



ECONOMICS AND GOVERNANCE COMMITTEE

Members present:

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

FRIDAY, 17 JULY 2020

Brisbane

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The committee met at 9.51 am.

CHAIR: I declare this public hearing open. Today's proceedings are being conducted using videoconference facilities. I ask all participants and anyone watching the broadcast live to please bear with us if we encounter any technical difficulties. I begin today's proceedings by acknowledging the traditional owners of the land on which we participate today and pay my respects to elders past and present. My name is Linus Power, the member for Logan and chair of the committee. The other members are Ray Stevens MP, member for Mermaid Beach and deputy chair; Lance McCallum MP, the member for Bundamba; Trevor Watts MP, the member for Toowoomba North; and Don Brown MP, the member for Capalaba, who today is standing in for this part of the hearing for Kim Richards MP, the member for Redlands, who is currently serving on another committee. Kim will join us later this morning. We also hope to be joined by Sam O'Connor, the member for Bonney, who has been called away but will join us via teleconference.

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 being recorded and broadcast live on the parliament's website. If any participants are not using their mobile phones for connecting via videoconference, please switch off mobile phones or set them to silent. If we can, please place microphones on mute unless speaking to prevent audio interference and background noise.

de CHASTEL, Mr Brett, President, Local Government Managers Australia Queensland (via videoconference)

CHAIR: Good morning. We usually ask for people on videoconference to identify themselves, but you are the only participant so my guide is only for the other participants, the MPs, to please introduce themselves when they ask a question. I now invite you to make an opening statement, after which the committee members definitely have some questions for you.

Mr de Chastel: Thank you very much. It is a pleasure to be here today. For those who are not aware, LGMA Queensland is the professional association for primarily CEOs and senior staff across Queensland. We have about 500 members. What we try to do when we provide submissions is deal with practical issues—not policy or political issues. We hope our submission on this matter is helpful to the committee. Perhaps a quick overview if I can and then happy to take questions.

Overall, our perspective on where the government has gone in terms of how it has implemented various responses to the unprecedented crisis we have faced over the past couple of months has been very good. Obviously everything is not perfect. It cannot be. It was such a crazy time, particularly in the early days when things were happening very quickly. On the positive side, certainly we want to provide credit to the Department of Local Government and the minister, the director-general and its staff who liaised very closely with councils and senior staff in looking to develop packages that would support local business and support local communities. The communication was very frequent, timely and very open as well, so that was good.

The second positive to provide feedback on is the COVID Works for Queensland package. I have been in local government probably for 30 years now and this Works for Queensland way of getting money onto the ground is probably one of the best grant programs I have seen in that time. Similarly, the follow-up Unite and Recover program for South-East Queensland councils, similarly structured, was very good. The reason why we think these packages work in practice is that they do a couple of things which are different to most grant projects.

Firstly, they enable councils to deal with renewal projects—not just new, shiny projects. Getting renewals helps in the long-term asset management for the state and makes sure that the existing assets are still able to be used by the community. The second is that they are primarily encouraged to focus on small projects. What we see are projects being able to get onto the ground very quickly. That is supporting, particularly in some of the regional areas, the local plumbers, electricians, builders and so on rather than the major contractors. It gets money really to the coalface very quickly and it

has been very successful. Having shovel-ready projects ready has been a challenge for a lot of councils to get them out the door. I am sure the delivery and the time frames will be a bit of a challenge as well. The way in which the government has responded through that package has been very good.

The next one is the ability for the state and councils to work together to get support for local business and economies at that local level. We have seen a lot of things happening at the local level which has really complemented what the state has been doing as well. A lot of councils are putting in fee waivers, whether it is for footpath dining or various fees that local businesses are doing. We have seen councils funding and providing business mentor support, having retired business people mentor businesses that are in trouble. We have seen councils providing support to help local business prepare business continuity plans, which has been a positive thing. We have seen councils have environmental health officers on the ground helping restaurants and other facilities with their education and compliance in terms of reopening, which has been a positive.

We have seen councils work often with local state members to have business roundtables where local business associations are working with the council to help with the flow of information coming out from the state and the Commonwealth to work out what it means at that local level. It is almost like a translation service to see what happens on the ground. We have to commend the state for—I forget the name of the exact program—the landlord-tenant dispute resolution process that has been very well received as well.

Overall, in terms of the state response in those crazy times that we have been through in the last couple of months, it has been good and strong. Any suggestions to make in terms of improvements must be seen in that context. It is an 80-20 or 90-10-type arrangement. There are some areas where we could do better, but they need to be seen in context to the overall.

In terms of areas where I think from our perspective in a practical sense things could still be a little bit better, particularly around communications and some of the messaging that has been coming out, that has definitely got better over the last two or three months compared to where it was back in March-April. Obviously there was a lot of duplication and information overload coming to various businesses and local communities. Sometimes it was a bit late or the councils would find out about a program at the same time as the business community. We were getting queries to our economic development departments and so on at the same time as we were reading about it in the press.

The other thing that we might unpack a bit further through questions is this: when I have spoken to other CEOs across the state, there are in fact three parts to Queensland that have been going through this process yet the communication was a bit generic. The three parts are really about the urban areas of South-East Queensland, Cairns and other areas that had quite a few cases; we have the outback areas that were also in lockdown but were not dealing with the same types of issues; and, of course, the Indigenous communities, particularly of Cape York but other communities, as well. There were three different target areas, but they were all getting similar messages. We need to look at tailoring that.

The second area that I think the state could have a look at is around the costs of dealing with the disaster management aspect of this. Normally in what I would call natural disasters we have local disaster management groups. Most councils have been working with state health authorities through the LDMG processes. The cost of that has not been able to be recovered because it has not been declared a natural disaster. Councils are putting a lot of resources and effort into that LDMG process, which means other things are suffering or are not able to be backfilled.

The third thing is maybe more about looking forward and is how we plan for the next wave of stimulus and what that will look like. I can expand on that perhaps through some questions. The early response in terms of COVID Works for Queensland will certainly hit the right places, such as small local contractors to keep them going. We need to think about what comes next or how that will keep going and what that pipeline looks like. We have touched on that in our submission a little. It is about the need to get ready more shovel-ready projects. Maybe the next wave of funding might be focused on developing or maturing some of that infrastructure pipeline so it is ready for what comes further down the track, because all of the shovel-ready projects have probably already been pushed through and there may not be anything ready after it.

Chair, I could rabbit on for a while if you want, but perhaps the best thing would be to take some questions. I am happy to expand on anything that I have already spoken about, anything in the submission or, indeed, what we are seeing at the grassroots level of local government in terms of that response.

CHAIR: Thank you very much. That is a great overview of your submission.

Mr STEVENS: Brett, thank you for appearing today. I notice in your submission that you are calling for JobKeeper payments to apply to councils. It is your taxpayer money and my taxpayer money that is going towards the JobKeeper payments, which is obviously a great stimulus package supported by the federal government. However, you would be aware that state government employees are not receiving any JobKeeper payments, mainly because the state has the capacity to collect taxes to support its staff. Obviously councils have the capacity to levy taxes through their rates to support staff. Can you identify what redundancies have occurred that you believe should attract JobKeeper support and why the council itself does not invest in protecting its staff through its own payments to support them in this difficult COVID time?

Mr de Chastel: That is a good question. Our submission probably could have a bit more detail in it. We were looking at the JobKeeper element applying where councils are effectively running a business-type operation. I can give you some examples. It might be about aquatic centres, indoor leisure centres or indoor sports centres. Some councils run entertainment centre type things and caravan parks. Where there is a business element and the revenue has disappeared that would have supported the staff in that area, that is the area that I think the JobKeeper type element should apply to and not to what I call general staff, which are funded out of the general rates that comes through the rates notices. That is where the area should be focused.

What most councils have done in practice, from when I have spoken to other CEOs, is that they have kept the staff on in areas where the revenue has collapsed. I can give you an example from my own council. There was approximately just under half a million dollars a month in lost revenue from those types of things—caravan parks, aquatic centres and so on. We have kept staff engaged and put them into other services, whether it is working in the parks and gardens or whatever, until we can reopen the others. That has had a general impact on the financial health of most councils, which means that in the future we are going to have to look at cutting other services. That is the question in terms of whether a JobKeeper type arrangement should apply just to what I call the commercial or quasi-commercial business operations of the council. We are not talking about the general operations of the council. I hope that answered your question.

Mr STEVENS: Yes. I have a follow-up question. You mentioned swimming pools, tourism operations and other matters that are quasi-business operations, as councils call them. They are nearly all monopolistic situations that the council supports, so obviously are not in the business world. If you are running a swimming pool, you are making some money that supports your bottom line in terms of the rates that you charge to your residents. What I find difficult is that it is not really a competitive business situation. COVID has affected normal business operators who compete in the market, which is where the federal government has put its package for employees in most of the private sectors. Again, I go back to the fact that both state governments and councils have the capacity, through the taxation dollar, to support their revenue. That is the difficulty that I have in your group calling for JobKeeper payments for what is basically a council responsibility.

Mr de Chastel: You are correct that they are not necessarily competitive in the sense that they are competing against the private sector, but they still had the same loss of revenue that the private sector businesses had. That is the issue.

Mr STEVENS: Which supports your rate value. If your revenue goes down, obviously you have to put up your rates to cover that loss of income.

Mr de Chastel: That is correct. The challenge that all councils then have, of course, is that now is not the time to be putting up rates because local business and community cannot afford it.

Mr STEVENS: It is never a good time to put up rates.

Mr de Chastel: It is a bit of a mixture across the state about how councils have dealt with that. Some have had a zero per cent rate increase and are taking short-term losses or deficits to deal with that, digging into their reserves. Others have had to put up rates because they did not have those reserves to deal with it. It is a mixture.

CHAIR: We recognise that councils do not have a large macro effect on reducing taxation rates, but they are doing what they can and certainly are not increasing. If you have a swimming pool run by an outside contractor, that contractor would be receiving JobKeeper whether it was the only pool in town or it competes with other pools. Where council runs the pool itself, they are treated very differently and do not get any support from the federal government. I think that is the part of the point that you were trying to raise about the difference in treatment with JobKeeper.

Mr de Chastel: Yes. We were focused on what I call the loss of revenue regardless of the ownership structure. It is the nature of that loss of revenue that then led to potential job losses and the ability to keep the staff employed.

CHAIR: The operator of a caravan park such as the Boonah caravan park run by the Scenic Rim council, which I recently stayed at, would not get JobKeeper, but the operator of a commercial park further down the road would get JobKeeper.

Mr de Chastel: Yes, that is potentially the case. As I said, we focus on the element of the loss of revenue in a commercial business or a quasi-commercial business. That is what we think probably should have triggered that. We realise that is not a state government decision; it is a federal government decision. However, we probably identified that there is an inconsistency there in terms of how it has been applied.

CHAIR: The committee is very supportive of the JobKeeper program, but that does not mean that we do not highlight where there are things on the edge that do not work. We are also wary about its withdrawal.

Mr de Chastel: It has been a terrific program across the shire and across Queensland. There is no doubt about that.

CHAIR: I think everyone on the committee would agree that it was an important part of our recovery.

Mr McCALLUM: My question is in relation to the Works for Queensland program. Thank you for your comments on that program and your written submission. Could you elaborate on how that program and the funding that has come through in the two tranches have helped stimulate employment in local government areas, with particular reference to procurement to drive local jobs?

Mr de Chastel: As I said, the Works for Queensland program has been around for a couple of years now and, obviously, there is an extra round due to the COVID element. It has been one of the most well regarded grants programs that I have seen in recent years that has impacted on local government. As I said in my opening remarks, one of the things that I think is particularly good about it is that it does not require or emphasise what I call the shiny new piece of infrastructure that people get to open. It actually gets to the heart of what asset management is about, which is looking after your existing assets before you start thinking about something new.

The second thing that is exceptional about the program is that it tends to focus on smaller projects, rather than on one large project. Often you will get a grant program for, say, \$2 million and you try to deliver one project with that. I know in my own council's case, we have a \$2 million grant and we will have about 42 projects across that. That tends to get through the procurement process a lot quicker. You get smaller contractors who are on panel arrangements or local panel suppliers as opposed to having to go through a full tender process, which takes a while to get through that procurement. It can take several months. The other thing is that the larger contractors, particularly in regional and rural areas, tend to come from out of town, whereas the smaller project or the smaller contract tends to be done more locally, gets through the process quicker and, as I said before, gets to the local electrician, plumber, builder or whatever it might be, rather than a major contractor coming in from out of town. It is really well targeted.

Mr WATTS: I am interested in some of the concerns about the coordination between health, local disaster management and local issues, particularly with reference to decisions being Brisbane based. I come from Toowoomba. We have had just under 100 days clear of COVID, but we face the same restrictions as other areas that have had much more recent cases. Could you talk to the point about some of the coordination, some of the regional issues and how people have had difficulties in dealing with and interpreting some of the instructions in their local environments?

Mr de Chastel: It is a good question. As I said in my opening remarks, from speaking with other CEOs across the state, Queensland is almost in three different zones. You have the urban area of Brisbane, the Gold Coast, the Sunshine Coast and so on, which have had cases and had to deal with those. You have the outback or regional and rural areas where there have been lockdowns, but not necessarily any cases in some of those areas. Then you have the Indigenous communities and Cape York. I think some of the messaging has been quite generic. I can give one example with Queensland reopening and the cape area. I had the CEO of Cook talk to me about this. The cape was not opened at the time, but the messaging was saying that Queensland was open.

Further, a lot of the decisions have been made with an assumption about the capacity of different scale councils to be able to support the state in what they are doing. I will use environmental health officers as a good example. There were some directions or indications of what role councils would have in supporting local business. One of the early indications was that local council environmental health officers should get out on the ground and give some support to local businesses about what they need to do to open the doors again, how they can get signage for social distancing,

what their capacity is, how they deal with food handling or whatever it might be. When that direction or that indication was coming out, again I use the Cook Shire as an example where there is one environmental health officer to cover the entire cape. They simply do not have that capacity.

The ability to target the messaging into different areas or to scale it appropriately—and it is a big challenge as to how you do that and I do not necessarily have an answer. I think the communication has been vastly improved as we have gone through this process and it has become more streamlined. Perhaps the next way to take the messaging is to go from broader messaging to more targeted messaging in each part of the state that has different issues.

Mr WATTS: To follow up on that, there are some capacity issues in comparison to sites and there are also some regional issues in terms of what the messaging should be. Am I right that potentially you can break Queensland down and have more than one message, as well as then recognising capacity shortfalls in some regional, remote and provisional areas?

Mr de Chastel: That is exactly right. If I can use a colloquialism, one size does not fit all in terms of having to get the message across and how we respond. The challenges in Mount Isa are very different to those at Noosa, which are very different from the Cook Shire or one of the Indigenous shires. They are different challenges and they have to address them differently. I think that the way in which the messaging is put onto the ground needs to be different. That is one of the benefits—if I come back to the previous question—about Works for Queensland. One of the great things about that particular project is that it allows that local response to identify which projects should be put in place to get the biggest bang for your buck. One size does not fit all is one of the ways going forward.

Mr BROWN: Thank you for your time this morning. It is great to hear up in the Torres Strait that you have been able to spread your Works for Queensland over 42 projects. The experience I am having with South-East Queensland, and particularly my council of Redlands, is they are new to this program and the \$5 million out of the two rounds that have gone out thus far has only gone into four projects. Is there a gap in knowledge or a gap in experience between the South-East Queensland councils and the regional councils that have been on this program for years? The feedback I have been getting is that there are not that many shovel-ready projects for South-East Queensland councils to go on with. Is there any advice you can give us about how we can re-design that? Down here they have gone more for the big, shiny projects and less for the sewerage and other maintenance projects.

Mr de Chastel: Just to clarify, the 42 projects I referred to before comes from my own shire which is Noosa. I know that a lot of other councils take a similar approach, particularly out west, to try to get smaller projects that get that local contractor going. The point you raise though about shovel-ready I think is a very valid one. We have mentioned in our submission that where councils did have shovel-ready projects, and most councils do, that cupboard is probably bare now. They have been pushing them out the door.

I think that if you are looking for future grant programs that will then stimulate into the medium term, then a program like the Maturing the Infrastructure Pipeline Program which was around a few years ago, something like that would be useful now to get the next batch of good shovel-ready projects ready. Otherwise, what will happen is if future injections of state government or even Commonwealth government funding comes out those projects will not be ready or if they are put together they will be put together hastily and not be of a good quality. So starting to think to the next wave, if you like, or the next range of what funding will come out, I think, an investment in getting more shovel-ready projects ready, would be a good idea.

Mr BROWN: In the lead-up to the federal election there were federal road funding grants that were fifty-fifty with councils. They were quite a big amount of money for those councils to get up to that 50 per cent. Do you think there is scope for expanding it to those types of road projects to help the council to get to that 50 per cent so they can also get the 50 per cent federal funding for those local government road projects?

Mr de Chastel: Absolutely. The more you can leverage funding to bring in funding from the higher level of government—the feds—the better. There is no doubt about that whatsoever. When I talk to my councillors I always say if we can invest \$1, get the state to invest \$1 dollar and get the federal government to invest \$1, all of a sudden you have \$3 for \$1. There is no doubt about that.

Mr BROWN: They seem to be more shovel-ready as well, those road projects.

Mr de Chastel: Not in every council. I think that some councils have had shovel-ready projects ready to go but, as I said, I am seeing that the cupboard is starting to become bare in that regard and we need to get the next package put together and I think that is where that investment needs to be.

CHAIR: In those councils where they have done a bigger project, those bigger projects were not invented overnight and were often part of a pipeline and expected to be budgeted for by the council. I know that council budgets are under pressure, but that has obviously freed up the council budget. Should they then be immediately transferring some of that funding to planning and progressing to shovel-ready status projects for perhaps a next round of bidding, either federal or state?

Mr de Chastel: I think that is what councils will start looking at in the next six months. What has happened in practice is that most councils have a capital works program and will be delivering year 1, planning for year 2 and 3 and so on. What they have done in a lot of these projects is to bring forward years 2 and 3 and, you are right, that that will free up capacity in future years.

CHAIR: To be a little critical, we are in July and we have had COVID and possibly councils could anticipate that there might be some stimulus and councils are a good way to deliver it, but you are already saying that they have exhausted in some cases their shovel-ready projects when they have really had six months to anticipate that perhaps there was an ability to apply for funding.

Mr de Chastel: I think my comments in relation to exhausting projects are probably focused more on the smaller end of the scale councils, the smaller councils that do not have that longer pipeline. What most councils I think will be doing over the next six months is going, 'Okay, we have got a forward capital works program. Let us have a look at what is coming up and we will need to bring forward that planning and start to work out what is coming next.' I know in my own council's case we have put a lot of shovel-ready projects out there. Now we need to say, 'What is coming next? How do we get them ready in probably the next six months.'

Mr WATTS: I have a very quick follow-up on that. Just to clarify, are you saying that smaller councils who maybe do not have as many projects shovel-ready potentially are at a disadvantage because they cannot apply for the funding so again the funding becomes centric on the bigger councils and their capacity to have shovel-ready projects?

Mr de Chastel: What we see is that there are two types of funding programs that are coming out. One is an allocated model and the other one is a competitive model. The allocated model is where every player wins a prize—you get \$1 million or whatever it might be on a population basis. That is where a lot of the shovel-ready projects have been pushed to. On the competitive side, when there are competitive funding allocations the larger councils tend to do better because they have done more work on the forward pipeline than the smaller ones. They have more resources to do it so you tend to get that result: that sometimes the funding can be a bit more skewed to the medium and larger councils compared to the smaller ones.

Mr STEVENS: Your submission commends the additional Works for Queensland and other funding that has been provided, particularly to South-East Queensland councils. You also mention that there were missed opportunities to align state infrastructure funding with that received for larger, federally funded projects. Can you elaborate on those matters in terms of which state funding was missed, et cetera?

Mr de Chastel: Yes, sure. I guess this comes back to the question before about the ability to leverage with other levels of funding. Particularly if I look at some of the federal funding that is around, the Building Better Regions Fund and things like that, sometimes it is a timing question. If you can get funding lined up from a state program, and, sorry, member, I cannot give you one off the top of my head, but if there was a state program going around that you had a capacity to get \$1 million from and then apply for \$2 million from the Building Better Regions Fund, which is a Commonwealth model, and then you put in \$1 million of your own, all of a sudden you have a larger project. It is the timing as much as anything in terms of how those programs line up.

CHAIR: Part of our remit is to look at the federal response as well. There has been a general down trend in the federal assistance grants to councils and to some extent Works for Queensland has let the federal government off the hook, but is this the time for the federal government to possibly step up in federal funding directly—with the workaround on the constitution—to councils because they are on the ground and ready to deliver projects that will have local stimulus and local effect?

Mr de Chastel: I am incredibly biased. I think the answer to that of course is yes that would be wonderful.

CHAIR: It was a bit of a free kick question, but I do think that there is a role in getting some of that funding to those who can spend it effectively and well in the local area.

Mr de Chastel: That is what councils do do well. We can get it onto the ground quickly. I think both the state, and to some extent the federal with one of their allocations, have recognised that.

CHAIR: When we deal with other types of disasters and emergencies we often rely heavily on the local government because they have such connections to local communities. In the same way, in this economic recovery from disaster local councils have that connection to local need and the ability to be able to allocate stimulus or other funding directly to help their communities.

Mr de Chastel: That is right. One of the reasons we get it out quickly is we already have procurement panels in place for small suppliers and things like that so as soon as we push the button it gets out the door quickly rather than having to start again.

CHAIR: Has there been a downturn in federal assistance to the councils over the last few years?

Mr de Chastel: Certainly the Financial Assistance Grants, better known as the FAGs, indexing was frozen for a few years, that was going back in real terms, and while there are some good programs out there—the federal government has a bridges program which is well received, which is fifty-fifty funding, that is very good, and obviously Roads to Recovery and some of those other well-known ones and the Building Better Regions, the general support for what I call asset renewal rather than just building a new shiny thing—that focus is not there as much.

CHAIR: I think that bridges program is excellent. Member for Bundamba, did you have a question?

Mr McCALLUM: Thank you, Chair. Really it is just a bit of a follow-up to the discussion you were just having with respect to federal assistance packages. In terms of getting around some of the difficulties presented at a constitutional level with the federal government directly funding local governments, one way that the federal government can help LGAs is through direct funding to people who live in local government areas through programs such as JobKeeper, and we have had a bit of discussion in relation to that. This is a bit of a two-pronged question: are you concerned about an abrupt ending to JobKeeper in terms of how that might have an effect on local governments; and would you like to see that program extended in some way, shape or form?

Mr de Chastel: Unfortunately it will not have a direct effect on local governments because we are not eligible, but that is another question. The more interesting question is: what impact will it have on the local business communities and how that will operate? I do not have a handle on that at a state level. That is more of a broader economic question.

I can probably only give you a bit of direct feedback from my own shire experience here at Noosa where we are a tourism town and have a very large proportion of our working people on JobKeeper. We have a population of 55,000, our job numbers are around 27,000 people working here but about 4,500 are currently on JobKeeper. There is a large proportion based on the nature of the industry. Yes, there is no doubt that what will happen after the end of that will be something everyone will have to watch, but I am not going to make any sort of political comment in terms of where that should go. That will be up to the federal government.

CHAIR: That might be up to us. Thank you, Mr de Chastel. Certainly the backdrop makes us all want to go to Noosa and to contribute to an economy that has so much to offer in terms of tourism. Queensland of course is good to go, especially to Noosa. Thank you for providing that advertisement. Thank you for your contribution here today. I note that we are tabling the Torres Strait Islander contribution to this discussion. I note that there were no further questions taken on notice.

ARNOLD, Mr David, Chief Executive Officer, Central Western Queensland Remote Area Planning and Development Board (via videoconference)

PORTER, Ms Kylie, Chief Executive Officer, Greater Whitsunday Alliance (via videoconference)

STOVIN, Ms Anne, Committee Member, Greater Southern Gold Coast Chamber of Commerce (via videoconference)

CHAIR: Good morning. As I previously mentioned, for the benefit of Hansard reporters and even the members of the public watching proceedings online, it would be appreciated if you could please identify yourself by name when speaking, particularly when speaking for the first time or speaking other than in response to a direct question. If we put it open to the panel, please identify yourself to benefit Hansard. The committee members will also be endeavouring to ensure that they clearly identify themselves when asking questions, though I tend to help with that. I now invite you each in turn to make some brief opening comments, after which committee members will have some questions for you. We might begin with Mr Arnold to give an opening statement.

Mr Arnold: Thank you, chair. I welcome the opportunity to appear before this committee. For the background of the committee, RAPAD is the peak regional economic development body for the region and the lead advocate for the seven member councils of Central West Queensland, being Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton—the true outback of Queensland. More than 10,000 Queenslanders live in this area and it covers an area of about 396,000 square kilometres, almost twice the land area of Victoria. To date, our region remains COVID-free, for which we are very thankful whilst it has ravaged a whole range of other areas and now Victoria. We are thankful for that and are determined to work as a community with the state to maintain that record. We would like to thank the government for its efforts so far. We are well aware that these COVID impacts are not just to the RAPAD region.

We also know that the RAPAD region has a distinct role to play in Queensland's COVID-19 recovery. The plan I provided to the committee and to the government does require investment, but the government and everyone can expect a return on that investment. As we said in our submission, the Regional Australia Institute modelling has projected that the RAPAD region has the potential to deliver an annual output of \$1.5 billion in gross value added by 2031, the equivalent of almost \$150,000 for every man, woman and child currently living in the RAPAD region. I would be happy to provide the committee with more of that modelling.

We believe that the residents, businesses and councils can deliver on the Queensland government's Queensland economic recovery strategy's three objectives—building vital infrastructure, strengthening Queensland's industries—that is the traditional agriculture, tourism and resources and emerging, especially in the renewables area—and enabling future growth through skills, training and education, innovation and research, the competitive regulatory environment, trade and investment. Again, I am happy to provide more details on this.

I am pleased to say that our belief in the role of the RAPAD area in Queensland's response for longer term is recovery is shared by the Queensland government and opposition. There has been a great response by the government. I believe I am speaking on behalf of all my mayors. The Queensland government has acted very well in this COVID response, but going forward we are an area that has been ravaged by drought for seven years. This COVID-19 impact is just another chink in our armour, but I believe the initiatives we have put up and working in conjunction with the government will help us deliver for our region and also for all of Queensland.

CHAIR: Thank you, David. We note your submission as well. We might now turn to Ms Porter. Would you like to give us a brief introduction?

Ms Porter: Yes, good morning. I am chief executive officer of the Greater Whitsunday Alliance, or GW3 as we are more commonly known. GW3 represents the Mackay, Isaac and Whitsunday region. David, I defer to you in terms of winning the prize for the size of region. I represent a region today of only 90,000 square kilometres. Our population is probably a little more than your region with about 170,000 people across our region. I thank the committee for providing us with the opportunity to present some feedback into the Queensland government's economic response to COVID-19.

As a region, our three local government areas have responded incredibly well to COVID-19. We have very limited numbers of coronavirus across our region and no examples of community transmission. However, that does not mean that the economic impacts have not been incredibly hard felt, particularly for our Whitsunday region. We probably have what we would widely refer to as almost Brisbane

a two-speed economy across our region at the moment. Mackay and Isaac are performing relatively strongly and the employment numbers are certainly holding the line; however, Whitsunday is economically completely on its knees at the moment, which is not surprising.

As I am sure you all are aware, we are all Queenslanders. We tend to know exactly who we are in our backyard, but this region contributes some \$22 billion annually in GRP. We are a high employment, high-growth region and we look forward to being able to maintain that trajectory beyond COVID-19. Our region moving forward from COVID-19 is seeking some investment in vital infrastructure, job-creating and future focused projects. We want to continue to be the engine room of the Queensland economy. We need continual investment to make sure that we are well positioned beyond this crisis. I will leave it at that. I am sure we have plenty of time for questions.

CHAIR: Thank you. I now turn to Ms Stovin.

Ms Stovin: Good morning. I am a committee member of the Greater Southern Gold Coast Chamber of Commerce. I am also the CEO of the Currumbin RSL Group, which operates a club in Currumbin, and of a number of other businesses. The submission put forward relates to the Greater Southern Gold Coast chamber which represents about 107 members, made up of small, medium and large businesses. In terms of the larger businesses, we have within our catchment the Gold Coast Airport, Southern Cross University, Currumbin Wildlife Sanctuary, John Flynn Hospital, the Pines Shopping Centre and the Newman Group, but we also have a quite wide and diverse range of other businesses that we represent.

What is unique about us is the fact that we straddle the border and that COVID has had a fairly significant impact upon us because of the border closure. Many residents between Tweed and the southern Gold Coast under normal circumstances move freely between the two areas. We attend appointments on both sides of the borders, we socialise on both sides of the borders, and about 30 per cent of the workforce come over the border, including myself, every day to come to work.

For business, the challenge that we have had has been how that has impacted our trade, particularly at the moment with the long delays on the border, the movement between the two and the level of frustration that causes but, probably more importantly, the impact that has on business and the challenges that that represents. While we fully understand why the borders were closed and appreciate the fact that Queensland's COVID response has been fantastic in terms of the limited numbers, there is an ongoing impact as a border region day by day. It takes me at least an extra half an hour to get to work on top of my normal commute. Frustrations are boiling over because of that, and there is the impact on business that comes with that as well.

CHAIR: That is fantastic. Thank you for your brief statements. We also note that we have submissions. For anyone watching online, those submissions are on our committee website on the Queensland parliament webpage. I believe the deputy chair, a proud member from the Gold Coast, has a question.

Mr STEVENS: Yes, I am a very proud member of the Gold Coast and, obviously, my first question because of that will be to Anne. Tourism has suffered greatly, probably the hardest hit industry of all in Queensland from our western areas, up to the Cumberland Islands, Cairns and those sorts of areas. Anne, you have a unique problem on the Gold Coast in that you are divided by state borders which is particularly damaging to your local business. Mayor Tom Tate has come up with a reasonable suggestion to attack this coronavirus and the economic fallout of the problem. It may come back again and there may be more restrictions to be introduced. Would you support a health inspection boundary, not the permanent boundary, in cooperation with Queensland police and northern New South Wales police that is moved, say, seven kilometres south of the Tweed River so that the residents in those conjoint areas can continue their local business even if there are further restrictions placed on the border in the future?

Ms Stovin: Absolutely. I live outside of that seven kilometres south so I still have to cross the border each day. My friends and my parents live within the Tweed area, and that is particularly difficult for them. My parents are in their 70s and their doctor is in Queensland, so they park their car and walk across the border to get to their doctor. Within that catchment, if they could move freely, that would have a significant benefit to businesses. I support that notion 100 per cent. The other suggestion which I think would streamline some of the issues we are having at the moment is that locals within local postcodes are issued a locals pass so we are clearly identified as locals and tourists are identified with a different pass. Police can concentrate their efforts on talking to the tourists about where they have come from and where they have been and locals can move a little freer within the area. Absolutely, we would support that.

Mr STEVENS: From the chamber's perspective, we now have borders open. How has the uncertainty affected the operation of chamber business folk in getting ready for that opening that occurred on 10 July? Have they got up and running quickly, or are people still adjusting to the border opening from New South Wales at least?

Ms Stovin: It is mixed. The speculation around the border was quite confusing as was discussion around stage 2 restrictions possibly coming in earlier. Without knowing, it can be quite problematic because, particularly for our business, it took us some time to wind down. Conversely, it takes some time to wind back up. In talking within the local community, there are some businesses that still find it extremely difficult under the current circumstances. For the most part, we are back up and running and adhering to the guidelines, but in saying that the other challenges we have are that the guidelines across the border are different to ours, so there is a lot of confusion with businesses on both sides of the border.

CHAIR: I have a question about the health border. Earlier on the Queensland government approached the New South Wales government about putting a Queensland workforce in place with the aid of New South Wales police and their statutory authorities to create that health border on the Tweed River and obviously some points further west. Given that New South Wales was totally against any type of border closure—and they have obviously revisited that policy—we have heard that a lot of Tweed residents have complained about Victorians coming up to Tweed caravan parks. Does that create a problem for now implementing the policy? Were you disappointed that it was not put in place earlier by the New South Wales government?

Ms Stovin: Yes, it has been difficult. What you have to understand is that, particularly for the Gold Coast and, I am sure, for the rest of Queensland at this time of year there is that migration north. Traditionally, August is quite a good time of year for us because a lot of people—a lot of the elderly—from Victoria and the colder states come up to the Gold Coast for two to three months. There is that issue of them coming up and staying in the caravan parks.

Should it have happened earlier? I think it is more distinguishing between people; at the moment we are all in together: locals, tourists—everybody. We are distinguished by our numberplates but we are all in the same pool together. Over the last few days the police have been pulling aside all New South Wales residents—and I am sure Victorian as well. It would be easier if they were identified as separate. I do not think it is so much the issue that people are coming here. The fact that we are all in the same pool is probably the bigger challenge that we are experiencing at the moment.

CHAIR: In hindsight would it have been better to follow the Queensland government's and Tom Tate's, the mayor of the Gold Coast, approach to try to set the health border on the Tweed and possibly include Boggabilla within the health border as well? Is it a regret of some on the southern Gold Coast that they did not encourage the border to be put at the Tweed River?

Ms Stovin: Absolutely. For some reason it seems that that has not been a topic of discussion until now when the delays have become even worse than normal. I have only been hearing about this health border in recent times. Yes, it would have been ideal from the get-go to have it on the other side of Banora Point because that is where the most densely populated area is. Absolutely, it would have been better to do that. However, to my knowledge—and I may have missed that—it has only come out in recent days that that is where it should have been set up.

CHAIR: The approach from the Queensland government to the New South Wales government was made right at the beginning, but the New South Wales government and the federal government were ruling out border closures of any sort. That is why we were not able to implement it on the Tweed.

Mr McCALLUM: My question is to the Central Western Queensland RAPAD. Could you expand on the mention in your written submission of the role of manufacturing, particularly renewable manufacturing, in the economic recovery moving forward from this point in the COVID pandemic?

Mr Arnold: It is a matter of public fact that the state has just recently part-funded some feasibility work being led by Professor Ross Garnaut, who I am sure is well known to the committee, in our region. Our region sits atop some of the best renewable—solar—in the world. I have not just plucked that out of the air; it is a fact. Whilst we are getting a small economic hit from these renewables, the establishment of solar generation—it is great; it provides work for a couple of months—does not really do a lot in the long term for the region.

We sit atop this great resource and there are viable examples Australia-wide and worldwide where manufacturing—I do not want to go into it in great deal, but it is a matter of public fact that the state is funding some feasibility work. It is early days. We are just asking in this particular instance—

again, it has to be driven by real, hard data and facts. We would like to see an openness from the government to look at this. We are a long way from anything and we get that large manufacturing will always be located up and down the coast for a range of good reasons. However, sometimes I feel it is a little bit too hard to look out west. I am just asking the government to keep its eye on that.

We are also aware of another feasibility study that has been done. Again, I do not want to disclose anything that is commercial in confidence, but we are moving into an era—and we have seen the whole world rocked by COVID. Supply chains have been rocked worldwide. I will use the fancy word that is going around: pivot. Things are pivoting everywhere and our region is offering some possible viable alternatives in the manufacturing space. All I am asking is that the government be open to that when these reports come in. As I said, COVID has rocked everything.

I spoke to Dr John Abbott, former vice-chancellor of CQU, for example. We are seeing the increase in robotics and automation where cheap labour is not the only defining thing that brings manufacturing to a region. In conjunction with NAIF through the federal government, we are seeking an openness from government to look at a region like ours as equal to regions on the coast.

Mr WATTS: Mr Arnold, in your submission you talk about the closure of the Longreach Pastoral College and calls for the delivery of a new regional centre of excellence for training, education and research. Firstly, could you expand on that a little bit and tell us why the retention and the development of those skills would be important in the region? Also what government support would it take to get that outcome?

Mr Arnold: Again, it is a matter of public fact that the government chose to close the former Longreach Pastoral College. Again, it is a matter of public fact they have funded RAPAD to undertake pre-feasibility work and also a business case. I am not able to disclose the contents of the business case. That will probably be provided to government within the next two weeks. Yesterday I met with the company we are engaging. I really cannot disclose the final facts and figures that we are going to present to government.

We cover a huge region. I agree, there is not a lot of us, but when you consider all of Western Queensland—we work with Western Queensland, north and south-west—we represent about 60 per cent of the state. It is a long way for people to travel to the coast to obtain VET training skills. It formerly was a world-beating establishment, but times move on. We need the opportunity to upskill and train a core of our people close to home in our own region. With a region like ours that starts taking the spokes out of the wheel. Again, we have gone through 20 or 30 years of drought. When you start taking one or two spokes out of the wheel and then take another spoke out of the wheel, eventually the wheel just gives up. Providing growth in a region requires a multifaceted approach. Again, if we look at these new potential industries, there is a demand for skills and training out here. It is not a high level of training; we are not proposing that at all. What we are proposing is training in the skills that our region needs.

I am not sure whether I have really answered your question. I cannot disclose the dollar amount; that will be with government in the next couple of weeks. We are advocating publically very strongly that we believe it would be advantageous for our region and also the state to have a skills and training facility in our region servicing our region but also drawing on the areas of greater Queensland and Australia.

CHAIR: We look forward to that proposal.

Mr WATTS: Very briefly, I look forward to the government publishing your request. I think it would be interesting for all of Queensland to know what it will take to get such an educational facility up and running in the outback.

CHAIR: An excellent rhetorical non-question!

Mr McCALLUM: My question is once again to Central Western Queensland RAPAD and also the Greater Whitsunday Alliance. It is around the state government's Works for Queensland program and the funding that has come out through that, especially relating to the latest special round in relation to providing stimulus in response to COVID. How have your members in terms of local governments found that program, particularly when it comes to providing economic stimulus in your local government areas?

Mr Arnold: Works for Queensland is viewed by my councils—and I believe I am talking on behalf of the southern and northern areas around mine—is very, very well received. We congratulate the current government and we congratulate the government from the past. Every mayor I speak to speaks very highly of it. It is money on the ground in needed infrastructure. I cannot say much more than that. It is a big winner.

Ms Porter: I have to echo David's comments. Equally, the three local government areas in my region are very positive about Works for Queensland and the Accelerated Works packages that have been announced as a part of the COVID-19 response.

Mr STEVENS: As an old Richmond boy, David, I am very aware of your businesses out there. I notice that your submission concentrated quite a large amount on the recovery, what part you would like to play and your plans et cetera. More specifically, I was wondering if you could quantify to a degree to the committee—because we are looking at the economic fallout of the COVID-19 virus—the issues you would have had in tourism and the fall away in those businesses, agriculture in terms of your markets not being reached and perhaps even education in your area? I am not too sure if that has been much of an economic driver. Could you identify—and I take it you take in some resource areas out there as well—the cost that has occurred in your area due to coronavirus?

Mr Arnold: We have never had a solid figure on tourism for the Central-Western Queensland region. There are figures for all of outback Queensland which are, for us, quite grey. We initiated our own research. In the Central West Queensland region we came up with—an external consultancy undertook the research—a value of \$527 million in tourism spend across the seven Central-Western Queensland shires per year. You could consider that our region is largely a two-sector economy—we have agriculture, which is still in drought in at least five of those shires and then we have tourism. I am not dismissing the role of the Public Service—the health, the high schools and that sort of thing. I cannot give you an exact figure, but I can tell you that when our tourism sector is worth \$527 million and we have missed at least half of that spend, it is pretty easy to extrapolate some figures from that.

We are quite fortunate that cattle prices and some commodity prices such as sheep have not been too bad. Cattle is just going through the roof now. Up in the Boulia and the Diamantina region, they received good flood-out rain earlier in the year and they are receiving the benefits of that. We are actually seeing that, despite seven years of drought, ag now is sort of holding us up as a region, which is quite contradictory at the moment after five years of drought. A lot of areas are still as bare as the top of a table.

We now have two small business finance councillors covering the central west as well as the lower north-west. They are getting some great intelligence. So whilst some businesses are actually doing okay, I think it reflects what we are seeing statewide. Everyone is stuck at home so everyone is going to a Bunnings and buying things. A range of our businesses are going okay, but I can tell you that anyone related to the tourism sector—and that is a long, long supply chain down to the tyre operator—is suffering. I cannot give you an exact figure. We have a bit of a contradiction. Some are going okay. Ag is not going too bad. In an area like ours, in small towns like Longreach, Barcaldine or Blackall we only have one main street. If you start taking a business or two out of that it starts looking like your front set of teeth with two or three teeth missing: it is not looking real good. I do not know whether I have answered your question.

Mr STEVENS: Yes, you have, thank you.

Mr Arnold: I can tell you that tourism, in a two-sector economy, has taken a massive hit. I also acknowledge the support of the tourism sector Queensland-wide and for a range of our big four, big five attractions.

Mr STEVENS: Have you noticed that tourists are back in town again after we opened the New South Wales border? Queenslanders through the school holidays have been encouraged with a fairly expensive advertising program to tour Queensland. I have done my bit! I was just wondering if there is a noticeable increase out there since the borders have opened.

CHAIR: The deputy chair and I both went out to Stanthorpe, and we loved getting out with our families to regional Queensland. Have you had the same effect out there in the central west?

Mr Arnold: Yes, certainly. We have seen that good southern influx since the borders opened, so that has been great. It is pretty easy to see it in our western areas. It is visible via the caravans and the caravan parks. Apex Park down at Longreach is filling up, so we have definitely seen it and it has that vibrancy about it. You have to remember—and I am sure the committee knows this—all regions have their fluctuations, but with the intense heat out here the tourism season is sort of April to October. We have lost half of ours now and essentially it will close down, so we have to make the most of it literally in three to four months. But we have definitely seen it, and it is great to see that sort of vibrancy and those dollars coming into the whole region.

CHAIR: That is a reasonable question for the Whitsundays as well. Have you seen an influx of Queenslanders taking advantage of the fact that Queensland was good to go? It is disappointing about Victoria, but are there green shoots from South Australia and New South Wales for the Whitsundays?

Ms Porter: Yes, absolutely. Over the last two weeks over the Queensland school holidays Airlie Beach was busy, and it certainly has continued this week with the continuation of the New South Wales school holidays. I think we need to be really mindful of the numbers that typically travel to the Whitsundays on an annual basis. We are talking about 850,000 visitors; a large proportion of those are international. It is going to take a lot more than the opening of a couple of domestic borders for the Whitsundays to have any sort of resemblance of a return to business. I think it is very important that we not forget about the Whitsundays.

It is a little bit difficult because the Whitsundays are attached to Mackay and Isaac as a part of SA4 statistical data gathering. Sometimes they miss out on being able to communicate the true impacts of what is happening in their region. Three out of five jobs are connected to tourism in the Whitsundays. There is real—and there is going to be—very, very long-term pain in that region and it is going to become a crisis. I am not quite certain if we are focusing anywhere near enough on the Whitsundays as we potentially are on other tourism hotspots such as the Gold Coast and Cairns. I think that we really absolutely need not to forget that the Whitsundays are going to have significant problems for a very long time given that they had only just finished their recovery from Cyclone Debbie. Yes, there are good visitors but a lot of long-term pain ahead.

Mr BROWN: Following on from that, do you have a percentage figure on international tourists for the Whitsunday area overall for tourism?

Ms Porter: I do not have the exact numbers for international tourism visitors, but I do know that international tourism numbers in the Whitsundays were starting to eclipse those in Cairns. It is a tourism Mecca worldwide. The 74 islands of the Whitsundays are regarded as one of Australia's international tourism jewels. We need to be mindful of that. As I said, those SA4 figures sometimes distort the reality of the picture. From some of the research that we have done, around 50 per cent of businesses in the Whitsunday region are indicating that they are going to take a significant revenue hit, and that is what they can see for the foreseeable future. There is no light on the horizon for them while the international borders largely remain closed.

Mr BROWN: I suppose with programs like JobKeeper and a lot of other federal government programs there is a bit of uncertainty at the moment about targeting whether they are going to do it, like you say, on SA4 localised or industry based. I am gathering the message is that the federal and state governments should be looking more closely on the ground at the particular area and the industry that drives that local area, especially in a place like Airlie Beach.

Ms Porter: You are exactly right. We need to acknowledge that a region like the Whitsundays is highly seasonal and transitional in terms of workforce. The workforce comes and goes. We rely a lot on visa holders to supply casual or seasonal type workforces to a lot of our tourism operators. Yes, it is certainly going to be a problem if JobKeeper is completely removed, even though that is not what the federal government is saying; however, it is JobSeeker which is probably the key underpinning resource for a lot of the tourism sector. JobKeeper is for those who have had 12 months continuous employment. That does not apply in a tourism sector when you have a seasonal transitional workforce.

Mr WATTS: Heading back to the outback, Mr Arnold, in your submission you talk about the importance of regional road upgrades and dedicated funding for critical road links. The state road network backlog currently sits at \$7.4 billion. If you could give some commentary around whether the deteriorating road state network is actually holding back economic development opportunities in your region.

Mr Arnold: The road funding we are seeking we put in originally pre COVID as part of a budget submission. I think the core of your question is road funding, if I heard you correctly, holding us back. I believe certainly in several areas it is. We still have several core areas—core beef-producing areas, core tourism-producing areas—the iconic outback, Birdsville, Bedourie that are still large tracts of gravel roads, which bring about big costs to both agricultural transport and tourism. Also we are not talking about new roads like anywhere else; we are talking about upgrades to roads. We believe in our original budget submission, again pre COVID, that we fell behind in overall funding. We are only seeking \$9.2 million in additional transport infrastructure through the Transport Infrastructure Development Scheme over four years. We do not believe it is a large amount.

Roads are intergenerational. Every bit of money spent on roads will benefit our children and our children's children. It is jobs on the ground, and again it is like Works for Queensland: a direct economic contributor way across the board. When you consider, for example, that a large portion of our private and public workforce—and I am saying there councils—is largely invested in that sector, again it is just an economic boost but also it is an enabler for the tourism and agricultural industries.

CHAIR: I have one question, and this is more for the Gold Coast and the Whitsundays. We saw that in the case of the Casula hotel, 38 cases probably came from one Victorian case and it turned into a hotspot that possibly could have been better managed. The nature of tourism is that we want to interact with people and we want to go to restaurants. If there is an outbreak in a tourism place in the future, we obviously have to manage it reputationally and we want to also reassure potential future tourists that there is really good management. Obviously, protecting the border from Victorians has done a lot to protect tourism hotspots from any kind of infection at the moment, but if we did get one in the future is there any process we can do to reassure people that a particular area is still a safe and good place to visit?

Ms Porter: I think that, speaking on behalf of the Whitsundays, we are lucky because of where we are located. We are located adjacent to the Bowen Basin and mining region, which has the most incredibly stringent measures in place to protect communities as a result of being able to maintain the mining sector and allowing it to continue. We have a number of COVID testing clinics, and one of those happens to be based in Bowen as a result of some funding from the BHP. Because of that relationship with the mining sector, which has been incredibly pro-active about protecting their sector to ensure that it continues to work through this crisis, we are able to connect into that highly mobilised, organised response. We have also had the benefit of the mining sector being able to offer those learnings and findings across to colleagues, neighbours and in the Whitsundays. There is some very, very good training and sharing of resources happening across our region which I think would put us in very good stead should we be unfortunate enough to have a Crossroads type outbreak scenario.

CHAIR: Ms Stovin, do you have anything to add to that about the Gold Coast?

Ms Stovin: Yes. Wearing my other hat, which is the CEO of Currumbin RSL, I am fully aware of what our obligations are in terms of ensuring that we get everybody's details when they come in, having a very stringent cleaning process and ensuring that we maintain social distancing. I would have to say—and this is not just isolated to Queensland or the Gold Coast or southern Gold Coast—there is a fair discrepancy between what businesses are doing. I think I put that in my submission. You can go to a petrol station and put petrol in your car and not have to use hand sanitiser—or there is no hand sanitiser there—yet you have a hospitality venue such as ours where we jump through a lot of hoops to ensure we are doing the right thing.

In terms of an outbreak, I know that we and a lot of our colleagues are all keeping the information available. Probably what is a little bit scary is that because Queensland has had such low cases—my understanding of what happened at Crossroads is that people were not vigilant about testing and that what is happening in Victoria and Sydney, even with higher testing rates, hopefully, there is not a level of complacency because we have had fewer cases in Queensland. In terms of how you manage that as a region, it will come down to how well our recordkeeping is, how early that detection is and how well we work together as a community to ensure that we can stop that spread. But who knows? There is no guarantee, I guess.

CHAIR: I think that is a fantastic message, that throughout Queensland if people are sick they need to get tested but also, if people are in a tourism hotspot, they especially have that responsibility for the jobs in that local area.

Mr STEVENS: I have a question for Kylie. The Whitsundays and particularly Airlie Beach in terms of your tourism industry—I am not too sure of the actual numbers—were affected by backpackers and young international tourists providing a lot of your market up in that region with visits to the Cumberland Islands et cetera. The long-term proposition will be harder for you because of international border closures which are not going to open up for a long time. I do not know when; I do not think anybody does. Have you thought it necessary for your area to get a special funding package—and have you applied—because of the fact that your area will be damaged by those international border closures probably more than any other region other than perhaps Cairns?

Ms Porter: You are exactly right. Part of our submission was that we need to take a very regional approach to how we manage COVID response initiatives. Applying a one-size-fits-all approach to the tourism sector will not go far enough for a region like the Whitsundays. We also need to bear in mind that those backpackers provide an employment resource for our horticultural industry. The Whitsundays is home to Australia's larger winter crop, which most people probably are not aware of. All of your tomatoes, capsicums and rockmelons come from the Whitsundays at this time of year through the Bowen region. We require around 2,000 workers seasonally to pick those fruit. They come and go. Obviously, that has provided some significant logistical problems for those growers to be able to manage the current harvest, because we just do not have access to those backpackers who may have been in the region typically at that time of year providing that labour. Absolutely, it is not just our tourism sector.

From our perspective, closing the borders has impacts on our tourism sector and also our horticultural sector. There is a trickle-on, flow-down impact. I will give an example where we are not perhaps focusing our attention very closely on Whitsundays. There was an announcement this week by Minister Fentiman around the business support officers. They will not be placed in our region at all, yet our Whitsunday region is probably one of the most impacted regions in Queensland. The small business community is absolutely broken, yet we have an officer who will be based in Cairns, Townsville and Rockhampton. When you gather this SA4 data together, our narrative is quite strong, purely and simply because of the strength of the mining and MET sector helping underpin Queensland's economy at this point. That is not the story on the ground in the Whitsundays.

Mr STEVENS: We might even be able to shift some of those JobSeeker recipients into your horticultural areas as well.

Ms Porter: Yes.

Mr McCALLUM: Following the deputy chair's mention of JobSeeker, this is really a general question to all witnesses. Thank you very much for your expertise this morning. With respect to JobSeeker and JobKeeper, purely when it comes to the economic impact in your respective regions—and given that you represent vastly different geographical areas and different sectors of Queensland—of a reduction or cessation of those programs, what views or concerns do you have around that?

Ms Stovin: JobKeeper is a game changer for us in that we still are only about 50 per cent down. We employ 170 people, of whom 112 are on JobKeeper. We have managed to bring back some who are not on JobKeeper. If that were to stop in September—I speak for my club but also the hospitality industry in general and the hotels and accommodation. We all work on pretty small margins these days.

The pillars for the Gold Coast are tourism, hospitality, education and health, all of which are being impacted. I have very grave concerns about my business and other businesses if JobKeeper were to stop before we are able to return to some level of normality, particularly if restrictions are still in place. In my business, it is costing us a lot more in labour to adhere to the regulations. I have to have concierge; I have to have extra cleaners. My workforce are back in full doing it. The only way I can do that is because I have JobKeeper in place. If that were to stop in September and the restrictions were still in place, I think people would cut corners. Then you open the risk of a second wave coming through.

My business was in a position where we knew we could last for so many months without JobKeeper, but a lot of businesses were not in great shape leading into the pandemic. When they start to fold, there could be a real domino effect. Without being overly dramatic, the impact would be devastating for a lot of businesses, the businesses that we support and our suppliers. I am very fearful of what could happen beyond that.

CHAIR: Thank you very much. I want to thank you all for this hearing. The committee has heard some very valuable information in terms of the submissions that you and the organisations that you represent have put forward. No questions were taken on notice, but I note that the committee might ask the tourism minister's office for the percentage of overnight stays in each region. That will give us a clearer indication from that discussion we had with the Whitsunday representative about what that percentage is and how we do extra advertising to increase tourism from domestic sources to try and make it up for those areas that are really exceptional and have a lot of international tourism. With that, the committee will adjourn for a short break and will return with new participants at 11:40 when the public hearing continues. Thank you very much.

Proceedings suspended from 11.22 am to 11.39 am.

CHAIR: We will resume the 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. I am the member for Logan and chair of the committee. Other members of the committee are Ray Stevens, the member for Mermaid Beach and deputy chair; Lance McCallum, the member for Bundamba; Trevor Watts, the member for Toowoomba North; and Kim Richards, the member for Redlands. I now welcome our next witness, Dr Amanda Cahill.

CAHILL, Dr Amanda, Chief Executive Officer, The Next Economy (via videoconference)

CHAIR: Good morning, Dr Cahill. I invite you to make an opening statement, after which committee members will have some questions for you.

Dr Cahill: Good morning and thank you for the opportunity to appear before the committee on this really important issue. Before I start, I acknowledge the Turrbal and Jagera nations, pay respects to their elders past, present and emerging and that the land that we are all meeting on has never been ceded, so I recognise the ongoing sovereignty of Aboriginal and Torres Strait Islanders in this state.

For the past 12 months The Next Economy has conducted a wide range of community forums, workshops and meetings across five regional areas: Gladstone, Rockhampton, Townsville, Toowoomba and the South Burnett. Participating in these events have been over 400 representatives of a wide range of industries, all levels of government, unions, environment groups, social service organisations and general community members. The question that we have been exploring is: how can we stimulate regional economies and create new jobs in ways that sustain both the economy and the natural environment? In particular, we are interested in changes to the energy sector and how that can diversify and strengthen regional economies.

Based on this work, some of which was funded by the Queensland government, we have collated a list of ideas about how we can stimulate the main economic sectors that underpin Queensland: energy, agriculture, land use, mining, manufacturing and processing, tourism, and essential services such as health and education. These economic stimulus opportunities are outlined in the report that has been submitted to the committee. It is important to note that they were assessed for their potential to create good lasting jobs, stimulate and diversify regional economies as a whole rather than just one sector, accelerate progress on the Queensland government's 50 per cent renewable energy target and 2050 net zero emissions target, increase the resilience of regional areas to external shocks and enjoy broad public support. The opportunities that we have outlined have the potential to set the state up to be economically resilient and protect our ability to export for decades to come. While I do not have time to go into all of them of course, I want to highlight five areas that are key for investment.

The first area is the energy sector, particularly with energy generation and storage, infrastructure development, energy efficiency programs and the manufacturing of renewable energy parts and products. During the consultation we found that there is very wide support for renewable energy and acceptance that the energy system is transitioning. In fact, we found quite a demand for support for regional bodies to plan the transition and broad acknowledgement that power stations are going to close at some point.

It is also important to note that, in discussing renewable energy, we often miss out on the important point that the value and the job potential is not just in the construction and operation of renewable energy projects but also in their potential for more affordable locally available energy to lower energy costs and boost productivity and competitiveness across a range of different sectors, including manufacturing. Renewable energy also boosts long-term resilience to external shocks and increases the liveability of regions. Unfortunately, recent analysis indicates that the investment in new renewable energy projects has been slowing because of the need for new transmission infrastructure. This highlights the need to bring forward investment in renewable energy zones, particularly in Far North Queensland and around the Darling Downs region, and upgrading the grid infrastructure so that we can add more renewable energy capacity.

The second area of potential for job creation is in processing and manufacturing. It is interesting that even before COVID hit there was a lot that highlighted a need for domestic capacity in this area. People across all forums are particularly enthusiastic about expanding Queensland's manufacturing capacity, particularly in the areas of food processing, but also expanding our capacity to process waste as an economic opportunity. However, to make this sector viable over a long term, urgent work

is needed to electrify industry so that it can take advantage of renewable energy potential, as well as investment to upgrade industrial precincts and also digital technology and connectivity, which is a problem in many regions.

The third area is that we have a unique potential to diversify our mining base and expand capacity to produce green metals. Now is the time to invest in this area if we are going to set ourselves up to be global exporters into the future, especially given moves by the European Union and some other nations to bring forward a number of initiatives to accelerate their transition to net zero emissions and they are talking about imposing a number of trade sanctions on high-carbon commodities that are imported. If we are to remain competitive into the future, we need to invest now.

The fourth area that holds potential to not only create jobs but also build resilience is in the area of land management practices that restore vegetation and water resources, as well as rehabilitate mine sites. However, the benefits extend beyond jobs with the added benefits of improving the productivity of the land and increasing resilience to severe weather events, including climate impacts. The recent announcement by the government of \$10 million for nature based jobs as well as the Skilling Queenslanders for Work program have been welcomed by a range of different groups, as we have seen in the media, but much more is needed if we are to properly regenerate the natural systems on which all of our economic sectors depend.

Finally, the area with the greatest potential for job maintenance and creation is in the areas of health, social services and education, which are among the biggest employers in the state. In particular, significant work still needs to be undertaken to address the dire housing and health conditions in many Indigenous communities. In terms of broader measures needed to stimulate regional economies, the message we kept getting was the need to diversify and also to undertake transition planning and that that planning needs to be led by local authorities with the support of the state government. There is a great deal of concern that the government has been sending mixed messages about the energy transition and that this has stifled investment and fuelled some social division. Particularly surprising, for me at least, were the number of people representing industry who wanted clearer policies and appropriate regulation to force industrywide change.

To conclude, with the need for government investment to keep the economy afloat right now, it is the time to prepare and adapt our industries, not just in response to this pandemic but also to build resilience to a whole range of external shocks, whether they are related to changes in global financial markets, climate impacts and severe weather events, technological disruption or, heaven forbid, future pandemics. At this time of historically low interest rates, we can be bold and invest heavily to set Queensland up for the future, while at the same time addressing a whole range of long-term challenges: unemployment, higher power prices, growing social disadvantage and the need to diversify our economy. We are so much more fortunate that a lot of places across Australia and the world, given our wealth and capacity to invest in a stronger future. That is in large part thanks to the decisive actions taken by the government in the early stages of this pandemic. Let us not waste the opportunity to lead the way.

CHAIR: Thank you very much. We will turn to questions.

Mr STEVENS: Thank you, Dr Cahill, for appearing today. The plan in your submission is basically on where we should be heading. It is your road map to recovery, as it were. The primary focus of our inquiry has been on the economic response so far of the Queensland government, and the federal government to a degree, to this health crisis. We still have not felt the full impact of the economic crisis. I think there is a more to come on a worldwide scale. However, can you highlight what you believe to be both the state government's response and the federal government's response to the areas that you have mentioned in your submission, from January when coronavirus was exposed to Australia up to the current point in time?

Dr Cahill: As you would know because you are right in the middle of it, it is quite overwhelming and confusing to keep on top of everything. There have been some really great announcements. I found that the small government support has been welcomed by a number of different small government groups. As has been reflected in some of the earlier submissions to the inquiry, that initial cash support was very much needed. The JobSeeker and JobKeeper payments have been keeping a lot of people afloat as well and the rapid response to that has been important.

The question that I have in the areas that I have been outlining in the report is that there is still this mixed message around what the priorities are and where the investment is for the future. There have been some announcements, for example, around CleanCo. There were some welcome announcements around new investments there. At the same time, there has been talk about a gas-led recovery, for example, and, especially at a federal level, getting rid of green tape that gets in the way potentially of new mines and new coalmines.

Over the past couple of years of doing work in regional areas we have found that that is creating a lot of confusion, particularly amongst industry and local government, about where they should be investing. What future are we investing in here? We cannot have both. There is a lot of money that will be spent, but there is a choice about what we are investing in, particularly in terms of large-scale infrastructure. There is an opportunity to fast track the development of the Far North Queensland renewable energy zone and connecting the grid across Queensland, which would open up whole lot of potential, not just for renewable energy but also for new manufacturing and energy-intensive industries. If we are going to invest in gas, that actually can damage our potential for investment in renewable energy. The challenge is: where are the priorities and what sort of future are we investing in?

Mr STEVENS: In relation to matters you see going forward in terms of policy direction and where money announcements are made, one major announcement that has been made by the Queensland state opposition is in relation to rain banking through a scheme that was commonly called the Bradfield scheme because the guy that drew it up was called Bradfield. It is basically a rain banking scheme to try to drought proof Queensland. Do you see that as an important part of the new economy and the recovery going forward?

Dr Cahill: There is a lot of debate around the need for more dams. I know it has been quite popular in North Queensland. It was interesting to talk to someone—and I will not name them—in the Townsville council who was quite concerned that we were rushing to build big dam infrastructure projects when he saw that there were a lot of common sense things that we could be doing and investing in around water infrastructure that might negate the need for such large-scale projects that also have a lot of negative impacts on farm land, for example. He was talking especially about a place like Townsville that does have both water scarcity issues as well as then suffering from floods.

Mr STEVENS: Ross River Dam, yes.

Dr Cahill: Yes, and they could be doing a lot more around recycling water in regions, which interestingly people were bringing up in workshops where I was thinking, 'Experiences in places like Toowoomba in the past would suggest that would not be popular.' People are talking about the need for recycling water, for upgrading water infrastructure in town so there is better use of the water facilities that we have. There is also concerns around not knowing exactly what is going to happen with climate change. How do you plan those dams when you have got so much uncertainty around the future as well. There are also climate emissions concerns. Big dam projects are actually big emitters. From everyone I have talked to, including scientists at different universities, the jury is out and a lot more work needs to be done before we go ahead with those schemes.

Mr McCALLUM: My question is around mention of Indigenous economic opportunity and job creation, particularly given that Indigenous communities and remote communities in particular were extremely impacted by COVID. Could you expand on what is mentioned in your submission around how you see Indigenous communities recovering from COVID going forward and the economic impact of that?

Dr Cahill: I am not sure if I can talk specifically about the recovery of those communities. It is not something I have been working on recently. In terms of economic opportunities, there has been a lot of evidence that programs like the Ranger Program and some of the IPA agreements to support economic enterprises on country and actually having people on country can bring in a range of different kinds of economic benefits and with increasing sophistication around carbon markets, for example, internationally there are opportunities to bring in revenue for recognising the role that Indigenous play on country at sequestering carbon and protecting and also doing burning practices. That is a big area that I know is supported by a number of Indigenous groups.

There are also just practical issues around living conditions, especially in remote communities, that are often still dependent on diesel. There is some really great work being done up on the cape by an organisation called the Centre for Appropriate Technology around building small-scale renewable energy systems, doing energy efficiency and upgrading housing which actually creates good apprenticeship opportunities and jobs for local Indigenous youth as well. In terms of a situation like COVID, how do we actually make sure that those skills are in the community so that if they are cut off and isolated there is a lot more to draw on in those communities themselves.

Mr WATTS: Dr Cahill, you have reported some concerns about shortage of agricultural workers in Queensland, highlighting the ageing population and the dependency on overseas workers. We heard earlier from another submitter a little bit about the Longreach Pastoral College and how it might be able to be repurposed to provide some of those skills. I am interested in you expanding on your

views and vision that might be able to be put forward, or those that have been put forward by regional stakeholders, on training opportunities and developing that skill set; rather than bringing in people from overseas to be able to do it ourselves.

Dr Cahill: That has definitely come up as an issue time and again and also increasingly food security which was brought up even before COVID, which I thought was interesting, and some of the vulnerability around our food systems and the distribution of our food systems as well. It sort of all comes into that. The National Farmers' Federation has its plan for 2030 that outlines a lot of different programs around training. I think we can draw on the fact that we do have a history of agricultural training, particularly in your region around Gatton, and building on the existing university infrastructure when universities are doing it really tough right now so how can we actually draw on their expertise and also support them.

The issue that has come up that people identify around agriculture is how do we get younger farmers in who probably do not have a farming background and partner them with existing farmers to also do on-the-job training and also look at how that land can be passed to the next generation, which seems to be a big sticking point at the moment from what people are telling me, and the fact that you have an ageing agricultural workforce that often has their superannuation tied up in the farm so how can they leave if they are in a situation where they are financially tied to that area. I think there is a lot more work to be done around how do we transition that and plan for that next generation to come through.

Mr WATTS: From the stakeholders were there suggestions as to how that work might be done, how do we go about that research, or were there any specific plans being put forward about how to address some of these issues that we know are potentially structural with both the financing and the age of people who are working on the land?

Dr Cahill: There are a few programs in place and I am trying to remember the names of them. I will find out and get back to you around some of the programs where they are bringing in younger generation farmers and pairing them up and developing land agreements around that. I can get back to the committee with the names of some of those programs. We are about to undertake some work up around the Mackay Whitsunday region to actually look at that question and actually go deeper and facilitate some planning around what would support more sustainable farming approaches as well as that long-term workforce planning. We have not undertaken the work yet. I will get back to you with some more concrete ideas and go back through our notes.

Ms RICHARDS: We have seen a great need and push now and a lot of talk about creating more and making more and manufacturing more here in Queensland. You have suggested regional manufacturing and industrial precincts. I was wondering if you could expand a bit further on what you think government's role is within that in terms of the consultation you have had with industry stakeholders and what their demand in that space is?

Dr Cahill: The classic example would be a discussion that we had in Gladstone in early March where industry were advocating for government regulation. I thought that was quite surprising. A place like Gladstone is incredibly carbon intensive and tied to the coal industry, whether you are talking about the port, their dependence on the coal plant there that has an uncertain future or aluminium which is energy intensive. It was a really interesting discussion we had around the role of government in terms of investing in the infrastructure that all of those industries are going to need to help them make that shift, public-private partnerships around terms of investment, solid stable energy policy to show how the rollout of renewable energy, which has been happening in Central Queensland, could be planned better to give industry a lot more certainty around the timing of things and bringing players together.

There was this idea that planning needed to happen and identification of the how they were going to support their existing industries and potentially new manufacturing industries needed to be done by local people because they know their region, but that there is a role for state government to bring the key players together, particularly in a place like Gladstone where you have state development land, the port authority—you have different industries players and different levels of government. There is a role for government in coordinating and hosting that space and supporting the planning so that it can give everyone certainty in terms of how to move forward.

CHAIR: We spoke earlier about food security. We already export 65 per cent of the value of our agricultural crop so perhaps we are a contributor to regional food security. Certainly Australian domestic food security is a different question. With 65 per cent of the value of our agricultural produce exported, are there challenges for particular export markets? If we are talking about productivity or

increases or investment we are primarily talking about increasing export markets. Post COVID are there challenges around the export of particular products? Is there a place for the state to help transition, enhance or encourage the export of agricultural products that fit in the post COVID market?

Dr Cahill: There are a couple of different things with the food market. In some ways, yes we produce a lot of food, but it is the breakdown of what kind of food we are producing and how that is distributed. A lot of our food exports are grains, meat and dairy. A lot of the talk around food security was around horticultural products, for example, and the fact that the distribution of them has been so centralised with the domination of two major supermarkets.

The Whitsunday region is one of the highest producers of winter vegetables in country but it cannot really sell that locally. It gets shipped down to Brisbane and then back again before people can buy that food locally. There are some distribution issues and then there is the breakdown of the different kinds of commodities that are produced and whether or not that is fit for the domestic market. Interestingly, there was a lot of interest in local food markets and distribution as a resilience measure. There have been challenges around getting those local food hubs set up because the distribution has been controlled by two major companies, basically. There is some support needed around local food planning if that is a priority.

In terms of the export market, there have been some clear niche markets identified, particularly for North Queensland, and looking at North Queensland as a food bowl for Asia. I think people were saying that that is good but we also need to make sure—

CHAIR: Sorry to interrupt, as interesting as market domination of supermarket players is, post COVID is the priority restructuring that market or are there other opportunities in the short term for the agricultural economy to recover? Farmers markets are not obviously going to make up that enormous export opportunity. Is there any research about what products are constrained by COVID and what changes farmers need to make in order to keep the value of their export agricultural products?

Dr Cahill: Recent research, I am not aware of, but I guess the bigger issue is the fact that we are also facing a major drought and we are still feeling the effects of that as well. It is not just the COVID impact, it is the long-term drought impacts and the support that farmers, whether they be beef or grain producers, who are probably still hurting from that are going to need. I would say that that is probably a priority area to look into, if you are talking about export markets.

Mr McCALLUM: My next question is around energy storage. Your submission touches on it. I would really be interested to hear how you see energy storage as an economic opportunity within Queensland going forward, particularly when it comes to job creation in regional areas, and the types of storage because there are many different types of energy storage out there. What are the economic benefits and the employment benefits that might come along with that?

Dr Cahill: There have been two reports that have come out recently, one by the Clean Energy Council and in the last week one by Solar Citizens called Queensland's Renewable Recovery Plan and they look specifically at storage. With storage there is both battery storage and pumped hydro storage. Talking about batteries and storage, there is the potential for producing batteries under Townsville's battery factory proposal. I think they are talking about around 1,000 jobs for the battery factory if that were up and running.

There is also the opportunity, given the fact that Queensland has some of the highest rates of roof top solar in the world, to look at retrofitting batteries to existing households as well. That is an ongoing job creator. The Queensland Renewable Recovery Plan report put out by Solar Citizens found that if the Queensland government rolled out 50,000 storage batteries across 700,000 solar homes and businesses, which is only a proportion of the number of houses that have solar panels, it would create 280 installation jobs every year for five years as well as 73 ongoing jobs in operations and maintenance. The Clean Energy Council report had similar kinds of figures.

CHAIR: There being no other questions, thank you very much Dr Cahill for your contribution today. There are no questions on notice. As the COVID recovery continues—and this goes for any submitters listening online—any further submissions or any further work you do in this space would be welcome by the committee as an additional submission. Thank you very much for your contribution today.

Proceedings suspended from 12.08 pm to 12.15 pm.

WOOD, Ms Danielle, Chief Executive Officer, The Grattan Institute (via videoconference)

COATES, Mr Brendan, Household Finances Program Director, The Grattan Institute (via videoconference)

CHAIR: I will now resume the proceedings. I welcome from the Grattan Institute Ms Danielle Wood, chief executive officer, and Mr Brendan Coates, household finances program director. Good afternoon. Just before we proceed I request that when you do speak, especially when speaking for the first time, you identify yourself for the benefit of our Hansard reporters and those watching online. Committee members will also endeavour to ensure that they clearly identify themselves when asking questions to minimise any confusion for yourselves and for members of the public watching the broadcast and proceedings online. I will now invite you to make an opening statement, after which committee members will have some questions for you.

Ms Wood: Thank very much for the opportunity to appear today. We very much welcome the committee focusing on this work, as we certainly think there is no bigger policy challenge right now than getting the health and economic response to COVID right. We have submitted a copy of Grattan's *Recovery Book*, which is really trying to focus on what we think the big policy (portion of audio missing) the governments, both state and Commonwealth, over the next six to 12 months.

We certainly wrote in the *Recovery Book* that the economic costs of a possible second wave would be high. Brendan and I are both based in Victoria and we are certainly feeling it pretty acutely right now. Of course, the economic costs are not just restricted to Victoria. While other states like Queensland have to keep their borders closed to Victorians that also generates an economic cost.

The risks of a second wave are ever-present while the virus is circulating at a low level in the community. That is why the Grattan health team has been advocating that the states are not there yet in terms of pursuing an elimination strategy—a finding of essentially zero community transmission for a period of several weeks. We think that, while there may be a higher economic cost up-front of doing so, there will be a big benefit in terms of greater certainty, lower risk of a second or third wave and being able to open the domestic borders within Australia.

The other big economic question for governments is how much economic support might be needed. We think that fiscal policy has played a very important role to date and will continue to do so in supporting the economic recovery, particularly driving the creation of new jobs. We did an exercise in the *Recovery Book* which estimated that we will probably need to spend Australia wide in the vicinity of \$70 billion to \$90 billion over the next two years if we are to get unemployment down to anything that is approaching full employment. A lot of this is for the Commonwealth Government. Certainly things like a more revised but also more targeted JobKeeper and JobSeeker programs will play an important role in that. We certainly welcome the apprenticeship and trainee wage subsidies that were announced yesterday, but there will be some that are additional stimulus measures and we think state governments will play a crucial role both in providing finance and coordinating the rollout.

Good stimulus is generally temporary, targeted and timely, so we have suggested things like building community housing to support the construction sector and also deliver something socially useful. Other things that might fall in that category are road maintenance, public building maintenance and tourism infrastructure. That also allows a bit of geographic targeting of the support. We also think there is a role for different types of stimulus given the nature of job losses in this particular recession. Investing in social services, things like ramping up mental health supports and programs like tutoring sessions to help disadvantaged students catch up on lost learning during the pandemic create different types of jobs. They can particularly help groups like women and young people who have been hard hit while at the same time fulfilling social needs that have emerged during COVID.

The final message is really that we do not think now is the time for austerity. This has been a huge economic shock. It is the right response for governments to continue to support the economy in the short term. The alternative would be slower growth, fewer jobs and a less dynamic recovery. Queensland, like the rest of Australia, came into this crisis with substantial fiscal room. Interest costs on general government sector debt was about three per cent of states' revenue. Obviously, right across Australia we will see debt levels rise considerably as a result of the pandemic, but borrowing costs have never been lower. The right fiscal strategy is really to spread the cost of this shock over the long term, and then once we come out the other side we can talk about how we manage the debt.

That is really all I wanted to say as an opening statement. I look forward to taking questions.

Mr STEVENS: I have a question for Danielle. You have called for the construction of social housing to be prioritised by federal, state and territory governments, yet in your recovery recommendations on page 4 you suggest 'pausing large projects where the benefits are now in doubt' for states and territories as an economic response. I assume they are large projects such as Cross River Rail, the second M1 or those types of projects. Can you elaborate on the direct benefits of focusing on an economic recovery, if you like, as opposed to the benefit for thousands of people of social housing as compared to the benefits of larger projects which would benefit millions as a result of in their outcomes?

Ms Wood: That recommendation was really focused on the idea that, because of COVID, we expect that interstate travel patterns et cetera may change permanently as a result of this pandemic. We are certainly seeing that a lot more people are working from home. For those projects whose benefit-cost ratios were already in doubt, perhaps now is not the time to be taking significant construction projects where they are not obviously good returns to the community. The point of that recommendation is not that you do not do infrastructure. Obviously, supporting infrastructure jobs is important. But if you talk about stimulus, normally you are wanting to do things that you are able to ramp up quickly, that are essentially shovel-ready, so you can get the jobs moving now. That is why we focus on social housing as one example of construction that really meets that test. Brendan can maybe talk a little bit about what happened during the global financial crisis. We actually ran quite a successful social housing scheme that was one of the real elements of that GFC response.

Mr Coates: Just to follow on from Danielle, I think it is worth distinguishing between infrastructure that has long leads and is difficult to roll out quickly that may well change the structure of the city, may or may not have a positive cost-benefit ratio in a post-COVID world, and the kind of smaller scale social housing infrastructure that we are talking about here. It is very easy to build a four-storey apartment building in the middle of a pandemic in the middle of a recession. You can build those kinds of infrastructure projects very quickly. We have in fact done it before. In the response to the global financial crisis, the then Rudd government rolled out a social housing initiative that saw 20,000 social housing units constructed in a very short space of time. We saw the approvals spike within months of that announcement. That provided the kind of stimulus support that I think we need at the moment.

If you think of the different kinds of sectors in the construction sector, you have your outer suburban house and land packages which HomeBuilder is providing some support to. You kind of have commercial infrastructure projects, and there was already a substantial pipeline of some of these things pre COVID. Then the part of the market that is really being hit right now that does not have that support is the apartment market. The value of social housing is that it is a very effective way to build or stimulate construction activity, to do something we need to do anyway. Homelessness is a big problem in Australia, and this would be a way in which we could certainly help reduce those numbers and provide broader benefits to the community from less flow-on demand to health and other services from those that are rough sleeping. Therefore, we think it would be good value for money. It is something governments need to do, and this would be a good time to do it.

Mr STEVENS: The main point of my question was really in relation to the state government action on the matter. I would be really interested to know how you can actually pause a major project that has been committed to and has long-term benefits. You actually say, 'Sorry. Hold it. Bang. We are not doing that as part of our economic growth and recovery process.' Whether it is a bridge, the Bruce Highway or Cross River Rail, how you just pause that midstream and move to other functioning areas?

CHAIR: Also emphasising there could be a knock-on in confidence, especially in the civic construction sector, that projects that they were banking on continuing were simply put on pause.

Ms Wood: I am sorry, I think I may have misunderstood the premise of your question. We are certainly not suggesting that where projects are underway already you stop them. The discussion that was there around major projects was essentially saying, 'Do not start a new major project.'

Mr STEVENS: So it is not pause: it is do not start, basically.

Ms Wood: That is right. Things like high-speed rail were sort of thrown around. We are saying that this idea that you might want to do that to get the economy breathing is not a very good idea. That does not look like good economic stimulus. We are certainly not saying that where you have built half a bridge, stop.

Mr McCALLUM: In relation to the JobKeeper and JobSeeker programs, which your submission touches on, could you expand on how you think those programs should be more 'tailored and targeted'—were the terms that you used earlier—and what your position is in relation to it extending beyond the current date that has been announced at the end of September?

Ms Wood: Perhaps I will talk about JobKeeper and then Brendan can talk about JobSeeker. The JobKeeper program, I think it is worth saying up front, has been incredibly important for supporting both business and households during this downturn. What I really like about the design of the program is that not only is it support for people who have been temporarily stood down—we saw a lot of businesses having to shut their door due to social distancing restrictions—but as businesses start re-opening again it starts as a wage subsidy, effectively. It creates an incentive for businesses to find ways to use their employees and start opening up again.

Clearly, as parts of the economy in different regions of Australia are recovering, you do not want that sort of support to be there indefinitely. It is incredibly expensive and you do want the economy to start restructuring and resources to be able to move around, so it is a bit of a balancing act how long you keep those schemes going for. We think that the best way to manage that process would be to retest eligibility for JobKeeper. Businesses whose revenues have substantially recovered would come off the program, and businesses whose revenue was still substantially down compared to the same time last year in a non-COVID world would stay on the program for an additional three months.

What we are trying to achieve there is not pulling out the rug on support of businesses that are still hard hit—a lot of hospitality and retail businesses in Victoria in particular would be in that category right now—continuing to offer them support while winding it back for the parts of the economy that have recovered.

We also suggest better targeting the payment through a part-time rate. One of the features of the program is that all employees have been paid at \$1,500 a fortnight regardless of how many hours they were working before the COVID crisis. That has meant that quite a lot, we think about 80 per cent of part-time workers, actually had a pay rise on the payment. Introducing a part-time rate would allow better targeting of government money by having that sort of differentiation in there. That is what we are recommending on the JobKeeper. Brendan, do you want to talk about JobSeeker?

Mr Coates: I will just add to that very briefly. On JobSeeker, we are essentially saying, as Danielle said, that there are two challenges here: we need to provide support through the crisis, but at the same time balance that against the need. Over time we will need to see structural adjustments to the economy. Periods of recession are always periods where we see acceleration of those structural adjustments where jobs that do disappear some of them do not come back.

One of the costs of JobKeeper is, of course, that it does mean we are probably subsidising some jobs in some firms that will not survive after those payments cease. Therefore, one of the things that we think should happen is JobSeeker should remain in place at its current rate through to the end of December so that those who come off in September do not go from an income of \$1,500 a fortnight or more to \$560, the current Newstart rate, that they go instead from \$1,500 a fortnight to the higher JobSeeker rate of \$1,100 a fortnight and then, from early in the New Year, we would see JobSeeker being phased down from \$1,100 a fortnight to a new permanent rate that would be something about \$760 a fortnight at least, about \$100 a week higher than the current rate. That would mean that Australians' incomes as they come off JobKeeper, or if they become unemployed just more broadly, do not see such a huge shock that is going to be a recipe for a second recession. That allows that transition to take place while also supporting a structural adjustment in the economy so that individuals' incomes are protected, they have got a cushion while they essentially look for work and that adjustment takes place through 2021.

CHAIR: Adding to that, and this is not necessarily something I subscribe to, people would put that perhaps a relatively high rate of cushioning, as you said, might be a barrier to re-entering and participating in the workplace. Is that a legitimate fear or would you see it differently?

Mr Coates: I think, as Danielle said, there is a balancing act here. I think it is likely that some people who, on the current rate of JobSeeker, particularly in Victoria where COVID is present, may not want to go back to the workforce in the short-term and you will see some people not as willing to go back into work so there will be less work search. I think that is a legitimate concern. We are trading it off against the fact that there are not that many jobs in the economy at the moment. We are in a period of severe recession on top of the lockdown that we are seeing in Victoria. Balancing that trade off we would see it as more important to provide that support over the course of the coming months with an expectation that in time the JobSeeker rate probably should not stay where it is, it should come down but at a point when we know that we are a bit further out of the woods and that incomes and the economy are starting to recover more. It can then come down and more Australians will obviously be looking for work and able to find work as well.

Mr WATTS: Ms Wood, in your submission, chapter 3 considers high-level fiscal and monetary policy responses. Given before COVID hit the Queensland government had the highest level of debt for a non-financial public sector than any other state or territory, has this amount of debt put Queensland into a more vulnerable position for responding to the economic fallout of the coronavirus?

Ms Wood: As I said in my introduction, I think Queensland did still have substantial fiscal room. My understanding was debt was sitting around 20 per cent of gross state product. If we look around Australia it is not that far out of line with other states. Certainly if we looked around the world you would see a lot of governments with debt levels far higher, including in excess of 100 per cent of GDP in a number of countries around the world. I would say overall, if I look across Australian governments, including Queensland, there is substantial room to borrow. Borrowing costs we can see are still low so we are certainly not hitting the point where anyone is struggling to borrow at the low rates that exist. This is the time to borrow, as I said, given the very extraordinary nature of this economic shock. So, no, I do not think that the debt levels that Queensland went in with have constrained the ability of the government, nor in any other state, to act appropriately to respond to the shock.

Ms RICHARDS: Following on from that, in terms of Queensland's economic response, I was wondering if you could talk a little bit more broadly about comparing our government's response to the response of other jurisdictions in terms of the stimulus and programs that we have implemented.

Ms Wood: Yes, sure, I am happy to do that. We did have, in the recovery book, and I am just trying to flick through and find it now, a comparison of the scale of the fiscal response across jurisdictions. Queensland was the second highest in terms of their fiscal response, but I would say broadly in line with most states and territories, slightly on the higher side, in terms of the number of programs.

In terms of the nature of the response, it looked quite similar to what was happening in a lot of the state governments, which was support for business cash flow through payroll tax relief, land tax relief to complement rental discounts that were given to tenants under the rental code—Queensland actually was the only jurisdiction to actually fully adopt the principles of the national rental code which I think was a good thing to do and other electricity and gas bill related issues. In terms of the size of the fiscal response and the nature of the different elements of the response, it was similar to a lot of other state governments around Australia. I think those are all good things to do. They very much went to the heart of the crisis that we are in, which was that businesses really needed support for cash flows. I think those were all sensible measures for the government to take.

Ms RICHARDS: In regard to your call for the federal government to boost the childcare subsidy and flatten that tapering rate, I was wondering if you could expand on what you think the ramifications of that would be.

Ms Wood: As you would all know, we had this childcare package that was temporary to respond to the crisis. It meant that parents had free child care for a period. We have now, just this week actually, gone back to the old subsidy system. Our concern is that in moving back so quickly and going back to those old subsidy arrangements that a lot of parents who have lost jobs or hours will not be able to afford care and will take their children out of care and then you start to undermine the ability of centres that do rely on higher utilisation rates to stay viable. I have a broader concern about what moving back to that old system of subsidy will mean for the sector at this point in time.

There is also a longer term argument for moving to higher levels of subsidy and really it is that when you look at the financial returns to work, particularly for second earners—so two parents in a household, the first one works full-time, the second one is working part-time and they are making a decision about how many days a week to work, and it is mainly women who are the second earners—what we saw was there is almost no financial incentive for women to work beyond three days a week once you factor in the cost of child care, additional tax and the clawback of household benefits. Because we have very high out-of-pocket childcare costs and because the subsidy gets clawed back as incomes rise, a lot of women are essentially working for free, or very close to it, if they work beyond three days a week. We do not think that is great thing from an economic perspective or a choice perspective. A higher level of subsidy addresses some of those disincentives and so allows people who want to to work more, which I think is a good thing for the economy and a good thing for society.

Ms RICHARDS: I think when you talk about the triple P principle of population, participation and productivity, child care and the access for women to that is certainly, in terms of participation and productivity, impacted when there is no benefit to actually working because it is all going to child care.

Ms Wood: That is right. It is a really good economic reform story here. We do have an incredibly well educated potential workforce sitting there. If people would like to work more, that they should have a financial return to doing so is not controversial and I think is potentially a big economic kicker. We estimate that that change in the subsidy that we are proposing would boost GDP by \$11 billion a year so there is an economic return from this.

CHAIR: As we recover we saw the economic news that Queensland had had the lowest increase in unemployment and parts of Queensland have had very, very few cases and their agricultural and mining industries have been able to continue quite strongly, admittedly with a lot of precautions and safeguards, but quite strongly. We are really saddened by the news in Victoria. Is there a difficulty for the federal government in that you might begin to see different speeds of economy depending on their stage in the COVID-19 recovery?

Ms Wood: I think that is absolutely right. That is a perennial problem for Australia. We tend to have different parts of the economy firing at any given point in time, but I think it will be particularly pronounced during the recovery period, particularly while there are still considerable health issues in different parts of the country. That is one reason why I like the idea of the retesting of JobKeeper because you can put in your money to support the economy in those parts that need it and it is a very clear test that you can do for that. I think there will also be other aspects of dealing with that kind of patchy, geographic recovery involving support for particular industries like tourism which tends to be geographically isolated. I think there will have to be various ways that we deal with the fact that different regions, different sectors, are going to come back online faster than others.

CHAIR: For example, we had people from Whitsundays, but also we are thinking of Cairns, where they have a reasonable dependence on international visitors and also they were probably hoping for a lot more Victorian visitors. For them, this targeting would mean that we could continue to focus on economic support for those communities?

Ms Wood: That is right. If they still had revenues that were substantially down they would be able to access JobKeeper under the structure that we propose. If the government feels that tourism is yet to recover, offering specific support for that part of the economy would make sense as well.

CHAIR: Thank you very much. I also thank you for the recovery book and the comprehensive program you have put forward looking at this. I think that civic organisations like yourselves putting in different submissions to government is very important. We note that although you have put in a submission, as time goes on and this evolves very quickly, if there is specifically something that is useful for Queensland or any other works that you produce that you think would be useful for the committee's deliberations, we certainly do not discourage you from putting in a secondary submission that could help our deliberations.

I thank you for participating today. Thank you to the Hansard reporters. Hansard reporters have a special role post COVID, having to deal with Zoom meetings as standard, so we thank them very much. A transcript of the proceedings, due to their good work, will be available on the committee's parliamentary webpage in due course. I now declare this public hearing closed.

The committee adjourned at 12.44 pm.