

# 1 Economic recovery – enhancing productivity and competitiveness

## Features

- Reflecting Queensland's success in controlling the spread of coronavirus (COVID-19), the state's economic recovery is clearly underway and gathering momentum, with employment in Queensland having rebounded in October 2020 to pre-COVID-19 levels.
- The Queensland Government's swift and effective policy response, through a range of targeted support and stimulus measures, was appropriately focused on protecting the health of Queenslanders, supporting businesses and communities during the crisis, positioning businesses to recover and getting Queenslanders back into jobs.
- Built around *Unite and Recover: Queensland's Economic Recovery Plan*, the Queensland Government, working together with industry and the community, has identified nine key areas of focus that will help drive the ongoing recovery: Safeguarding our health; Supporting jobs; Backing small business; Making it for Queensland; Building Queensland; Growing our regions; Investing in skills; Back our frontline services; and Protect the environment.
- The Queensland Budget 2020-21 outlines the substantial commitments the government has made to support and drive the state's economic recovery, including in these key areas.
- However, as highlighted in the Economic Recovery Plan, Queensland's economic recovery from COVID-19 is a long-term challenge that requires a long-term response. In addition to maintaining the current momentum, the policy focus will continue to pivot to an emphasis on driving sustainable economic growth and job creation over the longer term.
- A pro-growth and pro-business policy focus, underpinned by driving ongoing improvements in the competitiveness and productivity of the state's key industries, will be critical to drive sustainable economic growth and restore Queensland's prosperity.
- The private sector supports around 84% of total employment in Queensland. Therefore, continuing to create an environment that supports business competitiveness and productivity is paramount to creating jobs, improving incomes, reducing the unemployment rate and improving the living standards of all Queenslanders.
- To achieve this aim, the government's economic strategy to boost growth and create jobs will include an increased focus on: building the state's productive capacity through investments in infrastructure, skills and fostering innovation; leveraging Queensland's natural and competitive advantages; maintaining an efficient and responsive public sector that continues to deliver essential services to all Queenslanders; reducing costs for business to enhance their competitiveness; and driving regulatory reform to support growth.

## 1.1 Queensland's Economic Recovery Plan

The Queensland Government's objectives for the community are built around the Economic Recovery Plan. These nine objectives are:

- **Safeguarding our health:** Safeguarding our health and jobs by keeping Queensland pandemic ready.
- **Supporting jobs:** Support increased jobs in more industries to diversify our economy and grow our existing strengths in agriculture, resources and tourism.
- **Backing small business:** Helping small business, the backbone of our economy, thrive in a changing environment.
- **Making it for Queensland:** Growing manufacturing across traditional and new industries, making new products in new ways and creating new jobs.
- **Building Queensland:** Driving investment in the infrastructure that supports our recovery, resilience and future prosperity.
- **Growing our regions:** Helping Queensland's regions grow by attracting people, talent and investment, and driving sustainable economic prosperity.
- **Investing in skills:** Ensuring Queenslanders have the skills they need to find meaningful jobs and set up pathways for the future.
- **Back our frontline services:** Deliver world class frontline services in key areas such as health, education and community safety.
- **Protect the environment:** Protect and enhance our natural environment and heritage for future generations and achieve a 50% renewable energy target by 2030.

The Queensland Government's Economic Recovery Plan highlighted initiatives totalling more than \$7 billion to support jobs, businesses and economic opportunities in Queensland.

Building on this support, the government has committed to a significant package of election commitments totalling \$4.3 billion over four years. These measures provide essential support for service delivery as well as continued resources for COVID-19 support and recovery.

First and foremost, key budget initiatives will continue to protect and safeguard the health of all Queenslanders, no matter where they live.

Further, a range of key initiatives outlined in the budget will support ongoing recovery of the state's businesses, in particular our vital small businesses, so they have the confidence to invest, grow and employ. These initiatives will drive growth and jobs across all key sectors of the economy, including driving growth in manufacturing and the state's other critical export-oriented industries that directly support one in four jobs across the state.

The success of Queensland's health response to protect Queenslanders has highlighted that the state's long-term economic success will also depend on our ability to protect the health and wellbeing of Queenslanders, including their mental health. In line with this commitment, the budget allocates total health funding of \$21.8 billion in 2020-21, including more than \$1.6 billion for essential health infrastructure projects across the state.

The government's key measures to build the productive capacity of the Queensland economy and leverage the state's natural and competitive advantages, through broad and targeted measures that support industry, business and protect the environment, are providing employment opportunities for hundreds of thousands of Queenslanders now and will also support future jobs.

The 2020-21 Budget outlines a substantial capital program of \$56.031 billion over four years throughout Queensland, which is estimated to directly support 46,000 jobs in 2020-21.

Growing the manufacturing base capabilities across both traditional and new industries will support economic diversity and resilience, as well as create new jobs.

The suite of programs included in the budget to support and drive this innovation and growth in manufacturing include the establishment of an Immersive Technology Hub, delivering programs to connect research and technology companies, an agreement with Vaxxas to manufacture needle-free vaccine technology, continuation of support to Rheinmetall Defence Australia's \$170 million facility at Redbank, and an almost \$1 billion investment pipeline to build trains in Queensland.

The state's regional economies and communities will play a key role in driving the state's recovery from COVID-19, building the state's resilience in the face of an ever-changing global landscape, and supporting ongoing growth in secure, highly-skilled and well-paid jobs. The government is investing in a wide range of programs and initiatives to support the state's regions, including: \$200 million additional funding for the Works for Queensland program; \$15 million for a regional tourism organisation fund, and funding for a range of major regional infrastructure projects (e.g. the Cairns Marine Precinct, the Wellcamp entertainment precinct near Toowoomba, Bundaberg flood levee, and the Rookwood Weir).

In addition, the government continues to invest in regions through the Building our Regions program, with approvals to date of \$348.3 million towards infrastructure and planning projects across regional Queensland. This has leveraged financial co-contributions of almost \$538.3 million from local governments, the Australian Government and others, to create a total value of capital expenditure of \$886.6 million. Small businesses across the state have also been among the hardest hit by the economic impacts of the COVID-19 pandemic. In response to the crisis, the government has implemented a number of programs and initiatives designed to support small businesses and their employees.

These include the \$1 billion concessional job support loan initiative, significant state government tax relief, up to \$196 million in Small Business Adaption Grants, and \$100 million in electricity bill relief. The budget also includes a new \$500 million Backing Queensland Business Investment Fund to target investments in businesses based in Queensland and create Queensland-based jobs.

Ongoing and targeted skills development is necessary to enable individuals to capitalise on both current and future employment opportunities, supporting them to achieve higher incomes, gain meaningful employment and improve their overall quality of life. The 2020-21 Budget continues the government's investment to ensure the state has a highly skilled and adaptable workforce, including significant investments in schools through programs such as the Building Future Schools Fund and Great Schools, Great Future commitment, as well as in training, such as the Free TAFE and Free apprenticeships initiatives.

The government continues to focus on frontline service delivery, ensuring Queenslanders, no matter where they live, can receive the support they need at the time they need it.

This budget continues that focus, with investments for more nurses, doctors and other health professionals, teachers, community service staff, firefighters, paramedics and police personnel.

## **1.2 Transitioning from support and stimulus to productivity and private sector growth**

In response to the unprecedented COVID-19 crisis, the Queensland Government's immediate policy focus was rightly on protecting the health of Queenslanders, supporting Queensland businesses, keeping Queensland workers connected with their employers and getting Queenslanders back into jobs through well-targeted support and stimulus measures.

This policy focus was consistent with the global consensus that governments needed to provide substantial fiscal stimulus and policy support to help counteract the direct and indirect impacts of the pandemic.

Reflecting Queensland's success in controlling the spread of COVID-19, and the resulting substantial relaxation of emergency health restrictions, there are clear signs that Queensland's economic recovery is underway and gathering momentum.

As outlined in Chapter 2, some key indicators of domestic economic activity are showing a return to pre-COVID-19 levels of activity while, most importantly, employment and hours worked have both rebounded in October 2020 to be higher than that recorded prior to the onset of the crisis. Indeed, Queensland is the only state to record levels of employment and hours worked in October 2020 that were higher than those recorded pre-COVID-19 in March 2020.

However, despite the economic recovery now underway in Queensland, the COVID-19 pandemic will have a significant and lasting impact on the state's industries, regions and communities.

Therefore, as highlighted in the Economic Recovery Plan, the government's policy focus will continue to pivot to a focus on improving the competitiveness and productivity of Queensland's key industries, in order to drive private sector growth and investment.

As highlighted in Box 1.1, this enhanced focus on bolstering the fundamentals that underpin the longer-term health of the economy is necessary to create strong, sustainable economic growth that generates increased employment opportunities for all Queenslanders, including our disadvantaged cohorts such as our youth.

The long-term economic prosperity of Queensland fundamentally depends on the state's ability to be a competitive exporter of goods and services to domestic and global markets.

As such, it will be critical to ensure the government's regulatory, taxation, industry and regional development policy settings are appropriate to position Queensland as a competitive and attractive location for businesses to establish, invest and employ. Continuing to create a business-friendly environment and facilitating productivity-enhancing investment will improve the capability and flexibility of businesses, workers and households to adapt, innovate and respond to market changes and future external shocks, including climate change.

The private sector currently supports around 84% of total employment in Queensland, with one in four jobs directly dependent on overseas and interstate trade. This highlights the need to create an environment that supports and facilitates business growth in order to create jobs and reduce the unemployment rate over time.

Strong private sector growth will also be critical to reduce the need for ongoing fiscal support and to drive a return to the sustainable government revenues needed to restore the state's fiscal position. This will ensure the state has the capacity to respond to new challenges, and maintain the provision of world-class essential services to all Queenslanders.

The government's pro-growth and pro-business economic strategy will include continued substantial investment in infrastructure, skills and innovation to build the productive capacity of the state's industries and workforce, while leveraging off Queensland's natural and competitive advantages to drive growth across all our regions.

Therefore, in pursuing all nine of the government's objectives for the community, driving longer term economic growth and prosperity will be underpinned by an enhanced focus on:

- Building Queensland's productive capacity, including through appropriate investment in productivity-enhancing infrastructure, skills and training, and fostering innovation.
- Leveraging the state's natural and competitive advantages, including in our regions
- Maintaining a responsive public sector to provide timely and efficient services to all Queenslanders.
- Reducing costs for businesses to increase their competitiveness.
- Regulatory reform to support growth.

Leveraging the substantial support and stimulus measures already announced to support the state's economic recovery, the government's focus on improving productivity and competitiveness will create more well-paid secure jobs, increase incomes, reduce the unemployment rate and improve prosperity and living standards for all Queenslanders.

### **Box 1.1 Why improving productivity and competitiveness is important**

Increasing productivity means Queenslanders can produce more and earn more for the same amount of work, thereby increasing incomes and living standards.

In 1901, the average Australian weekly wage was approximately \$340 (in 2019 dollars) for working an average of almost 50 hours a week. In November 2019, it was approximately \$1,660 for working on average just under 32 hours a week, and with substantial improvements in working conditions over that time. This means the average income of a worker in 2019 was almost five times higher than it was in 1901, despite working fewer hours.

There is a strong evidence base and international consensus that sustained improvements in productivity and competitiveness are necessary in the long run for continuous increases in employment, business investment, household real incomes and overall standards of living.

Building and maintaining momentum in private sector growth is especially important in the context of the continued recovery from COVID-19.

Increasing the productivity and competitiveness of key industries is particularly important in the Queensland context, given the state strongly relies on domestic and international trade to increase economic opportunities and create prosperity. In 2018-19, overseas exports accounted for 28% of Queensland's Gross State Product (GSP), while nearly one in four jobs across the state are directly dependent on interstate and international trade.

Increasing annual average productivity growth by only 0.1 percentage points over the remainder of this decade would add around \$4.9 billion to GSP in 2030, equating to around \$1,400 in additional income per Queensland household.

Key factors for lifting productivity include delivery and better use of infrastructure, enhanced supply chain linkages, innovation, improved agglomeration benefits through investment precincts, an agile and responsive business and regulatory environment, and a more skilled workforce, supported through investment in education, skills and training.

### 1.3 Building our productive capacity

Building the productive capacity of the economy, by investing in enabling infrastructure, skills and innovation, is critical to support economic growth and promote greater workforce participation.

#### 1.3.1 Productive infrastructure

The government's ongoing commitment to delivering and facilitating productivity-enhancing and catalytic infrastructure will improve productivity and connectivity across the economy.

Infrastructure connects individuals and households to employment opportunities and enables all Queenslanders to access essential services, such as health care and education.

Infrastructure improves business connectivity, productivity, and competitiveness; and connects supply chains to more efficiently move goods and services across industries, regions, the rest-of-Australia, and overseas. As such, it increases the broader longer-term productive capacity of the Queensland economy, which leads to the creation of more high-value long term jobs across industries and regions.

Further, the COVID-19 pandemic is likely to create opportunities for Queensland to enhance its position and reputation as a safe lifestyle destination for tourists, businesses and for potential migrants. The provision of essential and strategic infrastructure, including supporting greater access to reliable and affordable digital services, will boost the state's competitiveness in attracting investment, businesses and highly skilled workers.

As part of Queensland's Economic Recovery Plan, the government committed to maintaining the current state infrastructure investment program at \$51.8 billion over the four-year period from 2019-20 to 2022-23.

In line with this commitment, the 2020-21 Budget includes a substantial capital works program totalling \$56.031 billion over the four years to 2023-24.

Key capital works projects outlined in the budget include both a series of new fast-tracked infrastructure projects as well as the continuation of major existing projects, including the flagship Cross River Rail, M1 and Bruce highway upgrades, Gold Coast Light Rail Stage 3A, and the North Coast Line between Beerburrum and Nambour. Details on these projects and other infrastructure priorities are provided in the Capital Statement (Budget Paper 3).

The government's capital works program is important in directly supporting construction-related jobs in the short to medium term, with the capital works program estimated to directly support 46,000 jobs in 2020-21.

However, more importantly, this substantial investment in infrastructure will continue to support Queensland's economic recovery, resilience and future prosperity. As such, the government will continue to prioritise projects that align with the government's economic recovery priorities and are supported by strong business cases that deliver sustained economic and service delivery benefits beyond simply boosting short-term demand or providing immediate economic stimulus.

### **1.3.2 Investing in skills and training**

The government's Economic Recovery Plan recognises the importance of equipping Queenslanders with the skills needed in our future economy. The plan focuses on building workforce resilience and adaptability through facilitating upskilling and lifelong learning to support job opportunities for Queenslanders.

Continued and targeted skills development is necessary to enable individuals to capitalise on both current and future employment opportunities, supporting them to achieve higher incomes, gain meaningful employment and improve their overall quality of life.

Making better use of existing skills could offer significant benefits. Around 25% of Australian workers experience skills mismatch (i.e. they are not able to make full use of their education and training in their current employment), and it has been claimed that productivity could be increased by 6% if this mismatch could be reduced to an Organisation for Economic Co-operation and Development (OECD) best-practice level.<sup>1</sup>

Further, higher workforce participation is essential to support sustainable business growth and attract investment, as well as reduce the need for fiscal support, thereby reducing the need to raise additional government revenues and enabling a more competitive taxation regime to be maintained. This in turn will help enhance productivity and competitiveness across the economy.

As Queensland recovers from the COVID-19-induced national recession, creating job opportunities for, and improving the participation of, disadvantaged cohorts including youth, Aboriginal and Torres Strait Islanders, and women will be more important than ever.

Studies show that difficulties faced by jobseekers in entering or re-entering the labour market when economic conditions are challenging can have a long-lasting negative effect on individuals' earning ability, longer term job security and employment outcomes.<sup>2</sup>

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<sup>1</sup> OECD, 2015, *Labour market mismatch and labour productivity*

<sup>2</sup> For an international summary of this phenomenon see the OECD, 2016, *Society at a Glance*. Australian experiences are reviewed in Borland, 2020, *Labour market snapshot #58*.

Through the government's flagship Skilling Queenslanders for Work program, the government will continue to focus on investing in the skills needed to support private sector growth.

In the 2020-21 Budget, this commitment is complemented by a \$200 million investment in the future skills requirements of Queenslanders, including: funding for TAFE facilities; priority skills, pre-apprenticeships; capacity building in manufacturing, digital workforces, and social enterprise; and targeted support for disadvantaged cohorts.

Funding of \$21 million has also been committed to expand the Free TAFE and Free apprenticeships initiative to Queenslanders aged under 25 across priority qualifications.

Meanwhile, the Queensland Government will also continue partnering with the Australian Government to deliver the JobTrainer Fund to prioritise no or low fee training places for jobseekers, school leavers and young people to support them into jobs as part of the economic recovery from COVID-19.

To support future workforce capabilities and help improve workforce participation, the government continues to make significant investments in education, including through initiatives such as the \$1.7 billion Building Future Schools Fund, the Great Schools, Great Future commitment, and the Cooler Cleaner Schools Program.

### **1.3.3 Fostering innovation**

There is universal agreement that innovation directly leads to lasting improvements in productivity and competitiveness. Importantly, research and evidence clearly show that the effective diffusion of innovative ideas and approaches, and successful adoption of innovation, is the key to fostering further innovation across the economy. The Review of the National Innovation System notes that 98% of new technologies are currently sourced from outside Australia.<sup>3</sup>

In the post COVID-19 era, governments and firms are likely to have a renewed focus on opportunities for re-shoring, i.e. attracting and re-establishing business and activities that had located outside of Queensland and Australia.

The Advance Queensland program includes a range of programs targeting the creation of innovation, including a strong focus on start-ups. Through these initiatives, the government will continue to support the fostering, adoption and enhanced utilisation of innovation, including in relation to Queensland's trade-exposed industries where innovation is a key factor in maintaining or enhancing their international competitiveness.

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<sup>3</sup> Cutler, 2008, Review of the National Innovation System

## 1.4 Leveraging our natural and competitive advantages

Leveraging the state's natural and competitive advantages, including across the state's regional economies, is critical to unlock private sector investment, ensure long term sustainable economic growth and create jobs in traditional, emerging and new industries.

### 1.4.1 Promoting regional growth and prosperity

The importance of Queensland's regional economies is highlighted by the fact that approximately half of Queensland's 5.2 million people reside outside the greater Brisbane area. In comparison, only about 34% and 23% of New South Wales' and Victoria's populations, respectively, live outside the greater Sydney and Melbourne areas.

While Queensland's regions support different and diverse economies, each with their own unique industry structure, a number of regions are interconnected through critical supply chains and interdependencies which create strategic economic zones across regions.

Queensland's regional economic foundations are built on strong natural and competitive advantages, such as the rich resources which support mining and heavy manufacturing in the North West region, including essential industry and workforce linkages with Townsville and Cairns.

The importance of leveraging our natural and comparative advantages is highlighted by the significance of agricultural production, coal mining and LNG production in the Central Queensland and Darling Downs-Maranoa regions, while the natural beauty of Queensland's forests, beaches, reefs, and landscapes enable tourism to have a strong foothold in Cairns, the Whitsundays, and across the Queensland Outback.

Many of Queensland's regions are heavily dependent on trade to drive their prosperity, with around 80% of the state's merchandise exports being produced in regional Queensland. Further, more than half of the state's tourism businesses are located in regional areas and, in some regions like the Whitsundays, tourism directly accounts for one in five jobs.

Despite the disruptions of COVID-19 to the global economy and traditional supply chains, there has been an increasing demand over time for Queensland's valuable resources; our clean, green food and agricultural products; and the skills and services provided by Queensland businesses.

As such, continuing to support these strong, traditional industries and identifying further opportunities to leverage these natural advantages, including through productivity-enhancing public and private sector investment, will be crucial to further enhance the regions' productive capacity and competitiveness over the longer term. In 2020-21, around 58% of the \$14.8 billion capital works program will be delivered outside of the Greater Brisbane area, which will directly support 28,700 jobs.

### 1.4.2 Enhancing existing and attracting new manufacturing capacity

Queensland's manufacturers collectively contribute more than \$22 billion to the Queensland economy and employ around 165,000 persons. Growing the manufacturing sector in both traditional and new industries will not only support economic diversity and resilience but also create new jobs.

The Economic Recovery Plan clearly identifies growing manufacturing across traditional and new industries as a priority area of focus, with the government committed to supporting the sector in making new products in new ways and creating new jobs.

The Economic Recovery Plan aims to foster growth precincts across the state by bringing manufacturers, skilled workers and supply chains together to power regional development. A key element of the Plan involves the government working together with industry to adopt innovative manufacturing techniques to enhance global competitiveness.

Enhancing Queensland's manufacturing base will play a key role in the state's economic recovery from the impacts of COVID-19. As outlined in Box 1.2 (see section 1.6), the government's commitment to deliver affordable and reliable energy is one of the key elements of its plan to drive competitiveness and growth in Queensland's manufacturing sector.

As another example of the government's commitment to supporting the growth of manufacturing in Queensland, in October this year the Queensland Government announced a partnership with Boeing Australia that, pending orders, will deliver Queensland a state-of-the-art advanced manufacturing facility to produce Boeing's newest unmanned aircraft, known as Loyal Wingman, for global customers.

This will be the first military aircraft to be designed, engineered and manufactured in Australia in over 50 years. It is Boeing's largest investment in an unmanned aircraft program outside of the United States.

Further, as part of this budget, the Queensland Government will continue to provide targeted support to Queensland's manufacturing industry, including a strong focus on attracting new businesses to the state. Such initiatives are particularly valuable where through building industry capability and supply chain linkages, they deliver broader benefits to industry and the economy beyond the individual firm.

Among the suite of programs included in the budget are the establishment of an immersive technology hub, building train manufacturing capability, further investments in the hydrogen industry, and other initiatives that align closely with the Queensland Government's Biomedical and Defence industry Roadmaps.

## 1.5 Responsive public sector

The far-reaching social and economic impacts arising from the COVID-19 pandemic led to an immediate and targeted response from the government, to ensure the provision and delivery of essential services to Queenslanders, in particular health services, during this highly challenging period was not only maintained but also enhanced and expanded.

Specifically, this response involved the government enacting targeted measures that provided greater flexibility and support to communities, businesses and individuals to help mitigate the adverse impacts associated with the pandemic, particularly in terms of supporting positive health outcomes and ongoing economic recovery efforts.

The government responded quickly to the COVID-19 pandemic, committing \$1.2 billion to support the health response by expanding fever clinics, emergency department capacity, acute care services, and regional and remote services, as well as building strong contact tracing and testing capability and mobilising additional resources to support the health effort.

The government also worked with local manufacturers to address gaps in the supply chain, encouraging Queensland firms able to support the emergency health response and pivot to produce essential personal protective equipment.

As part of the government's ongoing commitment to support the delivery of world-class health services across the state, the budget includes \$20.2 billion for health services expenditure in 2020-21, including delivering expanded access to specialist outpatient services. Meanwhile, more than \$1.6 billion has been allocated for health-related infrastructure projects throughout the state in 2020-21.

While safeguarding the health of all Queenslanders remains the key priority, the government also continues to focus on frontline service delivery more broadly, ensuring Queenslanders, no matter where they live, can receive the support they need at the time they need it.

This budget continues that focus with significant spending on key frontline services, including funding for more nurses, doctors and other health professionals, teachers, community service staff, firefighters, paramedics and police personnel.

As the government's service delivery priorities shift from a focus on responding to COVID-19 to longer term service provision to support economic recovery and growth, agencies will continue to identify opportunities to improve the effectiveness and efficiency of government service delivery.

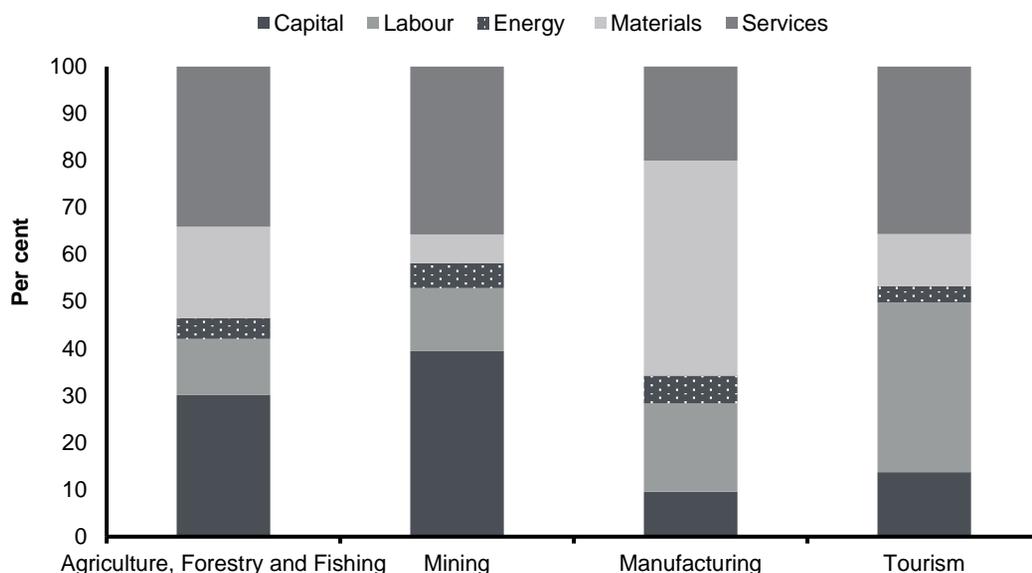
To this effect, the Queensland Government will continue to ensure realisation of better value and outcomes from existing government spending, which includes continued monitoring of procurement policies to ensure these are responsive, support Queensland businesses and local jobs, and ensure that services can be delivered in a way that improves quality and overall social and economic welfare outcomes.

## 1.6 Reducing costs for businesses to increase their competitiveness

The cost structure of businesses varies substantially within and across industries. However, all businesses use some mix of capital, labour, energy, materials and services to produce output and supply this output to market (see Chart 1.1). There are a diverse range of domestic and international factors which influence the prices of these inputs, with many of these being market driven.

A key input cost for many businesses is the need for reliable and affordable energy, a critical component of overall business costs across many of Queensland's key industries. In particular, affordable energy is crucial to support growth in Queensland's manufacturing industry and enable the value adding activities associated with leveraging the state's natural economic strengths, including in mining and agriculture (see Box 1.2).

**Chart 1.1 Cost structure for key Queensland industries<sup>1</sup>**



Note:

1. Shares of economic input costs as defined under the KLEMS approach: Capital (K), Labour (L), Energy (E), Materials (M) and Services (S).

Source: ABS *Experimental Estimates of Industry Level KLEMS Multifactor Productivity and Queensland Treasury*

The government is providing targeted support to businesses and industry to reduce the costs of doing businesses. In this budget, more than \$81 million has been allocated over three years to reduce the costs of irrigated water charges for the state's farmers and fruit and vegetable growing businesses.

Further, the government is committing a new \$500 million Backing Queensland Business Investment Fund to support targeted investment in Queensland businesses and help create local jobs.

## **Box 1.2 Affordable energy can improve competitiveness and productivity, and deliver jobs**

Energy costs, including electricity, gas and fuels, account for around 3% of total costs to industry.

However, energy costs can be much more significant for key industries exposed to global prices and for specific energy-intensive facilities, such as metal refining. Further, energy-intensive industries often operate in competitive global markets, meaning they are limited in the extent to which they can pass through higher energy costs.

While energy costs may appear relatively small as a direct proportion of total business costs in some cases, it is important to note the additional indirect impact on business costs through the cost of energy used in producing other inputs.

Energy costs are also important from a regional perspective, given energy-intensive industries such as mining, metals processing, and tourism (which is a significant user of fuel for transport) are generally significant contributors to overall economic activity in Queensland regions.

Treasury modelling shows that over the long run, a 10% reduction in electricity prices, and the resulting productivity gains, could lead to incremental annual growth of \$1.1 billion in GSP, up to 1,500 new jobs and \$730 million in additional exports.

The Queensland Government recognises the importance of reliable and affordable energy costs to boost businesses' and industries' competitiveness. Key reforms undertaken by the government are putting a downward pressure on wholesale electricity prices.

In 2016-17, with wholesale prices at elevated levels across Australia, the Queensland Government undertook a range of reforms to put downward pressure on electricity prices for households and businesses.

The government's *Powering Queensland Plan* established CleanCo as the state's new renewable energy generator to increase competition in the wholesale electricity market and place downward pressure on wholesale electricity prices. As part of the plan, the government also returned the Swanbank E gas-fired power station to service which increased generation supply at peak times, introduced a 50% renewable energy target by 2030, and announced a 400 megawatt (MW) renewable energy reverse auction.

These actions improved wholesale pricing competition, supported the renewable energy sector, and increased generation supply across Queensland. Approximately 2,500MW of large-scale renewable projects have since been built, and a further 2,100MW is under construction or financially committed.

This additional supply and improved competition have contributed to Queensland having the lowest wholesale price of all mainland states in the National Electricity Market over the past three years. According to the Australian Energy Regulator, Queensland's average quarterly

price for Q3 2020 was \$34 per megawatt hour (MWh), compared with \$82/MWh for the corresponding period in 2017.

The newly announced Renewable Energy Fund will build on this success by offering \$500 million to GOCs to invest in commercial renewable energy projects and supporting infrastructure, including in partnership with the private sector. This will leverage government funding and GOC capabilities to bring forward capital investment and jobs and increase electricity supply from renewable projects. The Fund complements the government's \$145 million investment to unlock three Renewable Energy Zones to support new solar and wind investment across the state.

### **1.6.1 Supporting small business**

Small business is a critical driver of economic activity, growth and employment in Queensland, with small businesses representing over 97% of all businesses across the state and employing around 42% of private sector workers in Queensland.

Significantly, small businesses across the state have also been among the hardest hit by the economic impacts of the COVID-19 pandemic, given several of the most severely impacted sectors of the economy, including tourism-related businesses and many non-essential services, tend to be in industries dominated by small businesses.

Importantly, to support the longer-term recovery and growth of small businesses, the government is supporting small business access to government procurement and also leading the way in terms of on-time payments to small businesses to improve payment practices and timeframes.

To further assist small business recovery, the 2020-21 Budget includes additional funding to permanently appoint a Small Business Commissioner and establish the Office of the Small Business Commissioner, as a dedicated specialist role to work with small businesses and advocate for them across the state.

## 1.7 Regulatory reform to support growth

The challenges faced by governments at all levels in responding to COVID-19 highlighted the need to ensure regulation is well-targeted, flexible, proportionate and designed in a way to minimise the regulatory burden on businesses and the community.

Just as importantly, given the need for many businesses to adjust in response to the crisis, it has highlighted the importance of a regulatory environment that does not impose unnecessary costs for businesses, or hinder or reduce business' capacity to respond to challenges and opportunities.

In response to COVID-19, the Queensland Government implemented a broad range of regulatory reforms to support businesses during the crisis period. Several of those reforms have subsequently been implemented as more permanent measures and further consideration is currently being given to the merits of other reforms being extended or made permanent.

The government is now committed to maintaining that momentum of driving regulatory reforms to support the state's economic recovery and sustainable economic outcomes.

In addition to reducing red tape, a strong focus on improving and simplifying Queensland's regulation where appropriate will aim to deliver a streamlined and responsive regulatory framework that:

- supports existing Queensland businesses to be more innovative, resilient and competitive
- attracts new business, skills and investment - bringing new opportunities and jobs
- minimises cost to government and frees up resources to invest more in frontline services.

As such, the Queensland Government's ongoing regulatory reform efforts will focus on ensuring that Queensland's regulations are necessary, effective and efficient – freeing up state resources to deliver essential services.

### **Box 1.3 Driving ongoing regulatory reform**

#### *Reforms implemented or being implemented*

The government implemented a number of regulatory reforms in response to the COVID-19 pandemic in order to reduce costs for business and allow for greater flexibility in the context of the emergency health restrictions. Examples included simplifying planning frameworks and allowing for the use of electronic methods of completing and executing various legal documents.

As part of ongoing efforts to drive economic recovery and growth, the government is assessing the merit and feasibility of continuing some of these reforms on an ongoing basis, as well as identifying new regulatory reforms that it will be able to implement unilaterally to reduce costs for businesses. Key areas in which options for ongoing reform are being investigated include planning, pharmacy and telehealth, signature and witnessing requirements for legal documents, and regulations related to tenancies.

Queensland is also participating proactively and collaboratively with other states and territories and the Australian Government through National Cabinet, the Council on Federal Financial Relations and other intergovernmental forums to investigate and implement national regulatory reforms focused on lowering the costs and burden of regulation, and making it easier for businesses to recover, invest and create jobs.

The government also appointed a dedicated Small Business Commissioner to work with small business, providing necessary support and advice needed by small business owners. As part of its recent election commitments, the government will establish an ongoing role for a Small Business Commissioner to advocate for small business owners across the state and help empower them to drive economic growth.

In line with the government's commitment to enhanced regulatory reform, the Queensland Productivity Commission will be integrated into Queensland Treasury to establish the Office of Productivity and Red Tape Reduction (OPRTR).

The OPRTR will remain focused on detailed reviews of complex policy matters and regulatory review, but will enable a stronger focus on issues, including regulatory reform, that will assist the Queensland economy to recover from the significant impacts of COVID-19.

The Small Business Commissioner will also engage closely with the OPRTR to continue to deliver small business regulatory reforms that will support the state's ongoing economic recovery.

Some of the government's key regulatory reforms to improve the productivity and competitiveness of Queensland businesses will include:

- Leveraging the expertise of the new OPRTR within Queensland Treasury to identify impediments to business investment and to work with agencies to identify opportunities for regulatory reform and to reduce red tape for business, including small business.
- Engaging pro-actively with other jurisdictions and delivering on national and inter-jurisdictional reforms that generate the most benefit for Queensland and support economic growth and jobs.
- Ensuring the ongoing effectiveness of the state's regulatory impact assessment system to ensure it is appropriately identifying and assessing the burden of any new regulation and minimising the introduction of any unnecessary regulation.
- Exploring new regulatory approaches to minimise the growth in regulatory burden, including ensuring that any new regulation is developed appropriately to minimise the burden on business and the community.
- Ensuring all agencies adopt a customer-focused and coordinated engagement with business, including an enhanced interface and information provision to business where possible to encourage and facilitate investment, complemented by a risk-based approach to business regulation, with a focus on streamlining approval processes and frameworks.

These regulatory reform measures will help deliver a contemporary regulatory framework that will help enhance the competitiveness of Queensland businesses, including those operating or competing in national and international markets, while also supporting longer-term improvements in productivity across all sectors of the economy.