that policies are delivering on their intent and that there is transparency in reporting this.

Finally, as we look to the manufacturing sector to grow, reshore, innovate and employ, we would recommend the following. A review of all existing programs to ensure that they can assist businesses to grow—not just in PPE or regional areas, but all manufacturers at all locations and all sectors. A high priority should be given to supporting existing businesses to evolve from traditional factory floors to high-tech, highly skilled operations using technology and smart thinking to be locally and globally competitive. We need to consolidate and focus our investment in training and skills to enable the industry-led solutions that support current and future needs. We need to support our business to develop those strong, local supply chains that will support each other and incorporate collective growth and development.

In summary, we note that further measures will be needed to stimulate business activity and employment, not just over the coming months but years. A second period of restrictions nationally means that more businesses will probably be unable to maintain their employment levels and more businesses may not survive. We must not forget that this is a health crisis, but we also need a balanced approach to risk which includes economic and social impacts. Reducing the incidence of COVID-19 in all our communities is necessary before we can move to whatever our new normal is. Until that can happen, the economy will require support, stimulus, investment and a focus on employment.

**CHAIR:** Thank you. We will now go to questions.

**Mr WATTS:** Thank you for your submission, Ms Andrews. You mentioned moving from direct assistance to things like suspension of payroll tax, not deferral. You also spoke about infrastructure and direct investment. In my patch, we have the potential for inland rail, which is a $6 billion piece of infrastructure that would lower everybody's distribution costs on the eastern seaboard as well as provide a massive economic stimulus. Is that the sort of thing you are talking about when you are talking about infrastructure investment? Could you give some other examples?

**Ms Andrews:** I actually put forward a suggestion on Friday to the COVID-19 economic response team in the government. I think it has to be on three levels. There obviously has to be government investment, but it will be the private sector that drives true economic recovery. The government needs to create an environment where businesses can succeed. I think we need it at all levels, and not just the big new shiny things. I have been in lots of forums where people have said, 'We need big projects, big catalytic projects.' I even heard someone say, 'We could make cars again.' No, we cannot.

We might need some of those, but we also need small investment in our manufacturing sector. A lot of it is small investment. I ask the question: why are Queensland manufacturers investing in facilities overseas? Why are they not building them here? There are a number of factors in that, and they are not all state based—a competitive tax system. We have an opportunity and we have high company tax rates. With payroll tax, whilst the percentage lifted, that hit manufacturers. A lot of manufacturers were paying more payroll tax. We have deferred it down the line but at some point that will come in. I think it is in January. It is not one thing; it will be a combination of things. If we look at our supply chains and say, 'How can we build a collective supply chain'—and inland rail is a great one—'so that when we are doing those projects that knowledge stays here and we build a collective around what they need.' Wellcamp has a great opportunity there. It will be a combination of factors. I do not know if I have answered your question.

**Mr WATTS:** The bit I am interested in, with the chair's indulgence, is where you spoke about direct investment in infrastructure. I am interested in whether there are other examples. We know inland rail will be a great investment. Are there other examples that you would like to see for Queensland?

**Ms Andrews:** Plenty, and I can provide them to you. I would like to see a more competitive environment so people choose to invest here. For example, I know some of our manufacturers in the last two years have set up factories in Malaysia, China or America. I would like them to invest here. Their heart would love them to do that—because most of them are third or fourth generation Queenslanders—but their head says that the numbers just do not stack up. I think we need to create an environment where those numbers stack up so that the private sector can say, 'There's an opportunity for me to reshore this component.'

I was talking to a manufacturer that does mining equipment; it is communications. They have one thing that they get out of China. If he made that here, he would probably employ another 45 people. They are not huge numbers, but if you get 20 projects like that then they start to add up. It is not always the big shiny thing. How can we attract those people to say, 'Actually I will invest to do that'—because it is their money they are investing—'and I will employ,' because we have created the environment to do so.

**Mr McCALLUM:** My question is to both witnesses but we will start with QMI Solutions. You both made references to procurement policy. The Queensland government has implemented a relatively new procurement policy which does place a priority on best value, taking into consideration things like local content procurement et cetera. I am happy to take any comments around that. Specifically, within the context of going forward from the coronavirus pandemic, from 1 July this year there has been a new 25 per cent small and medium size business procurement policy. How do you see that working and delivering, specifically with local economic recovery going forward for SMEs?

**Mrs Chalmers:** The 25 per cent SME policy is something that we definitely welcome. It is challenging operating as an SME to really engage in some of these larger scale procurement processes. By having that targeted approach, it will really enable them to engage. What we are recommending is that this also be extended to include local manufacturing, because for SMEs it is a really great policy to put in place but additionally they could be imported and we can get sustained economic growth through supporting our manufacturing SMEs. Ninety-six per cent of our manufacturers in Queensland are small to medium enterprises so this could create significant momentum in that industry. Mark, do you have any further comment on that?

**Mr Parker:** Just building on the comments about certainty of forward orders—so ensuring that the government are actually looking holistically at how they can support local industry with orders actually coming through.

**Ms Andrews:** We are 100 per cent supportive of the policy. As I said before, we need to ensure that all our policies with regard to procurement are delivering on their intent. I do not think some current ones are. In fact, a number of industry associations—including myself, Master Builders, CCIQ, infrastructure Queensland and civil contractors—wrote to the Premier about our concerns with the best practice principles, the minimum conditions and ethical standards. We would like to see some reporting on what they have actually achieved and whether they have achieved their intent before that gets rolled out more broadly. It is the same with the 25 per cent for SMEs. For all SMEs, regardless of the sector, we would like to see, when that does come in, really transparent reporting to see that it is actually achieving the intent of the policy. We have concerns about that.

I have said in a few forums that grants are okay—no-one is going to turn down a grant—but contracts are better. A business, particularly a small business, can take that to the bank; it gives them certainty. We really need to ensure that we are delivering on the intent of those policies to support all businesses, particularly manufacturers in Queensland, and broaden that to not just the government; it needs to be going through the head supplier and down through the supply chain of contracts.

**Ms RICHARDS:** Both submissions have touched on issues around manufacturing that probably well preceded COVID in terms of policy, and the intent of this inquiry is to look at the government's economic response directly as it relates to COVID. I was wondering if you could both touch on the feedback you have had within your industry on the government's Buy Local campaign, the QRIDA loans scheme, the small business adaptation grants and the take-up that has occurred in that space?

**Mrs Chalmers:** To answer that question, I would like to echo what Rebecca was saying earlier around the borders. I guess the biggest challenge with regard to both the COVID response and the COVID recovery was that we engaged our manufacturers to pivot to support the state, and there have been challenges with getting that over the line, to actually get orders to purchase those products that they have been called up to do. There has been significant uptake of the small business and support loans from the manufacturers that I talk to. That does help with bridging the gap to get through, but it is really a small drop in a very large pond.

The core of this and why we are supportive of policy change is that in order for manufacturers to survive and thrive they need long-term order security; orders are their oxygen. In the absence of that, it is challenging to look at how they will be supported into the future. With supply chains cut off and challenges on a global level, that security of future orders is questionable. The government can play a very strong part in providing that order security through local procurement and supporting our local manufacturers.

**Ms Andrews:** Not a lot of our membership have taken those up, particularly the small business adaptation grants. The support that has impacted them the most is no doubt JobKeeper; that has kept people going. Most of our members then also looked at the payroll tax deferral. They are the things that they have taken up the most rather than the QRIDA and the Buy Local—

**Ms RICHARDS:** Buy Local was a campaign to support more Queenslanders buying local and supporting local industry, which includes manufacturing.

**Ms Andrews:** I know.

**Ms RICHARDS:** Manufacturing has such a broad remit, as we all know, across sectors. Could you talk a little bit about the impact and its variants, whether that be food manufacturing or renewable energy manufacturing? Are there any beacons of light that you see shining through any of those particular sectors as we journey through COVID?

**Ms Andrews:** There are winners and losers. One of our members makes toilet paper. Hello! They are laughing. Food manufacturing is definitely an area of growth—pharmaceuticals and chemicals—in Queensland. We have some amazingly smart manufacturers here that we do not even know about, such as people who are making rockets. You talk about the Buy Local campaign. I had an event with Leanne Kemp. We had 25 women on the phone and one of them was the CEO of Rid. I asked people on the phone to put up their hand if they knew that Rid was made in Queensland, and not one person knew that that is a Queensland product. It is made here and they are competing globally. On the Buy Local campaign, we have a long way to go. Part of that is that the manufacturers themselves need to be proud of what they do.

I am amazed. I have been in Ai Group for nearly a year and I have been amazed to learn about some of the manufacturers we have and the amazing things we do. I think there are some real growth possibilities, but let us not also forget our traditional manufacturers—and traditional does not mean old, stale and behind the times. We have wonderful manufacturers that are innovating and using robotics and we really need to showcase them. We put up Watkins Steel all the time as a bit of a poster child. They say they are not in the steel business anymore; they are an innovation company using virtual reality and all these things to be global leaders in that field. We have some wonderful opportunities.

**Ms RICHARDS:** We have certainly seen this out in the Redlands—some shining lights. You talk about awareness and not actually knowing what is happening in our own backyard. I have been particularly proud that there has been a reasonable take-up of the small business adaptation grants in my patch by some of the smaller manufacturers. It has been an absolute delight to speak with them and understand what their businesses are doing and showcase them and look at the ways we can support them going forward.

**CHAIR:** I have a question for either or both of you. A lot of manufacturers rely on supply chains that are now global in nature. Are there companies that are having problems completing their component of that manufacturing because of issues with global supply chains, and can the government aid in that process? Are there ways to coordinate local suppliers that can perhaps fill in some of those gaps in the supply chain?

**Mrs Chalmers:** I think at the beginning of this—that brings us back to March—I would answer yes, that was a challenge. Generally speaking—and Bec might have a bit more insight into this too—from our manufacturing group, the people really are struggling to get the items they need at this stage. Most of Asia is back up and running. There are some challenges getting out of the US with longer lead times, but generally the lead times are associated with transport challenges and not the manufacturing challenges. Bec, do you have further comment on that?

**Ms Andrews:** Initially, yes, around March when the world kind of just went into shock most of our people who were reliant on imports were at about three or four weeks, but they factored that into their business models. Like I said, in May when JobKeeper came in, that helped them and then they were concerned in September that they were going to fall off a cliff. They factored that in. A lot of businesses then worked two shifts to try to slow things down a little bit, if that makes sense, and space out their workforce. Brisbane Airport and freight companies did a very good job as well in being proactive in that space. I know we did a fair bit of work with the Brisbane Airport Corporation and helped them promote when flights were there, what was coming in and different things.

Further to your point about what happens now, I think there is this sense of, ‘Okay we have gotten over that.' We now have to look where we may have been exposed and ask: is there an opportunity for us to do something? I said we have companies actively looking at growing to bring some of that back here if the opportunity was right. Initially it was, but it is not so much a concern anymore.

**Mr WATTS:** This question is in relation to both the supply chain and the distribution chain. Obviously air freight has been altered immeasurably around the world, and we are fortunate in Toowoomba that we actually have a couple more freighters going out of the Wagner airport. Can you tell us how that has affected local manufacture and distribution? Obviously air freight costs to overseas have gone up; would that be correct?

**Ms Andrews:** Yes.

**Mr WATTS:** That is a disadvantage. How is that impacting supply into the country in terms of the consistent and regular flow without the under-passenger freight coming in?

**Mr Parker:** In our experience there was a lot of focus on inbound component shortages and delays. There was actually an equivalent outbound issue, getting exports out of the country. We experienced incredible delays getting freight from Australia to the US and Mexico. That had an immediate revenue impact for our business. I was very pleased to see the federal government step in to help food manufacturing with exports, but there was a lot of other freight out of Australia, out of Queensland particularly, that was very problematic. It is returning to normal now and I think we have seen prices returning back to pre-COVID days as well. There was probably a little bit of (inaudible) outbound logistics and supply chain problems which I would encourage the government to be conscious of going forward.

**Ms Andrews:** I agree, early on, particularly in March, there were a number of problems, both inbound and outbound. There were also challenges for pricing. As products ran low the prices—I heard from one electrical company that something that normally costs 50 cents had all of a sudden gone up to $15. There was a bit of a naughtiness there, too. Both the state government and the federal government really became quite active in that space and were quite helpful in addressing freight, whether it be flights or shipping and how we could still keep the supply going. It definitely slowed and pricing was a problem, but it has settled down a fair bit now. We have not seen that being raised as an issue as it was in March and April.

**CHAIR:** There being no further questions, I want to thank you all for participating today. I also thank you for the submissions. If issues arise—and we have just spoken about the changing nature of supply chains—that are important to this committee, do not hesitate to put in an additional submission. We had a date to encourage people to get things in, but that is not by any means the end of the process if there is important and updated information.

I would like to thank our Hansard reporters and the parliamentary broadcast team today for their assistance. A transcript of these proceedings will be available on the committee's parliamentary webpage in due course. I now declare this public hearing closed.

**The committee adjourned at 12.26 pm.**