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## **Submission on Industry Assistance Review Draft Report**

3 July 2015

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## 1. Executive Summary

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Thank you for the opportunity to provide feedback on the Queensland Competition Authority's (QCA) *Industry Assistance Review Draft Report*.

As you would be aware, the Property Council has previously lodged submissions on the *Issues Paper* and *Draft Catalogue of Assistance Measures* that helped inform the Draft Report.

It remains our position that a review of industry assistance must take into account the overall economic benefit of a healthy property industry, and in particular must acknowledge the impact that current policy, regulatory and taxation settings have on the ability of the industry to contribute to Queensland's economy.

The property industry in Queensland contributed \$33.8 billion to Gross State Product in Queensland in 2013-14, representing 11.4 per cent of total GSP.

The Draft Report notes the Government will provide the industry with \$754 million in assistance measures from 2013-2018.

As the largest contributor to GSP in the state, the Property Council considers it appropriate that the Government prioritises measures that will promote activity in the property sector, thereby creating jobs and stimulating economic growth.

Five areas of construction-specific assistance are identified in the Draft Report, four of which the Property Council has provided further commentary on, below.

## **2. Summary of recommendations**

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1. Retain the Great Start Grant in its current format.
2. Investigate a replacement program for NRAS.
3. Retain the Priority Infrastructure Co-Investment Program, including the public release of prioritisation criteria.
4. Ensure the final report on industry assistance measures accurately reflects the contents of the Springfield Land Corporation Loan Agreement.

### **3. Property industry's contribution to the Queensland economy**

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The property industry in Queensland creates the homes we live in, the offices in which we work, and the shopping centres and recreational areas where we spend our leisure time.

It has a larger footprint on the Queensland economy than any other industry<sup>1</sup>.

#### **3.1 Contribution to Gross State Product (GSP)**

The property industry directly contributed \$33.8 billion to GSP in Queensland in 2013-14, representing 11.4 per cent of total GSP.

It is estimated to have contributed a further \$49.9 billion to Queensland GSP through flow-on demand for goods and services.

#### **3.2 Contribution to employment**

The property industry directly employed 239,772 full time equivalent (FTE) employees in Queensland in 2013-14, representing 12.1 per cent of the state's workforce.

The industry also supported some 292,684 additional FTE jobs through flow-on activity.

Approximately 27.4 per cent of wages and salaries paid to Australian workers are generated by the property industry.

#### **3.3 Contribution to government revenues**

The property sector in Queensland contributed approximately \$9.9 billion in combined State Government tax revenues and local government rates, fees and charges revenue in 2013-14. This equates to 49.8 per cent of total State taxes and local government rates, fees and charges revenues in 2013-14.

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<sup>1</sup> All the statistics in this section are sourced from AEC group, 2015

#### 4. Construction-specific assistance measures

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##### Great Start Grant

As noted in the Draft Report, the Great Start Grant's primary purpose is to address affordability issues in the housing sector, primarily by assisting first home buyers to enter the market.

Housing affordability remains a high priority for all Australians, as both supply and demand constraints make it increasingly difficult for new buyers to enter the property market.

The Property Council strongly agrees with the assertions in the Draft Report that it would be more efficient for the Government to target supply side constraints to housing, rather than those relating to demand.

Much work has been undertaken by stakeholders- including the Property Council- to inform the review of Queensland's planning system, with the aim of reducing timeframes and providing greater certainty in the planning and development assessment process.

Similarly, the Property Council has put forth many suggestions at a Commonwealth and State Government level that would see the removal of inefficient taxes such as stamp duties, which provide a major barrier to entry and mobility in the housing market.

Broader based taxes, such as GST or land tax, would provide a more stable, efficient and equitable source of taxation for Governments, while also reducing the cost of new housing.

However, as the reform of Queensland's regulatory and taxation systems will take many years to achieve- and must involve the Commonwealth- there remains a need to address the current issues of housing affordability and access to the market.

In the absence of the removal of barriers to further housing supply, the Great Start Grant and its limitation to the construction of new homes delivers a net benefit to society through both its intended assistance to first home buyers, and its flow on benefits of delivering increased housing supply.

##### National Rental Affordability Scheme

As noted above, the Property Council would prefer to see barriers to supply broken down, however until that occurs, schemes such as NRAS provide much-needed affordable housing options.

The Property Council has been a vocal supporter of the need for a program such as NRAS, and while it may not have reached its overall target of 50,000 dwellings nationally, it still contributed to the development of 7,852 affordable dwellings in Queensland, that have provided homes for low to medium income households.

We are pleased to note the Draft Report's acknowledgement of the importance of the contribution of the NRAS program to reducing the number of tenants listed for social housing in Queensland, and the considerable savings this has provided to the Queensland Government.

With the NRAS program no longer receiving Commonwealth funding, there is now a more pressing need for the Government to reform regulatory and taxation barriers to supply that will enable the property industry to deliver more affordable housing to the market.

In the absence of immediate reform, the Property Council would encourage the Government to undertake discussions with the Commonwealth on the reinstatement of the NRAS program, or similar, to facilitate the delivery of affordable housing in Queensland.

### **Priority Development Infrastructure Co-investment Program**

Research undertaken for the Property Council by Urbis in 2014 demonstrates that within 7 years, a 900 lot residential subdivision will not only provide housing for 900 families, it will create over 500 construction jobs, contribute over \$120 million to gross regional product, and provide over \$28 million in additional taxes to State and local governments.

Prioritising catalytic infrastructure- such as those projects identified through the Priority Development Infrastructure Co-Investment Program- will unlock growth, create jobs and provide an ongoing source of revenue for the State and local governments.

The establishment of this Program as part of Queensland's revised infrastructure charging framework was the Government's first step towards prioritising infrastructure based on its potential to unlock growth, and will provide ongoing returns to the Government.

While this Program is still in its infancy and the overall extent of the benefits returned to Government are unclear, as noted in the Draft Report, it has enabled the delivery of major projects such as the Beaudesert Town Centre Bypass, which will in turn be the catalyst for the development of the Bromelton Industrial Estate.

Through providing up-front assistance for those projects that unlock growth and thereby create jobs and economic prosperity, the Government stands to receive ongoing returns through the increase in development activity and its associated tax revenue.

The Property Council is keen to see the continuation of this Program, and supports the Draft Report's recommendation of publicly releasing the criteria through which projects are selected, to ensure transparency in the prioritisation process.

### **Springfield Land Corporation Loan Agreement**

The Draft Report highlights the Springfield Land Corporation Loan Agreement (Agreement) as an assistance measure that benefits the construction industry.

While the basis for the establishment of the Agreement as a mechanism to accelerate the delivery of social infrastructure services is accurately reflected in the Draft Report, the detail of the Agreement itself is incorrect.

The Draft Report states that Springfield Land Corporation (Springfield) is required to pay the State a contribution for each residential lot allotment, payable on completion of 10,000 residential allotments. This is incorrect.

Under the Agreement, Springfield is required to pay the Government for each residential allotment created (initially \$500, indexed annually by CPI). This is paid quarterly and has continued to be paid quarterly since 1995.

The total contribution of Springfield that is required in order to accelerate social infrastructure is \$4,227,000, indexed annually since the Agreement was signed in 1994.

If this amount has not been paid by the time the title of the 10,000<sup>th</sup> residential allotment is created, Springfield is required to pay any outstanding amount, together with interest calculated at Consolidated Fund's Cost of Funds rate, plus 3.5 per cent.

There are a number of other provisions in the Agreement, including a requirement for Springfield to deliver all subsequent infrastructure in the normal manner in accordance with policies of relevant State agencies, and the dedication to the State of land that is free of cost and encumbrances, including:

- 6.5 hectares of land for a primary school
- 12 hectares of land for a secondary school
- 3 sites of no greater than 3000m<sup>2</sup> in or near the Town Centre for police, ambulance and fire services.

The land dedicated to date would have a present day value of approximately \$90 million.

In exchange for Springfield complying with the Agreement and the delivery of 660 complete homes by 1995, the Government guaranteed the opening of the Springfield Primary School by first term 1997.

While the Property Council does not dispute the inclusion of the Springfield Land Corporation Loan Agreement in the Draft Report as an assistance measure, it is important that the final report released by the QCA on industry assistance measures accurately reflects the contents of the Agreement.



## 5. Conclusion

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The Property Council would like to again thank the Queensland Competition Authority for the opportunity to provide a submission on the *Industry Assistance Review Draft Report*.

If you have any further questions about the Property Council or the detail included in this submission, please contact Chris Mountford on 07 3225 3000, or [cmountford@propertycouncil.com.au](mailto:cmountford@propertycouncil.com.au).

Yours sincerely



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