

30 May 2014

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Sid Shanks
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Mr Shanks,

Issue Paper – Industry Assistance in Queensland

Thank you for the opportunity to provide comment on the *Issue Paper – Industry Assistance in Queensland* (the Paper).

The Property Council supports the review's goal of identifying, assessing and suggesting reform to current Queensland Government Industry Assistance Measures (Assistance Measures).

The need for the review

Industry assistance is an integral factor in maintaining a functioning business environment and must remain a component of the role of state government.

The Property Council expects that some industry assistance programs may be outdated or poorly designed and therefore provide little benefit to the community.

Redirecting funding away from ineffective initiatives could enable a greater level of investment in projects that provide greater community and economic value or into reducing taxation to improve Queensland's interstate competitiveness.

However, to identify these savings, the Property Council proposes a wider range of factors be considered by the Queensland Competition Authority (QCA) within the conceptual *evaluation framework*.

A wider scope for performance measures

Currently, Queensland's property industry operates without any direct assistance provided by the State Government.

The Paper highlights the Great Start Grant (the Grant) as a property industry assistance package.

While there are a significant range of benefits delivered by the Grant, its primary purpose is a reduction in the cost of a first home for young Queenslanders.

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The property industry's share of the assistance is the flow-on benefits of increased residential construction.

The same is true of the stamp duty exemptions for first home buyers, listed in the *Queensland Commission of Audit Final Report* as an assistance measure (Box C5.2 - *Examples of Industry Assistance Measures* page 332).

Under the proposed conceptual framework, the full suite of benefits unlocked by indirect assistance packages such as the Great Start Grant may not be captured due to the program's ancillary alignment with the property industry's economic contribution.

It is not appropriate to consider all forms of industry assistance exclusively under the rate-of-return and productivity improvement criteria outlined by the Commission of Audit and in the Paper.

The Property Council recommends a more encompassing range of benefits be considered within the framework's '*net benefit to Queensland*' element. This would include the measure's indirect flow-on effects, social and community benefits, and its effect on Queensland's interstate competitiveness.

For example, the removal of the Great Start Grant may result in:

- A negative impact on affordability for new home buyers who may be unable to compete with investors and upgraders for property.
- Increased pressure on the rental market and social housing.
- Greater levels of housing and mortgage stress across the community as a result of an undersupply of new dwellings.

The performance measures set out for the review would not properly take into consideration these types of social and community impacts. As a result, there is a risk that the review will not reflect the full value of an industry assistance measure to the community.

Industry assistance and the property industry

Queensland's property industry is the driving force behind the economic and social development of our State.

The level of direct or indirect industry assistance currently provided to the property industry is minuscule when compared to the contribution of industry to the Queensland economy, and its growth potential.

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The most recent research conducted by AECGroup for the Property Council has shown that the property industry in Queensland is:

- the largest contributor to State taxes (29.2%)
- the largest contributor to the Queensland economy through Gross State Product (11.6%) and;
- the largest employer (12.4% of the State's workforce), and largest contributor to Queensland wages (10.5% of wages paid).

AECGroup 2012

With this in mind the Property Council would stress the importance of examining industry assistance programs relating to the property industry in the context of the overall benefit to the State that a healthy property industry generates.

The Property Council's 2014 advocacy agenda: *Building a Prosperous Queensland*, outlines a range of measures that would further support the property industry in delivering for Queensland's economy. A copy of *Building a Prosperous Queensland* is attached for your information.

The Property Council would be happy to support the QCA by providing policy rationales and detail on the effectiveness and economic benefit of the policies outlined in the agenda.

Conclusion

The Property Council would like to thank you for the opportunity to provide comment on the *Issue Paper – Industry Assistance in Queensland*.

We look forward to providing further comment on the interim report in August this year.

Should the QCA need additional data from the Property Council in regard to specific assistance policies or if you have any questions regarding the Property Council or this submission, please do not hesitate to contact me on 07 3225 3000, or kmacdermott@propertyoz.com.au.

Yours sincerely



Kathy Mac Dermott
Executive Director