



2025

OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION INDUSTRY

Interim report

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Foreword

The terms of reference for the inquiry into opportunities to improve productivity in the Queensland construction industry are broad; and necessarily so.

The construction of a house, hospital, school or stadium requires a high level of coordination across adjoining industries, supply chains and participants that are independent but potentially in active competition with one another.

Legislative and policy changes, investment priorities, timeframes, changing demographics, availability of capital and constrained supply chains are all part of the typical ebb and flow of a market. Generally, one or two conflicts or miscalculations can be managed by consumers, industry and/or government to smooth out or ameliorate the adverse or unintended outcomes.

In the case of the current Queensland construction industry, several of these factors have become or are, long standing intractable issues. However, what makes the current environment notable is that almost all these factors are occurring at the same time.

Due to the confluence of these issues, the usual policy responses are no longer as effective, stakeholders are frustrated, and some industry participants are opting to leave the Queensland market or the industry altogether. Each of these outcomes reinforce the enormity of the current productivity challenge.

Following the receipt of the terms of reference on 24 April 2025, the Queensland Productivity Commission commenced an initial round of consultation with key stakeholders and called for submissions and comments on matters relating to the terms of reference.

The level of interest from stakeholders has been very high and the Queensland Productivity Commission sincerely thanks all participants for their contributions to this inquiry to date.

This interim report sets out the Queensland Productivity Commission's initial analysis and research, key issues raised by stakeholders and potential areas for further analysis. This is a point in time report. That is, the Queensland Productivity Commission is keen to hear from stakeholders on whether its understanding of the issues and impact they are having on productivity is correct. Furthermore, due to the overwhelming level of feedback, the Queensland Productivity Commission will continue to review the information provided and further consider the issues raised by stakeholders.

This interim report also provides an opportunity for a further round of consultation.

Despite the enormity of the challenge, stakeholders have indicated they are keen to find solutions to increase productivity in the construction industry and deliver better outcomes for Queenslanders.

The Queensland Productivity Commission looks forward to hearing from, and continuing to work with, stakeholders on this important issue.

Have your say

On 24 April 2025 the Queensland Treasurer directed the Queensland Productivity Commission (the Commission) to undertake an inquiry into productivity in the construction industry.

To prepare this interim report, the Commission met with key stakeholders and sought initial comments and submissions on the inquiry's terms of reference.

The Commission thanks all participants for their contribution to this inquiry to date.

This interim report provides an opportunity for a further round of consultation. It outlines our preliminary analysis, reform directions and recommendations, and outlines where we are seeking further information from stakeholders.

The final report will be provided to the Queensland Government on 24 October 2025

Make a submission

The Commission invites all interested parties to make written submissions on the interim report.

Submissions are due by close of business **28 August 2025**.

They can be lodged online or via post:

<http://www.qpc.qld.gov.au>

Opportunities to Improve Construction Industry Productivity

Queensland Productivity Commission
PO Box 12078
George St,
Brisbane QLD 4003

Submissions will be treated as public documents and published on the Commission's website. Stakeholders can submit confidential submissions to provide sensitive information or remain anonymous for privacy reasons.

Please note, that as an advisory body, the Commission cannot investigate or act on individual matters, these should be referred to appropriate regulatory authorities.

Contact us

If you would like to discuss any matters relating to this inquiry or have questions on making a submission you can contact us by telephone (07) 3522 8469 or email enquiry@qpc.qld.gov.au.

Key dates

24 April 2025 Terms of reference

31 July 2025 Interim report released

28 August 2025 Due date for submissions

24 October 2025 Final report submitted to the Queensland Government

About us

The Queensland Productivity Commission is an independent statutory body that provides independent advice on complex economic and regulatory issues.

The Queensland Productivity Commission has an advisory role and operates independently from the Queensland Government — its views, findings and recommendations are based on its own analysis and judgments.

Further information on the Queensland Productivity Commission and its functions can be obtained from the Commission's website www.qpc.qld.gov.au.

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Summary

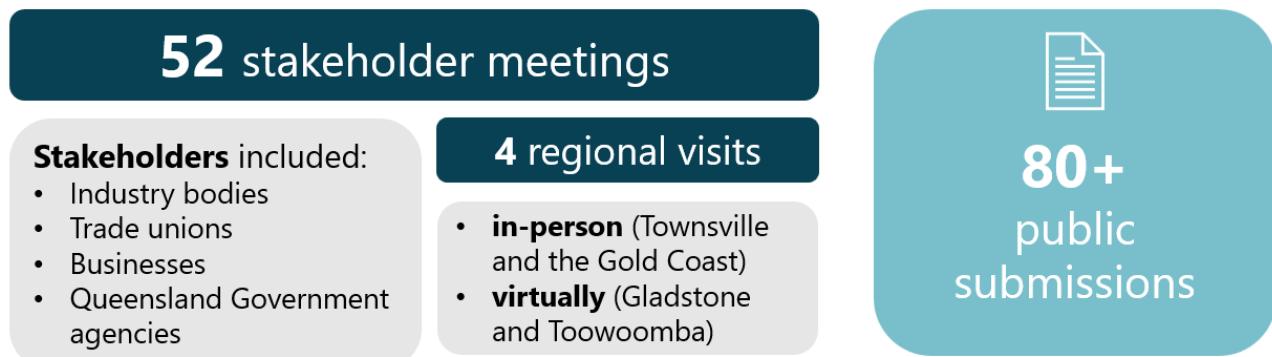
Key points

- Queensland's construction industry is facing significant challenges, with rising levels of demand, a tight labour market, ongoing supply chain issues, and declining productivity.
- Productivity growth in Queensland's construction industry has been weak. Although there have been periods of growth, labour productivity today is only 5 per cent higher than it was in 1994-95. In comparison, labour productivity in the market economy grew by 65 per cent over the same period.
- While there are difficulties in assessing more recent changes in productivity, it appears that, since 2018, construction industry productivity has declined by around 9 per cent. This means the industry today needs 9 per cent more labour than it did in 2018, to produce the same level of output.
- The causes of slow productivity growth appear to be related to two main factors:
 - Growing regulatory burdens — these burdens cut across land use, building activity and labour markets and seem to explain much of the long run slowdown in construction productivity.
 - Sub-optimal procurement practices — productivity losses since 2018 have been associated with a growing government capital works program and increasingly interventionist procurement policies.
- If Queensland is to meet the needs of its growing population, match infrastructure commitments and deliver the 2032 Olympic and Paralympic games, productivity across the industry will need to improve.
- This interim report proposes a reform program to improve productivity across the industry, focusing on four key areas:
 - Reforming procurement — there are opportunities to rationalise the current suite of procurement policies, including the permanent removal of the best practice industry conditions, and to improve project selection, sequencing and contracting.
 - Improving land use regulation — there are opportunities to improve the operation of the housing market by reducing unnecessary regulation of building form, streamlining approvals processes and undertaking reforms to increase opportunities for development, with a focus on increasing density.
 - Improving the regulation of building activity — there are opportunities to improve regulation under the National Construction Code, financial regulations, and the operation of workplace health and safety regulation, as well as removing regulatory barriers to modern methods of construction.
 - Improving labour market operation — given labour market shortages across the economy, it will be challenging to increase the construction labour force. However, there are opportunities to improve its operation through reforms to occupational licensing and reconsidering the requirement for labour hire licensing.
- There are also opportunities for the Queensland Government to commit to better regulatory and procurement practices. There are several examples where governments have announced regulatory changes or committed to large infrastructure projects without undertaking due diligence, consulting with stakeholders or ensuring agency or regulator capacity exists to effectively manage.
- Although there are solutions, the pathway to better productivity will not be easy or immediate. There are no silver bullets or quick fixes, and improving matters will take concerted effort to restore confidence and enable investment in the housing and other infrastructure we need.
- The Commission is seeking stakeholder feedback on this proposed reform program before we prepare our final report for the Queensland Government.

Our approach

Following receipt of the direction on 24 April 2025, the Commission commenced initial consultation with stakeholders and called for submissions and comments on any matters relating to the inquiry's terms of reference. These can be found on the Commission's website.

Figure 1 Initial consultation



The construction industry captures activities ranging across the housing sector through to heavy engineering. These activities are typically undertaken in a high-risk environment, requiring input or collaboration across many firms, workers, suppliers and regulatory/approval bodies. Effective coordination across this complex industry and its supply chains is necessary to ensure the timely delivery, performance and safety of what are often long-lived assets.

Stakeholder feedback to date, reflects the technical and organisational complexity of the construction industry, and has highlighted significant risks from policy or regulatory missteps or inaction.

Within this context, the interim report seeks to identify the main issues that are holding back productivity in the construction industry and preventing the construction of the homes and infrastructure Queensland needs over the next decade and beyond.

Not every policy or regulatory issue affecting the construction industry raised by stakeholders or the associated literature is addressed in the interim report. However, the initial round of engagement has confirmed there is a significant level of alignment on the key issues impacting productivity in the Queensland construction industry.

The preliminary reform directions and recommendations contained in the interim report focus on issues that:

- will significantly affect construction productivity
- are likely to provide significant economic gains for the community
- there is enough evidence to support a clear and compelling case for reform, and
- the Queensland Government can influence or drive outcomes.

The Commission seeks to test these preliminary reform directions and recommendations with stakeholders before the final report is submitted to Queensland Government in October 2025. The Commission will continue to assess the submissions and issues raised by stakeholders so far.

What stakeholders told us

The construction industry is grappling with multiple challenges, making it difficult to deliver the current pipeline of work. Stakeholders made it clear these challenges need to be confronted and addressed, if industry is to deliver the large pipeline of work ahead, and address Queensland's housing shortage.

Industry told us it is weighed down by excessive regulation that is confusing to navigate, duplicative, unnecessarily prescriptive, and often inconsistently or poorly applied with little oversight.

There are considerable issues of uncertainty arising from the inconsistent application of technical requirements throughout Queensland as well as the regulated processes that apply in an inconsistent manner across local government areas in Queensland. There is no singular legislative reference to understand what is required in relation to construction, with overlapping requirements arising in separate Acts and subordinate instruments, many of which are difficult to locate, particularly those which arise through individual local government policy adoption. (Australian Institute of Building Surveyors, sub. 49, p. 3)

The construction sector in Australia operates within one of the country's most heavily regulated environments ... However, stakeholders across the sector consistently report that while these regulations are fundamentally important, the current regulatory burden has become a significant barrier to innovation, efficiency, and adaptability. (Queensland University of Technology, sub. 73, p. 13)

Further, constant regulatory changes (some of which were retrospectively applied) have made it challenging for stakeholders to keep pace with change, with many arguing for better consultation and greater predictability.

A fragmented and inconsistent regulatory environment creates delays, increases costs, and undermines innovation. Clearer, more predictable systems are essential to improving construction productivity. (Australian Institute of Architects, sub. 26, p. 4)

In the housing market, slow approvals, convoluted regulatory obligations, restrictive zoning exacerbated by variations across local governments, and constantly changing requirements, are hindering the supply of land and housing where it is needed. This makes it more costly to deliver housing and prevents innovative solutions like modular and offsite construction techniques being adopted more widely.

The failure to understand and appreciate the makeup of the industry and the associated distinct business models utilised to undertake residential construction in Queensland, has in HIA's view, led to numerous examples of regulatory overreach by all levels of government, creating a regulatory environment that is overly complex and extremely difficult for the predominantly small business players who dominate the industry to navigate, leading to costly inefficiencies in the delivery of new homes. (Housing Industry Association (HIA), sub. 32, p. 2)

Council policies on height limits, lot minimums and character protections in residential zoning all severely limit the developable land to a handful of large sites, particularly in the inner city where transport access is barely relevant for access to employment. (Greater Brisbane, sub. 11, p. 2)

We are a small property developer who have been working in the middle ring northwest suburbs of Brisbane over the last 18 years. In that time, we have focused on the design and production of affordable homes, townhouses & units, and can attest to a lived experience of all of the issues that have gradually mounted to now make producing affordable homes essentially unachievable. (Camalee Investments, sub. 12, p. 1)

These issues are compounded by inconsistencies between planning and building codes that has led to rising regulation imposed at the local government level, often with unclear benefit. This has resulted in unnecessary complexity and uncertainty, increased administration and overhead costs, restricted scale, and increased the chances that builders need to complete reworks to rectify non-compliant work.

The current framework is riddled with confusion requiring complex and headache inducing zig zag reading between 2 legislative branches which contain multiple conflicting and similar definitions and numerous other subordinate documents which differ from region to region. (Erin Dunn, sub. 64, p. 1)

Further, there is often poor knowledge of regulatory instruments by approval bodies leading to adversarial engagement and inconsistent decision making.

It was disgraceful the delays that were imposed on us by competing Brisbane City Council departments, that cost us many hundreds of thousands of dollars extra in increased construction and financing costs ... The uncertainty means I would never do another development in Brisbane despite my extensive experience in the building industry. (John Tozer, sub. 18, p. 1)

These issues also create challenges for non-housing development, with stakeholders noting the different application of regulation across local government areas is creating unnecessary costs.

Consistent standards make it easier for contractors to optimise available materials and reduce the amount of time that needs to be spent on adjusting designs, materials, and processes. In order to be able to recycle materials like asphalt, aggregates, or steel, there has to be harmonised standards between jurisdictions. ... One example of standards differing between jurisdictions is Brisbane City Council taking a different approach to the use of gravel in pavement construction than other councils in Southeast Queensland. (Civil Contractors Federation Queensland Ltd., pers. comm.)

On larger sites, including high rise apartments and civil and heavy engineering projects, stakeholders told the Commission productivity has declined significantly in recent years, with many sites struggling to operate more than three days per week. Stakeholders say this is because of stop work conditions in enterprise bargaining agreements (EBAs). All stakeholders reinforced the importance of safety, but suggested workplace health and safety responses are not proportionate to risk, with entire worksites sometimes being shut down over isolated instances or being enacted as cover to achieve other industrial outcomes.

we support the underlying principles of BPIC and ROE provisions. Their original purpose—to strengthen safety, ensure fair employment conditions, and make construction a more attractive career path—remains fundamentally sound. However, the way these provisions are currently implemented on many large-scale projects has become overly onerous, producing frequent, whole-site stoppages even when the underlying issue is confined to a single zone and work could continue safely elsewhere. (anonymous, pers. comm.)

The current system of largely fixed RDOs, with no work on Weekends and Shutdown Weeks, has a significant impact on productivity, subcontractor cash flow, and workplace control. The most notable impact in recent months has been a 50% reduction in productivity, excluding inclement weather. (Workforce Advisory Lawyers, sub. 30, p. 2)

Work Health and Safety regulation is an area that has become increasingly weaponised by certain union officials and it is being used to achieve industry outcomes that have no relationship to the health and safety of workers. (Australian Constructors Association, sub. 39, p. 23)

The complexity of current workplace health and safety conditions for workers and contractors was also noted. This complexity has resulted in responses being at times heavy handed, as this ensures compliance is achieved irrespective of the costs incurred.

We sometimes encounter excessive and irrelevant safety requirements. For example, when installing a temporary fence in a shopping centre car park, our staff were required to complete a 60+ page safety induction covering high-risk topics like high-voltage work and mechanical ventilation — none of which applied to our task. (anonymous, comment 4)

Queensland Government procurement practices have been identified as playing a key role in poor productivity. Procurement policies are viewed as being excessively rigid and prescriptive and difficult to navigate, with poor allocation of risk. As a result, they discourage innovation and prevent competition, particularly from smaller and regional firms.

As Tier 2 contractors within larger project delivery frameworks, our members face unique challenges where procurement processes designed for Tier 1 head contractors create disproportionate administrative burdens for specialised surfacing services. Notably for example while Best Practice Industry Conditions have been paused, the underlying Queensland Procurement Policy and Best Practice Principles continue to create compliance frameworks that affect productivity. (Australian Flexible Pavement Association, sub. 54, p.13)

The key issues concerning Queensland procurement processes and contracts in the construction industry, revolve around their excessive length and cost, the complexity of requirements, their role as barriers to innovation, problematic risk allocation, and the need for government leadership in driving reform for increased productivity. (Queensland Major Contractors Association, sub. 66, p. 25)

Our members have reported that, when assisting government entities (e.g., local governments delivering State—funded projects, statutory bodies and government-owned corporations) with the conduct of procurement processes for construction work, it can be difficult for those entities to identify, understand and properly apply the various State government procurement policies in practice. (Queensland Law Society, sub. 63, p. 2)

The introduction of Best Practice Industry Conditions (BPICs) in 2018, are noted by stakeholders as a key contributor to poor productivity and competition. Although BPICs have been paused, the market impacts will be difficult to unwind as most of BPIC conditions are now reflected in the EBAs of most large construction firms.

BPIC has reduced the attractiveness of Queensland to contractors as it has resulted in delivery costs being substantially higher than other jurisdictions with little appetite from clients to accept these higher costs. Further, non-EBA employers are reluctant to enter the Queensland market where there will be pressure to meet the benchmark that has been set through BPIC. (Australian Constructors Association, sub. 39, p. 22)

The pre-qualification requirement had the practical effect of requiring these head contractors (and their subcontractors) to enter a union enterprise agreement ... The combined effect of the BPP and BPIC model was to restrict competition, value for money and productivity. (Master Builders Queensland, sub. 43, p. 11)

The majority of the industrial relations responsibility for industry leadership rests with the Queensland Government as the most significant client ... The Government must communicate with the builders, workers, and unions to deliver a fair private-sector agreement and a discounted public works agreement. Government action is now needed to secure Queensland's future, foster productivity, lower public costs and provide leadership through state government procurement. (Workforce Advisory Lawyers, sub. 30, p. 2)

Aside from the need to increase the capacity of the market by lifting productivity, there is general agreement that a greater level of coordination (and capability) is also required across government procurement and capital investment activities. Better coordination and market analysis will reduce the likelihood of public sector projects crowding out the market or exacerbating investment peaks and troughs. It would also support certainty of investment (especially in regional areas), boost confidence to invest in staff (e.g. apprentices) and innovation.

There is broad agreement there are not enough workers to deliver the forward investment pipeline. While there is a significant pipeline of apprentices, there is concern about low completion rates and also whether apprentices and graduates are being equipped with the right skills. Stakeholders also suggested that skills shortages could be at least partially addressed by better recognition of prior learning, including for migrants and those leaving the armed forces, and participation in the automatic mutual recognition of interstate licence holders.

Persistent skills shortages across all specialist trades represent a major constraint on the industry's capacity to deliver on Queensland's significant infrastructure agenda and contribute to overall economic growth. Coordinated and strategic efforts are urgently needed to promote careers in the specialist trades as viable, rewarding, and technologically advanced pathways. This includes improving apprenticeship attraction and completion rates, and creating accessible avenues for upskilling and new entrants, including those from underrepresented groups and mature-aged career changers. (AMCA, NECA & NFIA, sub. 47, p. 6)

Stakeholders told us that skills shortages are exacerbated by licensing that is failing to keep pace with industry needs, with many requirements seemingly aimed at restricting entry or competition rather than improving safety or quality. At the same time, stakeholders told us that licensing requirements fail to provide efficient mechanisms to keep workers in the construction industry up to date with requirements and obligations, provide opportunities to develop the skills they need for a modern workplace or help prevent costly defects from occurring.

The current licensing rules require all pest controllers in Queensland to hold a QBCC occupational licence—even if their work has nothing to do with building or construction. (Australian Environmental Pest Manager's Association, sub. 61, p. 1)

Finally, stakeholders called for greater confidence for the industry. This includes calls for greater regulatory clarity and certainty, efficient and effective enforcement of obligations and improved safety, both in terms of the work conducted but also to ensure that workplaces are free from harassment and intimidation.

...the biggest challenge for detached home builders is the supply of shovel ready land, whilst the biggest challenge for the low-med rise multi-unit builders is gaining a commercially viable approval from Local Government, and for high rise Apartment developers the uncertainty about the cost of construction driven by industrial relations and labour shortages. (HIA, sub. 32, p. 2)

Consistent, transparent, and effective enforcement of licensing and technical standards by the QBCC is crucial for maintaining a level playing field and public confidence. However, industry members report challenges in obtaining clear and timely advice and concerns about the consistency of enforcement actions. A more collaborative and educative approach from the QBCC, coupled with robust action against genuinely non-compliant or unlicensed operators, would foster greater industry productivity. (AMCA, NECA & NFIA, sub. 47, p. 7)

To address the ongoing disputation and lack of compliance with work health and safety duties about effectively managing the risk of heat stress on Queensland construction worksites, the WHS Regulator should develop in consultation with industry and unions Guidelines and a Code of Practice outlining prevention measures for heat stress in the construction industry as a matter of priority and to ensure that all PCBU's in construction can comply with their duty of care to ensure the health and safety of all workers, so far as is reasonably practicable. (Queensland Council of Unions, sub. 59, p. 45)

The above issues are not specific to a single part of Queensland. However, their impact may vary significantly across locations due to the availability of workforce and training facilities, the quality of regulatory and policy instruments used by local government authorities and the physical presence of regulators.

Notwithstanding the above, in regional Queensland there is a heightened level of concern around the lasting impact of BPICs. Whilst the pausing of BPICs and revision to the Hospital Capital Program address some of these concerns, stakeholders tell us, for example, that recent changes to the Energy Queensland enterprise bargaining conditions have subjected contractors to BPIC-like requirements, despite the proactive measures they have taken to avoid them.

... for these works all accredited contractors must pay all their workers for all work undertaken in-line with Energy Queensland's current EBA. Effectively turning the electrical works on any contestable project into a union site. This will see a 20-30 per cent increase in costs on all contestable projects and on the contestable portion of connection applications and relocation projects (generally limited to the trenching/conduit/civil works portion of these projects). (Master Builders Queensland, sub. 43, p. 24)

Some stakeholders were only prepared to provide confidential or verbal submissions, stating a fear of reprisal, in the form of intimidation, loss of work, adverse treatment during approval or regulatory processes and/or procurement processes. It is not the role of the Commission to comment on the accuracy of these statements. However, it should be noted these concerns were not isolated to a small number of stakeholders or location.

While many problems were identified, stakeholders were generally confident that better outcomes are possible. There is broad agreement amongst stakeholders, for many of the solutions identified, on how to address the problems facing the industry.

Diagnosing the key problems

The construction industry

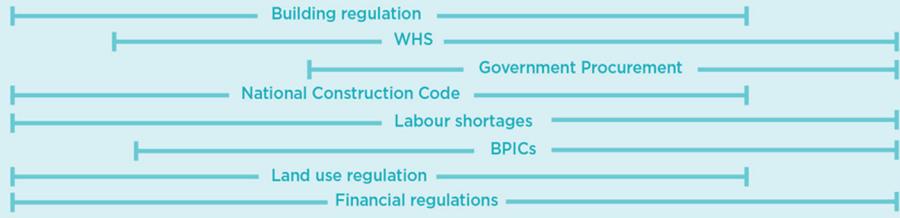
The construction industry is large and diverse with a complex range of issues cutting across sub-sectors of the industry (Figure 2).

It is one of the largest industries in Queensland, accounting for 7.9 per cent of Queensland's total output and employing almost 10 per cent of the state's workforce across a range of activities from dwelling renovations to highway construction.

The construction industry includes:

- building construction, which includes detached homebuilding, multi-unit and high-rise apartment construction, renovations and non-residential building activities such as industrial construction, office building and other commercial building
- heavy and civil engineering construction, which includes the construction of large-scale infrastructure projects, such as roads, bridges, mine sites, railways and utilities
- construction services which incorporate specialised construction activities that are usually performed by subcontractors, such as plumbers, carpenters, electricians, tilers, plasterers and landscapers.

Figure 2 The construction industry is diverse, with key issues affecting each part differently

	RESIDENTIAL BUILDING CONSTRUCTION	NON-RESIDENTIAL BUILDING CONSTRUCTION	CIVIL CONSTRUCTION
Project type	Detached houses Townhouses and duplexes Apartments and multi-residential units Renovation activity	Office towers and commercial complexes Hospitals, schools, government buildings Factories, warehouses, retail developments	Railways, airports Roads, highways, bridges, tunnels Water supply and sewage systems Mines and dams Utilities and energy infrastructure
Sub-sector characteristics	Mix of small and large contractors Traditionally lowest average wages of the three sectors	Mix of small and large contractors Faces competition with the mining industry and interstate projects Workforce tends to remain within each industry from project to project	Large multinational firms and specialised civil contractors
Key issues identified	 <p>Building regulation</p> <p>WHS</p> <p>Government Procurement</p> <p>National Construction Code</p> <p>Labour shortages</p> <p>BPICs</p> <p>Land use regulation</p> <p>Financial regulations</p>		

Source: QPC based on stakeholder consultation and Queensland Unions submission (sub. 59, pp. 7-8).

There are strong links between the outputs from each part of the construction industry. For example, residential development requires access to infrastructure supplied by the civil construction industry.

The industry also relies heavily on the services and manufacturing sectors for inputs to support production.

The industry is also highly leveraged, with projects typically facing high up-front costs, supply chain risks and cash flows dependent on hierarchical contracting chains. As a result, the industry has higher insolvency rates. In the 2024 financial year, 297 construction companies collapsed, accounting for 23 per cent of all insolvencies in Queensland.

Industry is not keeping pace with demand

Queensland's construction industry is facing high levels of demand but is struggling to keep pace. The pipeline of works has more than doubled since December 2020, while the total work done has increased by only 56 per cent. As a result, the difference between work done and yet to be done has increased from \$12 billion to \$34.3 billion.

Queensland's growing population is creating demand for housing and supporting infrastructure. Historically high levels of capital investment are also required to support an aging population (such as the Hospital Rescue Plan), asset renewals (e.g. electricity and water), the 2032 Olympic and Paralympic Games and the energy roadmap.

New housing supply is well below the levels needed to meet demand. Affordability has declined rapidly over the last five years, and dwelling construction is tracking well below the Queensland Government's housing targets.

Box 1 The investment pipeline in context

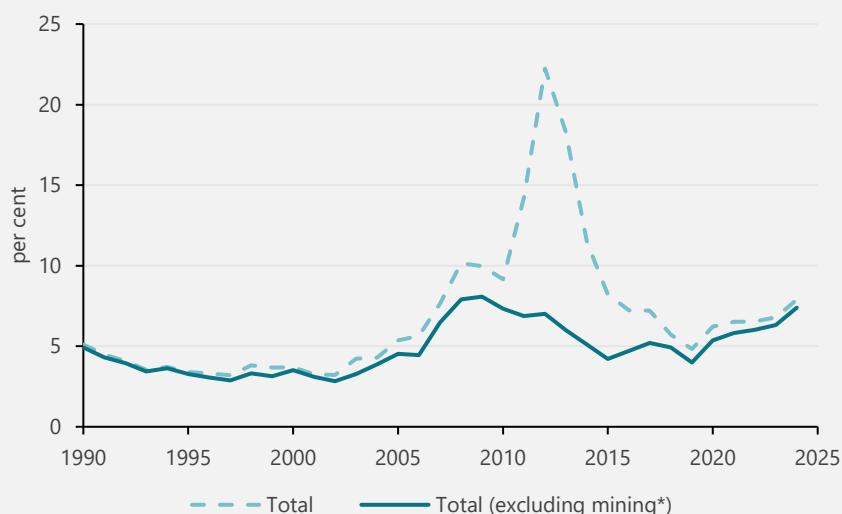
Although demand for construction work in Queensland is high, it is not at record levels. During the liquified natural gas (LNG) investment boom Queensland was able to sustain a higher level of construction activity. As shown in the figure below, the pipeline of works in Queensland is currently around 32 per cent of gross state product, well below the decade average of 47 per cent over 2005-06 to 2015-16.

In the past, Queensland's construction industry was also able to complete more housing. During the mid-1990s dwelling completions peaked at around 50,000 dwellings per year. Over the last 5 years, completions have averaged 34,000 dwellings per year, despite the construction industry being much larger. The construction industry today has twice the number of workers it did in 1994-95, and the building sector employs two thirds more workers than it did in 1994-95.

The reason we could complete more work in the past was because productivity in the construction industry was higher than it is today.

Figure 3 The current pipeline of work is not unprecedented

Construction work yet to be done as share of GSP, Queensland



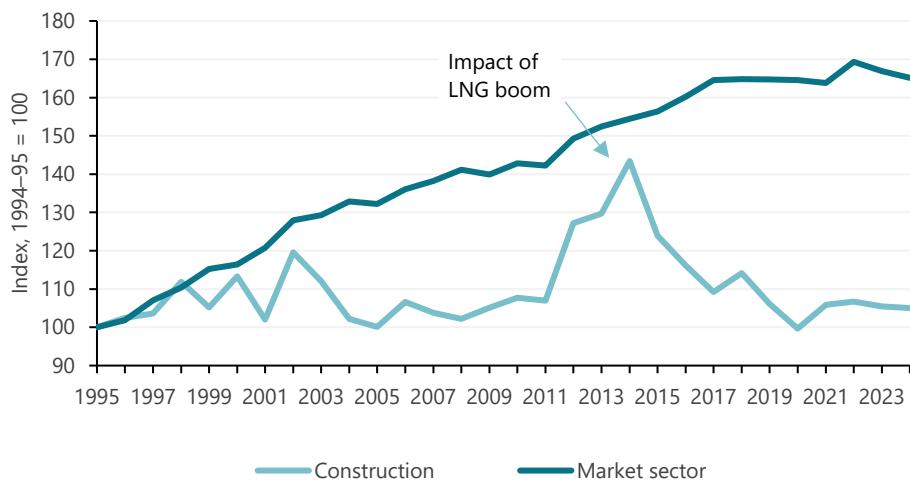
Source: QPC; ABS 2025b.

Note: Construction work yet to be done is the sum of building work and engineering construction work yet to be done. Total excl. mining is total construction work yet to be done less heavy industry (which mostly relates to mining).

Productivity outcomes are poor

Generally, productivity growth in the construction industry has been poor. As shown in the figure below, when considered over long periods, aggregate construction productivity has mostly been stagnant. Productivity in the Queensland construction industry today is only 5 per cent higher than it was in 1994-95. In comparison, productivity in the market economy grew by 65 per cent.

Figure 4 Productivity growth in the construction industry has been well below the rest of the economy
Labour productivity indices, Queensland



Note: Market sector labour productivity is from the ABS, Queensland construction is a QPC estimate. For consistency with official statistics, Queensland's construction inputs are constructed by apportioning labour account hours worked with labour force data.
Source: QPC based on ABS 2024a, 2025g, 2025k, 2025e.

However, not all parts of the construction industry have seen the same productivity outcomes.

While robust state-level data is not available, national data shows that different parts of the industry have different productivity levels and have grown at different rates:

- Heavy and civil engineering has the highest productivity levels and has also performed strongly, largely growing in line with the rest of the economy since 1994-95.
- Construction services have been stagnant, with no noticeable change in labour productivity since 1994-95.
- Building construction has performed poorly, with labour productivity declining by around 6 per cent since 1994-95.
- Although data is not available for dwelling construction (a subset of building construction), recent Productivity Commission research (2025) suggests that labour productivity fell by 12 per cent between 1994-95 and 2022-23.

Most of the variation in aggregate productivity for Queensland's construction industry is explained by compositional changes in the industry. For example, the increase (and subsequent decline) in productivity from 2011, shown in the figure above, is almost all due to the rapid growth (and subsequent decline) in heavy and civil engineering activity associated with the LNG investment boom.

However, from 2018 there appears to have been a significant decline in productivity across the construction industry in Queensland that cannot be explained by compositional change (see box below).¹ Although there is some uncertainty about the exact magnitude of this decline, the data suggest productivity in the construction industry has fallen by around 9 per cent since 2018.

¹ After 2018 there was a compositional shift towards the more productive heavy and civil engineering. All other things held fixed; this should have helped to support aggregate productivity growth.

To put this number in perspective, if labour productivity in the construction industry had been maintained at 2018 levels the industry could have produced 9 per cent more output with the same number of workers. This increased output would have been enough to address the average worker shortages estimated by Construction Skills Queensland (CSQ 2025b).²

If this additional capacity had been funnelled into housing construction from 2018, Queensland could have delivered around 77,000 additional dwellings — more than enough to address the current shortfalls in supply.

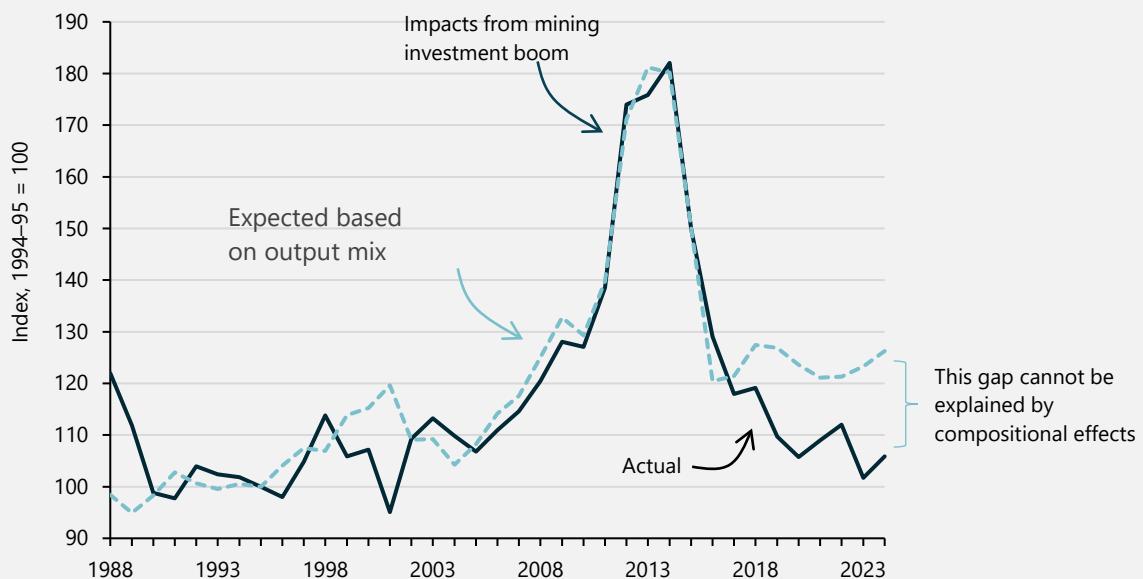
There is no evidence the recent productivity decline has been accompanied by improvements in other outcomes. For example, data indicate there has been no significant shift in safety outcomes since 2018.

Box 2 Unpacking short run productivity outcomes

Understanding short run productivity movements in the construction industry is complicated by compositional effects. Because productivity levels vary enormously across different types of construction activity — civil engineering activity is significantly more productive than house building — changes in composition can cause large movements in measured productivity.

However, holding compositional effects constant, as in the figure below, can help to unpack the productivity story. It shows that compositional shifts explain most of the large changes in work done per hour worked (a close approximation of labour productivity) until around 2018, when it continued to decline, despite no significant changes in composition. This infers that the recent decline in productivity in Queensland's construction industry cannot be explained by compositional effects.

Figure 5 Experimental estimates - work done per hour worked, Queensland



Source: ABS; ABS 2024a, 2025i.

Note: Labour productivity is approximated by work done per hour worked. For the dotted line, labour productivity is held constant for each component of construction activity.

² CSQ's Horizon 2032 report estimates an average worker shortfall of 18,200 over the 8 years from 2024-25, based on their forecast of the construction pipeline to 2032.

Likely causes of poor productivity performance

Slow productivity growth is not a problem that is unique to Queensland (although the recent declines may be).

Over the last 30 years, construction productivity has mainly been flat across Australia and in other developed countries. There are exceptions and there have been periods in which construction productivity grew quickly, suggesting the construction industry is not inherently unproductive, but has become less so more recently.

Although empirical evidence on the causes of slow productivity growth is incomplete, it suggests that regulation is likely to have played a key role:

- Evidence from the United States of America and New Zealand suggests the introduction of more restrictive land use regulation may have made it more difficult and expensive to construct housing and other buildings.
- Research suggests there have been significant increases in the complexity of building regulation, which, in turn has increased overheads and construction costs.
- Regulatory design, including regional variations, seem to have created incentives that keep the industry fragmented and dominated by smaller firms, who are less likely to innovate and tend to have lower productivity.
- Where regulators have poor incentives, or are underfunded to perform their roles, this can result in unnecessary delays, high administrative costs and poor oversight, all of which can undermine productivity.

This empirical evidence is consistent with the evidence provided by stakeholders. Examples were provided of poor regulatory design and regulator behaviour across a broad range of areas, including fragmented regulations relating to building activity, slow approval times, disproportionate responses to risk and, in some cases regulations that do not appear necessary. There was also a general sense from many stakeholders that the increase and pace of regulatory change was too fast for the industry to keep up with.

Regulations have at times been introduced without following good practice (that is, the application of the Queensland Government Better Regulation policy or equivalent and demonstrating the proposed change will deliver the greatest net benefit to the community). For example, recent changes to the National Construction Code (NCC) have been adopted without a case being established that they would provide a net benefit to the community. Similarly, Queensland introduced its trust accounts framework without undertaking a regulatory impact assessment. Poor regulatory practices can create unnecessary costs, risk unintended consequences and undermine confidence in regulatory processes.

While regulatory issues seem to be a key driver of poor performance over longer time periods, more recent productivity declines seem to have been materially impacted by policy choices relating to Queensland Government procurement.

The Queensland Government has a large and growing capital program, but insufficient attention has been given to how procurement practices or new projects are impacting the market. This has been exacerbated by poor project selection, with commitments made before projects have been fully costed or sometimes even establishing that they are required or the best solution.

Government procurement practices, particularly BPICs, have created unnecessary inefficiencies in the way government projects are constructed. These inefficiencies are being observed beyond government projects, with BPIC-like conditions now seemingly embedded in the broader industry through the EBAs of most Tier 1 firms and many sub-contractors. These conditions appear to have reduced productivity, with proponents telling us many sites are now only operating three days per week.

Poor productivity outcomes are affecting the commercial viability of the industry, including the residential and non-residential markets. This has significant repercussions for the broader community in the form of reduced housing affordability and delayed and expensive infrastructure.

Preliminary reform directions

Given recent productivity declines, the Queensland Government should initially aim to restore construction productivity to 2018 levels. This would help prioritise the necessary changes needed to set the industry back on a sustainable pathway of productivity growth.

Significant reform effort will be required to achieve this.

While there are no easy solutions (and this inquiry will not provide all the answers), the preliminary reforms outlined in this interim report provide key mechanisms for turning around poor productivity performance. Further, getting the policy settings right will restore industry, consumer and investor confidence and reduce the costs of future investments in needed housing and infrastructure.

However, the suggested reforms will be challenging to implement and will take time to yield the desired effects.

The preliminary reforms largely fit into four key areas:

- improving government procurement policies
- improving land use regulations, including approvals
- improving the regulation of building activity
- improving labour market operation.

Many stakeholders raised concerns that industrial relations, including issues relating to EBAs were having a significant negative impact on construction productivity. These matters are largely beyond the direct control of the Queensland Government, either because regulation is covered under Australian legislation, involves direct negotiations between firms and workers (or their representatives) and, in the case of EBAs, seem to be in place until mid-2027 or longer.

For this reason, the Commission has not made any recommendations that directly relate to industrial relations matters or EBAs in this interim report.

Nevertheless, while the Queensland Government does not control direct policy levers relating to EBAs, many of the negative impacts reported by stakeholders are likely to be mitigated indirectly through the preliminary reforms proposed in this interim report.

Stakeholders also raised concerns about building defects, and the impact re-works are having on productivity. While the Commission has not made any preliminary recommendations on the regulation of building defects, consideration has been given to how other reforms are likely to reduce the possibility of mistakes and expensive re-works.

The inquiry's terms of reference ask the Commission to consider how reforms should be implemented.

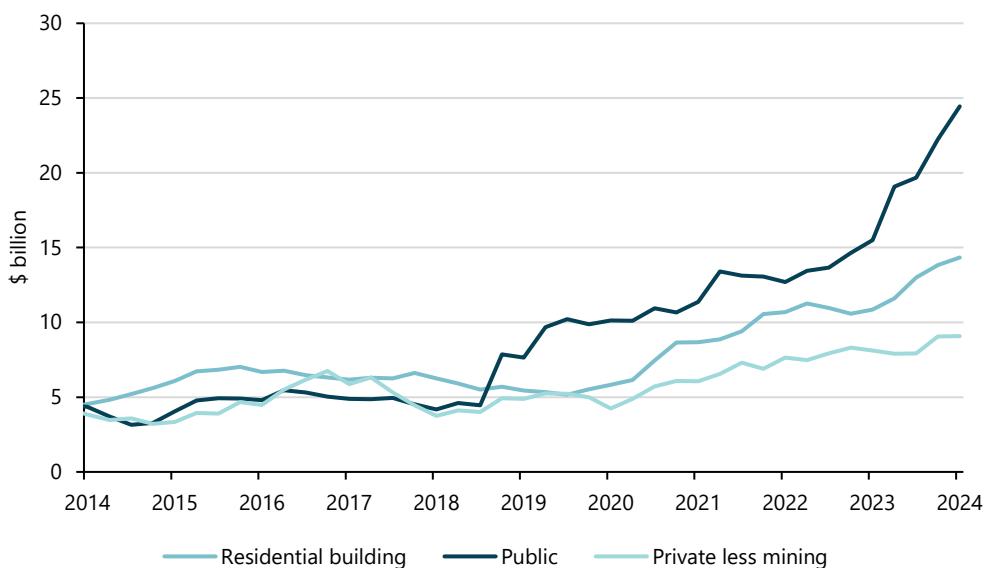
Implementation issues, including prioritisation and sequencing, are not considered in this interim report but will be considered in the final report.

Improving procurement

The Queensland Government's capital program makes up a large share of construction activity and this program has been rising rapidly over recent years. Planned capital works over the forward estimates has almost doubled since 2022-23 and are expected to cost almost \$117 billion over the period 2025-26 to 2028-29.

Figure 6 Government procurement is influencing a greater share of construction activity

Building and engineering activity yet to be done, Queensland, nominal



Source: QPC based on ABS 2025b, 2025d

Note: Private includes all private engineering construction and non-residential building work yet to be completed. Heavy industry (which is mostly related to mining) has been omitted because the LNG investment boom during the early 2010s included significant quantities of imported pre-assembled modules, which significantly distorted engineering construction activity statistics during this time.

Government procurement practices are having a substantial influence over the construction market, including its productivity, through three main mechanisms:

- directly, by imposing conditions on how site works are conducted and tendered for
- indirectly, by influencing standards and expectations across the broader construction market
- by inflating demand for construction when the construction industry is at capacity (this can also affect productivity where it creates labour shortages that prevent the efficient sequencing of work).

Better project selection and sequencing

There are opportunities to improve project selection and sequencing of the Queensland Government's capital program:

- While not unique to Queensland, there is a general lack of transparency around the selection of projects. This is likely to reduce incentives for good decision-making.
- There are several examples where large projects appear to have been announced or approved without a robust business case demonstrating they would provide net benefits to the community. These include cases where no cost benefit analysis appears to have been conducted, projects have proceeded despite failing a cost benefit analysis or where benefits appear to have been exaggerated or costs understated.
- There does not appear to be any agency or governance committee with clear responsibility for overseeing and coordinating the Queensland Government's capital program to ensure its sequencing is commensurate with market capacity and project priority.

Improving the way government selects and sequences future projects will be essential for improving future infrastructure outcomes in Queensland.

While improving project selection and sequencing has proven challenging for governments in every jurisdiction, the evidence suggests that good governance processes, robust cost-benefit analyses and high levels of transparency can help to improve outcomes.

Various institutional, assessment or governance arrangements have been adopted by jurisdictions to try improving the assessment and prioritisation of infrastructure projects with varying success. For example, the Queensland Government previously established Building Queensland as an independent statutory body to improve the quality of business cases and investment decisions. In New South Wales (NSW), Infrastructure NSW provides independent and expert advice on the identification, prioritisation and oversight of the capital programme. It also develops infrastructure policy reform options to drive a sustained programme of project delivery.

The Commission is considering options to improve project selection and sequencing, and would like to hear stakeholder views on:

- the extent to which various institutional, assessment or governance arrangements can be effective mechanisms for improving decision making on public sector infrastructure
- design features which are likely to make any institutional, assessment or governance arrangements most effective.

Removing multiple objectives from procurement policies and focusing on value for money

Selecting projects based on value for money is important for ensuring that taxpayer money is spent on infrastructure that delivers the greatest net benefits to the community. When projects are selected based on other metrics, this is likely to result in lower productivity and higher project costs — which must be funded either through higher taxes (now or in the future) or reduced spending in other areas.

Queensland Government procurement policies have moved beyond a focus on achieving value for money for the community. Current Queensland Government procurement policies:

- Impose numerous conditions on contractors that are unrelated to value for money — while the objectives of many of these conditions may be beneficial, it is not clear procurement policies are the most efficient policy instrument to deliver these objectives.
- Seem unnecessarily complex and prescriptive for contractors, with more than 15 overarching and subordinate policies, totalling more than 1,000 pages. Stakeholders have told us this imposes a significant administrative burden on tenderers and their subcontractors, and disproportionately impacts smaller firms, particularly those in regional areas.
- Contain ambiguities that reduce transparency by providing procuring agencies a certain level of flexibility and discretion in procurement decision-making. While some discretion can be beneficial, stakeholders told us this creates uncertainty, may have restricted the entry of some participants, particularly those in remote and regional areas, and introduces opportunities for subjective decision-making.

These policies appear to have incentivised contractors in some sectors to reorient their priorities away from delivering projects at lowest cost. This has resulted in inflated bid prices and lower site productivity, culminating in elevated project and delay costs for the Queensland Government, and ultimately the community.

There are likely to be benefits from ensuring Queensland Government procurement policies have a clearer focus on achieving the greatest value for money (i.e. whole of life costs and performance outcomes) for the Queensland community. While the Commission is seeking stakeholder views on current policy objectives, based on current stakeholder feedback, there appears limited justification for keeping other objectives in procurement policies.

Best Practice Industry Conditions

There is little evidence to support maintaining the BPICs in their current form. While Queensland Government has announced a pause on BPICs, there appears to be a strong case for permanently removing the policy.

A principal rationale for introducing BPICs was to improve worker safety. However, data suggest there have been no material improvements to safety outcomes across the Queensland construction industry since their introduction. A preliminary review suggests that many of the workplace health and safety provisions in BPICs are either covered already in existing legislation and codes of practice or relevant awards.

Stakeholders from across the industry told us that, since their introduction in 2018, BPICs have caused a significant slowdown in site productivity on public construction sites and had enabled problematic conditions to creep into the private sector, including through EBAs. Some stakeholders argue that BPICs have only had a limited impact on wages, however assessing competing views is difficult given the close links between BPICs and EBAs.

The Commission has undertaken modelling to assess the economic impact of BPICs, if they remained in place going forward.³ This modelling shows that, if BPICs were in place to 2029-30:

- They are likely to increase project costs by between 10 and 25 per cent, depending on the assumptions used.
- There are likely to be effects on other parts of the construction industry, with a significant impact on the housing market. The analysis suggests a continuation of BPICs may result in up to 26,500 fewer homes being constructed and rents being 8.3 per cent higher than they otherwise would be.
- While the modelling shows there are significant benefits to construction workers (predominantly from higher wages and reduced working hours), the policy is likely to impose net costs on the community of between \$5.7 and \$20.6 billion.
- Even if wages are assumed to be unaffected by BPICs, the net costs are still significant due to lower on-site productivity such as site stoppages. The modelling suggests under this scenario the net economic impacts would be between \$4.4 and \$18.4 billion over the modelled period.

While there are significant uncertainties in the modelling, the key results hold under a wide range of plausible assumptions. Under all assumptions tested, the application of BPICs to the forward capital program would have significant negative impacts on the broader community, including reduced housing affordability.

Table 1 Model results, net impacts, \$ million, NPV, Queensland

	Low scenario	High Scenario
Construction workers	5,506	11,104
Taxpayers	-8,177	-19,856
Community	-725	-2,901
Landlords	1,416	4,863
Existing homeowners	476	2,069
Renters and first home buyers	-2,760	-10,727
Businesses	-1,435	-5,140
Total	-5,698	-20,588

Source: QPC

Note: The low scenario adopts optimistic assumptions and assumes BPICs is applied flexibly on affected sites. The high scenario uses a more literal interpretation of BPICs and assumes they are applied less flexibly on affected sites. Full details of the modelling are provided in Appendix C.

³ The modelling considers the world with BPICs against a counterfactual of a world without BPICs.

Based on the potentially high costs and limited evidence of public benefits, BPICs should be permanently removed.

However, as noted by many stakeholders, BPIC-like provisions are now embedded in EBAs until mid-2027 for most Tier 1 contractors and for many subcontractors who undertake work on government projects. Further, industry stakeholders told us that, given the operation of the market, without further action there may be few incentives for firms to negotiate more productivity-favourable conditions in future EBAs.

On this basis, the removal of BPICs alone is unlikely to provide the necessary reset required to shift the construction industry to an environment conducive to productivity growth.

There appears to be a consensus on the need for government, industry and unions to develop mechanisms for reviving site productivity without compromising safety outcomes.

One option put forward by several stakeholders is for a negotiated set of revised industry conditions to incentivise better outcomes on government projects and to form the basis for future EBA negotiations.

Stakeholder submissions suggested a new set of procurement requirements for large infrastructure projects, could include provisions aimed at ensuring any future workplace agreements:

- do not include unnecessary productivity limiting clauses
- restrict the pass through of EBA conditions to subcontractors
- include standardised core clauses to reduce administrative burden
- include right of entry provisions that prevent the abuse of power by either employers or worker representatives
- maintain equal opportunity hiring policies
- provide clear guidelines for managing contentious workplace health and safety issues, such as work during wet and hot weather events, processes for proportionate responses to workplace health and safety incidents, and requirements for site shutdowns.

Stakeholders suggested any new policies should be negotiated between unions, industry and government.

Some stakeholders also argued that the establishment of an independent tribunal to provide a confidential pathway for resolving disputes is needed to help reset the industry and remove poor behaviours that prevent competition for government projects.

The Commission would like to hear from stakeholders on what options could provide the necessary reset, how these options could be implemented, what support mechanisms might be required and the extent to which it would improve productivity on construction projects funded by the Queensland Government, without compromising site safety or build quality.

Better tendering and contracting arrangements

Stakeholders have raised concerns that contracting arrangements are outdated, cumbersome and are preventing innovation. For example, contractual arrangements can contain excessively rigid specifications that include both means and methods, rather than focussing on the outputs required. If such conditions exist, they are likely to prevent innovation and unnecessarily increase construction costs.

While the Commission is still assessing submissions and is seeking further information from stakeholders to help develop specific reform recommendations, stakeholders suggested there are opportunities to:

- make greater use of digital technologies to increase efficiency, encourage better information sharing and reduce risk
- improve contractual arrangements to encourage more innovation such as through greater use of collaborative contracting, less focus on rigid specifications (and more on outputs) and greater use of performance incentives
- simplify contractual processes through greater use of standardised contracts
- improve the way risk is allocated, including for unexpected events
- 'right-sizing' projects to encourage scope and scale efficiencies and encourage greater competition — this might involve bundling similar projects in some cases (for example where it may be possible to encourage economies of scale or scope) and breaking up large contracts in other cases (for example where this would encourage competition from smaller, innovative firms).

These issues have been raised in previous reviews and, at least to some extent, the Queensland Government already has policies covering many of these issues. For example, the government has guidance material which is intended to facilitate more collaborative contracting.

Despite this, stakeholders tell us these policies are not being enacted in practice. Some have indicated this is due to the siloed nature of public sector procurement activities, complexity of the policy framework, culture, capability and/or misaligned priorities.

The Commission is aware a priority for the Queensland Government is reducing red tape and that a review of the Queensland Procurement Policy is being progressed, given its direct impact on purchasing outcomes and the level of effort required from industry to demonstrate value for money and competency.

The Commission is seeking further evidence from stakeholders on what could be done to improve contracting arrangements, including for example, if there are better incentive arrangements or capabilities that need to be established within contracting agencies.

Improving regulation of land use

Land use regulation seeks to reduce negative impacts arising from development, protect amenity, and coordinate the location and construction of infrastructure. However, emerging literature suggests land use regulation has been a significant impediment to productivity in the construction industry.

Mechanisms by which land use regulation can impede productivity include:

- restrictions on housing density, such as minimum lot size, height restrictions and floor area ratios, which impede the achievement of scale economies and innovation
- design conditions which add to the cost of construction, but do not provide a commensurate improvement in the building quality desired by consumers
- approval processes that cause delays and uncertainty, resulting in idling of resources, inefficient sequencing of activities and higher financial costs
- consultation mechanisms that encourage adversarial engagement between developers and existing residents instead of attempting to find mutually beneficial outcomes.

There is evidence that land use regulation in Queensland, and planning regulation in particular, is less efficient than it could be, with the result that it unnecessarily constrains construction productivity. Stakeholders told us that:

- land use regulations are inconsistent and difficult to navigate, creating significant uncertainty for industry, and often result in expensive legal proceedings
- approval processes are excessively bureaucratic, slow, confusing and duplicative, and regulators, particularly local governments, have limited accountability
- 'back and forth' processes and poor coordination or alignment in interpretation within some local governments meant that expensive remedial work or unnecessary building works were more common than they should be
- good building design is often sacrificed to meet unnecessary regulatory requirements
- land is often released in locations that do not reflect market realities.

Stakeholders told us that, because of this, development and housing costs are much higher than they otherwise would be, with many developments becoming untenable, particularly for affordable housing types.

While some reforms have been undertaken by the Queensland Government, these alone are unlikely to be sufficient to deliver the housing outcomes desired by the community.

Improving the design of regulation

Several stakeholders have noted there are significant inconsistencies between the *Building Act 1975* (Building Act) and the *Planning Act 2016* (Planning Act). Further, there appear to be significant inconsistencies between local governments in the way they interpret and apply legislation.

As a result, there is a plethora of requirements in planning schemes that impose significant costs on construction (and the broader community). While many of these requirements provide some benefit, few have been tested to ensure these benefits justify the costs they impose on the community, including whether they are likely to have any unintended consequences.

Requirements that appear to impose unnecessarily high costs include:

- Minimum parking regulations — these regulations do not appear to sufficiently reflect resident needs or preferences, are applied rigidly and are likely to significantly increase the cost of construction, particularly for urban infill.
- Height restrictions — while height restrictions often reflect community preferences, they are applied rigidly and have been shown to cause significant loss of greenspace and prevent more efficient use of land.
- Blanket character protections — these protections are often imposed across large areas, restrict density and add to the cost of construction, but evidence suggests they do not necessarily preserve heritage.

It is also common for local planning schemes to apply local variations to the Queensland Development Code. These variations create additional complexity and barriers to standardisation, scale economies and innovation, but are rarely tested to ensure they are likely to provide net benefits to the community or to assess if they are likely to result in unintended consequences.

These problems were a common theme in submissions, with stakeholders arguing these problems were unnecessarily increasing costs, and creating confusion between planning and building regulatory requirements. This, in turn creates delays, inefficient design costs and increases the risk of non-compliant work requiring expensive rectification.

Reform options that could reduce regulatory complexity include:

- Undertaking a legislative review of the Planning Act and the Building Act to remove inconsistencies and provide greater regulatory certainty for participants in the industry — this could include amending the Planning Act and *Planning Regulation 2017* to provide greater clarity regarding local government powers to regulate building matters and ensure that planning matters are implemented in a way that is consistent with the Building Act.
- Requiring local government to comply more closely with the Queensland Development Code. Where local variations are required (for example, due to climatic conditions), these could be standardised in the Queensland Development Code, or, if a local government considers there is a need to make a further variation, it could be required to demonstrate that the variation would generate a net benefit to the broader community.
- Developing standards for siting and design. The Queensland Government is currently progressing a Queensland Housing Code to provide design and siting standards for detached houses on single lots. Similar standards could be developed for smaller attached housing developments.
- Introducing requirements for local governments to remove regulatory conditions unless it can be demonstrated that these have undergone a proper assessment of their likely costs and benefits.

The Commission is seeking further stakeholder comment on these matters.

Several stakeholders also suggested that Economic Development Queensland (EDQ) remove unnecessary or duplicative requirements from plans in priority development areas, including those relating to affordable housing and energy efficiency as they have been shown to be inefficient instruments to achieve their stated outcomes, increasing costs and uncertainty.

Improving approval processes

Approval processes can create delays and uncertainty which, in turn, can increase construction costs by causing idling of labour and capital and higher financing and other holding costs.

A lack of publicly available data on local government performance, makes it difficult to formally assess whether approval processes are working as efficiently as they should. However:

- The Productivity Commission found that timelines for major housing developments can stretch for ten or more years, and even after approvals are granted, delays can continue as projects seek construction certificates and wait for essential infrastructure connections.
- There is some anecdotal evidence that approval processes, particularly for developments that are not code assessable, may be excessively onerous. For example, developers have asserted that approvals for townhouses can require more than 30 approvals from councils and statutory bodies.
- Stakeholder submissions provided numerous examples of a convoluted approvals system that is plagued by a lack of accountability, confusing approvals processes and uncertainties that create unnecessary delays and requirements for re-worked designs and plans.

Although the Commission is seeking further evidence on problems in approval processes, it seems there are likely to be benefits from streamlining processes. Possible options for reform include:

- Amending planning regulation to reduce procedural complexity — several stakeholders suggested planning regulation could be amended to provide private building certifiers a greater role in a streamlined process for development applications requiring building work. New Zealand recently enacted reforms providing a private authority the ability to issue development approvals for low-risk housing proposals.
- Providing an alternative development assessment pathway for significant housing developments — increased centralisation of some planning processes could lead to more efficient and timely processing of planning applications. Options could include expanding the remit of an existing government body such as the State Assessment and Referral Agency (SARA) or using independent assessment panels, like those used in Western Australia.
- Reviewing the Building Act and Planning Act to ensure that statutory timeframes are adequate — stakeholders raised issues with building approvals lapsing due to the time taken to gain other necessary approvals.
- Improving information on approval processes — increasing publicly available information on the performance of local government planning and development processes is likely to improve accountability, provide guidance to developers and help the Queensland Government establish policy responses to incentivise improved outcomes (such as setting statutory timeframes). Several stakeholders have suggested that an independent growth monitoring authority is required to monitor, report and advise on the implementation and performance of housing supply targets across Queensland.
- Simplifying approval requirements — as in other jurisdictions, measures could be introduced to remove the need to gain approval for certain designs or services if they are deemed to be low risk. For example, the Victorian Government recently removed the need for planning approval for a single dwelling on a lot of 300 square metres or more, and the Tasmanian Government recently announced that a range of plumbing services are ‘deemed to comply’ as they constitute low risk.
- Using technology to streamline approvals — there may be opportunities to utilise technology, such as digital planning and development assessment to improve the efficiency, accuracy and transparency of planning processes.

Several stakeholders raised concerns about infrastructure needing to be in place prior to development occurring. While it is beyond the scope of this inquiry to assess infrastructure planning and sequencing, there appears to be a strong case to review the regulation of infrastructure charges to ensure they are set efficiently to support infrastructure development and incentivise efficient utilisation of existing infrastructure.

The Commission has not assessed environmental approval processes as these are predominantly a matter for the Australian Government. However, as noted by several stakeholders there are discrepancies in the way that state and local government environmental overlays are applied. As such there appears to be opportunities to increase consistency in the way environmental (and other) overlays are applied across local government planning schemes.

Utilities connection time frames were consistently raised as problematic by stakeholders, with some noting housing delivery being delayed due to mains water and/or electricity not being available.

Facilitating a greater supply of development rights

Land use regulation also constrains the supply of housing by imposing limits on density and the supply of greenfield land. These constraints are likely to reduce construction productivity since they limit the scale of development, reduce options for standardisation and restrict development to locations with high infrastructure costs. These constraints are also likely to have significant implications for housing affordability.

The supply of development rights (through land releases and upzoning for higher density) need to reflect market realities if they are to be exercised. That is, land supply is only construction ready if it is in locations where people want to live, allow for forms of housing people want to live in and can afford, and have infrastructure already connected or have a feasible pathway for connecting to new infrastructure.

Across Queensland, many locations that are close to jobs, amenities and existing infrastructure have restrictive zoning. For example, 69 per cent of the land surrounding the high-capacity rail network in southeast Queensland is zoned for low density, either explicitly or because it has character overlays that make most development untenable.

There are likely to be large benefits from making regulation of land use less restrictive. Commission modelling of the costs and benefits of relaxing zoning in South East Queensland indicates that:

- Targeted reforms that remove zoning restrictions in well located areas, including around transport hubs, could deliver net benefits to the community up to \$48 billion and reduce dwelling price growth by as much as 64 per cent.
- Dispersed zoning reforms to provide more development opportunities both in infill areas and on the urban fringe, are projected to reduce dwelling price growth by similar amounts but provide fewer benefits (\$18 billion) since they require more expensive infrastructure and deliver less amenity.

Given these large potential benefits, there appears to be a strong case for relaxing land use regulations to increase development rights in South East Queensland, particularly those that allow for increased density.

However, under existing arrangements local governments may find it challenging to enact necessary reforms without the involvement of the State Government. As the costs of development are concentrated locally, while the benefits are dispersed more broadly, local governments, typically do not have strong incentives to implement this type of reform.

For this reason, our preliminary recommendations include more direct involvement from the State Government. These preliminary recommendations include:

- using state powers to remove zoning restrictions in well located areas, such as around transport corridors — this approach is currently being used in NSW and has also been successfully used in New Zealand to increase housing supply
- setting of housing targets for the supply of well-located land (that is suitable to be connected to infrastructure and reflects consumer preferences) and providing incentive payments for local governments
- considering mechanisms to allow residents to opt-in or out of zoning types, to ensure land use better matches local community preferences — while not used in Australia, various approaches have been used successfully in overseas jurisdictions.

Incentivising change

While there are likely to be large benefits from regulatory reform and less restrictive zoning, a significant impediment to reform can be actual or perceived opposition to development. That can reflect:

- Current consultation mechanisms not being representative of broader community sentiment. While communities may be generally supportive of development, neighbouring residents tend to be less supportive because they incur direct costs. This means, local consultation processes can give insufficient weight to the views of the broader community who are more likely to be supportive of development.
- Building form being centrally regulated. This means there are few mechanisms to allow development to address local concerns or reduce costs on existing residents. For example, planning regulation typically specifies building height limits which reduce greenspace and provides few mechanisms for variations to be agreed between developers and neighbouring residents.

These issues, in turn, can increase opposition to development, or reduce incentives for policy makers to increase the supply of developable land.

Options to support enduring reforms include:

- developing the case for reform and providing information to the public on the benefits of greater density and housing
- introducing community consultation mechanisms that better reflect broader community views
- sharing the benefits of development with the community by ensuring developments enhance local neighbourhoods
- better aligning development with community preferences by enabling negotiated regulatory outcomes between developers and residents.

Improving regulation of building activity

The construction industry is subject to a wide range of regulations, codes and standards. Like other regulation, these generally seek to support the efficient functioning of markets and improve outcomes for the community.

Regulation of the construction industry is necessary to protect worker and public safety, protect consumers from poor quality products or services, and minimise environmental impacts. Where regulations have a strong rationale and are designed and administered well to address the underlying problem, the benefits should outweigh any costs that arise.

However, regulation that is either unnecessary, poorly designed or administered, or has failed to evolve in response to changing technologies, conditions or consumer preferences can introduce unnecessary costs, distort economic activity and adversely affect productivity.

Stakeholders indicated that regulations are particularly problematic where:

- there has been a lack of proper assessment, including consultation prior to implementation and assessment of possible unintended consequences or regional implications
- there are differences between jurisdictions, including at the local government level
- the pace of regulatory change makes it difficult to adapt to, or understand obligations
- where regulator performance is lacking.

In addition to regulatory reforms identified elsewhere in this report, the Commission has identified four key areas where regulations are either likely to be affecting productivity or where issues have been consistently raised by stakeholders. These four areas are:

- Building codes and standards
- Financial regulations
- Regulations affecting modern methods of construction (MMC)
- Workplace health and safety.

Given the volume of evidence on problematic areas of regulation, there may be merit in a more comprehensive program of review of other sector or occupation specific regulations affecting the building industry.

Building codes and standards

Building codes establish minimum standards for the design, construction, and maintenance of buildings, in areas such as structural and fire safety, health and sanitation, and light and ventilation. The core rationale for building codes and standards are that, if effectively enforced they:

- set a baseline of safety and quality that consumers can expect
- mitigate the risk of building failures and potential hazards that could lead to harm or economic loss.

Building codes can also provide a clear standard against which liability can be assessed, helping ensure that builders bear the full costs of any issues that arise due to their work.

Over the last few decades there has been a significant increase in the scope of building codes and standards that go beyond the core rationale of safety and quality. They now cover energy efficiency and accessibility standards (through the NCC) and a broad range of aesthetic and other standards (through local government planning schemes).

Industry stakeholders have expressed concerns about the increasing complexity and cost involved in complying with building codes and standards. These concerns are amplified by poor regulatory processes. For example, recent changes to energy efficiency and accessibility standards in the NCC were adopted despite having been assessed as imposing net costs on the community.

There is a strong case for Queensland to opt out of any regulatory change, including changes to the NCC, where a net benefit has not been demonstrated.

While there are benefits from national harmonisation, this will only be achieved where there is wide-spread agreement on both the purpose, the process for making changes and broad application of the NCC. The NCC's original purpose was to provide the *minimum* standards required to establish safety and quality expectations on building work. Further, changes to the NCC were to be made on the basis that there were demonstrated net benefits to the community.

Given recent changes to the NCC failed both tests, the Commission's preliminary position is that Queensland should opt out of the recent NCC energy efficiency and accessibility standards. Such a change would not restrict the market, that is, builders or consumers, from adopting the stronger energy efficiency or accessibility standards set out in the current NCC if they believe there are benefits from doing so.

As noted in the previous section, there is also a strong case for Queensland to adopt a uniform development code and address inconsistencies between planning and building legislation that create regulatory overlap and duplication.

Stakeholders have also expressed concerns about the rate at which building standards and code changes occur, and provided several examples of licensing, training and enforcement not keeping pace with these changes. Similarly, stakeholders told us the rapid pace of change was increasing the rate of building defects and rectification works, sometimes simply because a builder was unaware of a new requirement.

As such there appears to be a strong case for either moving to a longer time between allowable NCC amendments to the Queensland Development Code or imposing a moratorium on any future changes to allow the industry to adapt to recent changes.

A review of the stock of building regulation

One of the few strategies that has shown to be effective in improving the quality of regulation is the evaluation of the 'stock' of regulation that has accumulated over time, to ensure its continued relevance and effectiveness. Evaluation can effectively target the key issue — regulatory design — and provide a robust assessment of whether a regulation supports the public interest or not. Management of the stock of regulation involves retaining the good parts of regulation, while removing or amending those parts that are no longer fit for purpose.

Given the cumulative regulatory burden of building regulation, interactions between regulation, and the level of technical complexity, there is likely to be value in undertaking a targeted, in-depth stock review of building codes and standards.

The Commission is seeking to identify the key areas where any review effort should be focussed, including for improving regulator performance.

Financial regulation

Financial regulations are intended to ensure the financial integrity of the construction industry in Queensland, protect consumers, and reduce the risk of insolvencies and disputes.

Stakeholders told the Commission that, despite financial regulations being in place, non-payment of contractors remains a significant issue. However, there were divergent views on what changes were needed, with some arguing regulations are costly and unnecessary and others arguing the framework needs to be strengthened.

Financial regulation specific to the construction industry relates to two matters.

The first of these are minimum financial requirements. In Queensland, building and construction contractor licensees must demonstrate that they meet prescribed minimum financial requirements. The intent of this regulation is to prevent insolvencies by ensuring that contractors demonstrate ongoing financial sustainability to the Queensland Building and Construction Commission (QBCC) through annual financial reporting.

No other state or territory has similar requirements.

While the intent behind the regulation seems sound, there is no evidence they have improved financial sustainability. Since their reinstatement in 2019 (reporting requirements were removed in 2014), Queensland insolvencies have trended in line with those states without comparable reporting obligations.

Further, stakeholders tell us that annual financial reporting imposes a significant compliance cost on contractors.

In February 2025, the Queensland Government removed minimum financial reporting obligations for 97 per cent of all individual licensees.

There appears to be an in-principle case for removing all remaining minimum financial reporting requirements. However, the Commission is seeking further stakeholder views on the costs and benefits associated with the remaining financial reporting measures in effect and whether there is scope to remove or streamline these obligations further to reduce compliance costs.

The second financial regulation of the construction industry occurs through trust accounts.

Queensland legislation prohibits head contractors from using retentions or project funds paid for subcontractor work as part of their cash flow or on other projects. The scheme has progressively been rolled out, however an extension to private projects valued below \$10 million has recently been paused.

Given that there has been no formal assessment of their impacts (and there appears to be a range of other mechanisms for resolving payment disputes under Queensland's security of payment framework), trust account requirements should remain paused until a full regulatory impact analysis has been conducted to ascertain whether they are likely to deliver net benefits to the Queensland community.

Modern methods of construction

Increased use of modern methods of construction (MMC), including offsite fabrication, modular assembly and prefabrication, has the potential to increase productivity in the construction industry. Evidence suggests that MMC is used less widely in Australia than in other jurisdictions.

While stakeholders have noted that MMC offers significant opportunities for increasing productivity, none were able to identify market failures that prevent more widespread use. Rather most stakeholders pointed to regulatory issues and procurement policies that impede or disincentivise MMC.

For this reason, there is no evidence to support more interventionist approaches, such as procurement mandates or direct subsidisation by government.

Efforts to address regulatory barriers including those that prevent the achievement of scale (such as regulatory differences across jurisdictions), as well as efforts to ensure government procurement processes do not discourage innovative approaches like MMC, appear most likely to address barriers to MMC and deliver net benefits to the community.

Beyond the preliminary recommendations relating to procurement and jurisdictional harmonisation of regulation, the Commission suggests working through the revitalised National Competition Policy to address unnecessary regulatory barriers and ensure 'regulatory neutrality' between MMC and conventional construction methods in local planning schemes and consumer protections.

Workplace health and safety

Regulations governing workplace health and safety (WHS) are designed to minimise the risk of accidents and injuries. These include both rules around safe work practices, hazard identification and training, as well as associated administrative and reporting requirements.

Stakeholder feedback suggests the implementation of WHS in the construction industry needs to be improved.

While the Commission has not completed a full assessment, there is evidence to suggest that regulatory burdens have increased in recent years:

- Queensland businesses are reporting an increased compliance burden dealing with WHS regulation and regulators, with 38 per cent reporting a "high burden" compared to 27 per cent in 2017.
- Since the development of national Model WHS Laws and the commencement of the *Workplace Health and Safety Act 2011*, there have been numerous changes made to WHS regulations in Queensland. While some of these changes are because of national reviews of the Model WHS Laws, many have also been progressed unilaterally, resulting in a number Queensland-specific WHS provisions.
- Stakeholders are reporting that WHS provisions available to parties (such as the ability to direct work on a site to cease) have been 'weaponised' and used as leverage on larger construction sites to achieve objectives other than safety. This is consistent with the findings of the recently released Watson report, *Violence in the Queensland CFMEU*. Others have noted instances where minor workplace health risks or incidents, localised to a particular area have resulted in site-wide shutdowns or toolbox meetings being held across multiple construction sites.
- Stakeholders have also noted there is duplication of WHS reporting requirements between the WHS regulator and QBCC.

While there seems to have been an increase in burden associated with WHS regulation, the data show there has been no improvement in outcomes. Since 2018, there has been no significant improvements in WHS outcomes, including the occurrence of workplace fatalities and serious incidents.

While the Commission is seeking further feedback, stakeholders have suggested several reform options:

- ensuring Queensland's WHS laws reflect the National Model Workplace Health and Safety Law
- developing a single, harmonised incident reporting framework, with single point digital reporting
- reviewing the powers and functions of the regulator so that it has a more effective and efficient role in facilitating site safety, including provisions for the removal of any parties who are acting illegally
- updating Workplace Health and Safety Queensland's compliance and enforcement policy
- ensuring that WHS representatives are elected representatives of company workers with a cap of one per working unit, elected representatives satisfy a fit and proper person tests for the position and options exist for suspending WHS representatives where misconduct has been demonstrated or where the WHS representative no longer has the support of workers
- reviewing right of entry provisions to ensure these are commensurate with risk
- developing codes of practice that outline right of entry, agreed approaches to wet and hot weather events, appropriate responses to safety incidents, and how and when site shutdowns occur
- ensuring WHS regulators are appropriately funded, resourced and supported to undertake their designated functions
- convene quarterly forums as part of a recommended taskforce, between principal contractors, subcontractor groups, industry associations and unions, to review stoppage data, resolve recurring issues and update guidelines as needed.

Queensland Building and Construction Commission (QBCC) performance

Many stakeholders advised they were dissatisfied with the performance of the QBCC, claiming it is not effectively and transparently managing its core regulatory functions. Common themes from stakeholder submissions are that the QBCC needs to:

- be more efficient and remove duplicative and unclear processes
- respond faster to resolve issues
- be more transparent, consistent and effective in its enforcement of licensing and technical standards
- have a greater focus on genuine instances of non-compliance and unlicensed operators, rather than minor issues
- increase its presence and inspection activity in regional areas.

These views are broadly consistent with previous considerations of QBCC performance.⁴

The Commission understands the QBCC has recently commenced a process to improve regulator performance, which includes a new leadership tasked with an improved focus on consumers and a more accountable, transparent, risk-based, and outcomes-driven regulatory approach (with a customer improvement plan and moves to establish an online licensing tool).

As noted by stakeholders, it is too early to assess whether these changes will address performance issues. Beyond this, a key issue is whether the regulatory framework QBCC operates under provides the right incentives to effectively and efficiently deliver its activities.

The QBCC currently reports quarterly against a range of measures including processing times for renewals, licence applications and defects, movement to online forms and proportion of QBCC decisions set aside by the Queensland Civil and Administrative Tribunal. A review of these performance metrics should be undertaken to ensure they complement the abovementioned reforms.

The Commission would like to understand whether any elements of the regulatory framework QBCC operates under impedes performance. The Commission would also like to understand if the current metrics reported against appropriately measure QBCC's performance, and if not, what alternative metrics would help to make performance outcomes more transparent.

⁴ Such as a recent 2023 Business Chamber Queensland report, which found 58 per cent of respondents in the construction industry considered the QBCC to impose a high regulatory burden, and the 2022 QBCC Governance review, which is yet to be fully implemented.

Improving labour market operation

Labour market settings are important for this inquiry to the extent they materially affect productivity in the construction industry. In this context, general labour shortages are outside the scope of this inquiry except where they affect productivity. Labour market issues are relevant to this inquiry where:

- shortages of labour are concentrated in one area preventing the sequencing of works
- regulations prevent the efficient allocation of labour (that is, to where it is most needed) or slow innovation by restricting competition or being unnecessarily prescriptive about how work must be performed
- Training frameworks and policies do not deliver the right skills to meet industry and community needs, are excessively costly or have high non-completion rates.

Apprenticeships and training

Apprenticeships, combining on-the-job work experience with off-the-job training, are a key training pathway for the construction industry.

On the surface, the apprentice pathway appears to be performing satisfactorily. As of September 2024, there were approximately 50 per cent more construction apprentices in-training in Queensland compared to four years prior. With some exceptions in particular trades, the share of apprentices in Queensland as a proportion of the total workforce is either close to or above the national average. According to National Centre for Vocational Education Research surveys, there are high levels of satisfaction of employers and workers with the apprenticeship and vocational education systems.

However, given the escalating demand for construction work, more will be required of the apprenticeship pathway if growing labour shortages are not to become an increasing drag on construction productivity.

Issues raised by stakeholders focus on three key areas:

- Information barriers facing apprentices, and the opportunities to attract and retain apprentices in the system, including the use of pre-apprenticeship and mentoring programs. This also applies to other supporting disciplines in the construction industry, such as building certifiers.
- Limitations in the capacity of the training system, especially for some trades and in some regional areas, in some cases, only very limited competition among service providers. Stakeholders indicated better use could be made of the existing capacity of Registered Training Organisations and education facilities, and greater use of Group Training Organisations and technology.
- Financial barriers facing employers, apprentices and students that restrict their ability to participate in the training system. This includes the higher costs facing employers and students in regional areas to access training and continue to work while training.

These are complex issues that have implications beyond the construction industry and require collaboration between industry and relevant government organisations and agencies to identify problems, reform opportunities and priorities. The Commission is seeking stakeholder views and evidence to provide guidance on the issues and reform options that this collaborative process could consider.

Occupational licensing

Occupational licensing and accreditation requirements are intended to ensure that work is completed safely, and with appropriate care and skill. It provides benefits by allowing consumers and others to assess competency and help ensure that workers have the necessary skills and are accountable for the work they do.

However, occupational licencing can impose significant costs, and in Australia the stringency of occupational entry regulation has been linked to lower rates of business entry and exit, a slower flow of workers from low to high productivity firms, and skill shortages. Further, because they are regulated at the state level, occupational licensing can restrict the flow of workers across state borders.

While there are likely to be large potential gains from occupational licensing reform, specific licensing requirements are often complex and technical in nature. Reforms may also have significant impacts on many stakeholders, and 'getting it wrong' could lead to health and safety risks for workers and consumers.

Given the risks, the Commission's preliminary recommendation is that a coordinated stock review of licensing requirements should be conducted in accordance with best practice regulation principles. These reviews should identify where there would be net benefits to the community in reducing these requirements, including the opportunity to more fully recognise prior learning and experience in assessing whether licensing requirements have been met.

It is also the Commission's preliminary recommendation that any pending changes to occupational licensing, which have the potential to increase requirements for the construction industry and have not been subject to an assessment under Queensland's Better Regulation Policy, should be suspended until that analysis is completed.

Improving labour mobility

Attracting skilled workers from other jurisdictions will be important for Queensland.

Where licensing is justified, it should not impede the movement of workers between jurisdictions. Allowing the free flow of workers between jurisdictions enables scarce labour resources to be used where they are most needed and allows firms to operate across borders, encouraging scale, innovation and knowledge sharing.

Some possible options the Queensland Government could pursue to improve labour mobility include:

- Participating in efforts to improve harmonisation — while there can be benefits from harmonisation, Queensland should participate only where the licensing requirements are necessary, effective and impose the minimum costs necessary to achieve the policy objective.
- Improving the recognition of interstate licenses — Queensland is the only state that does not participate in automatic mutual recognition. In contrast, NSW recognises a variety of interstate building licences including bricklayers, carpenters, plasterers, fencers, glaziers, joiners, painters, tilers, and stonemasons, allowing tradespeople licensed in other states to work there without additional fees and minimal requirements.

Skilled overseas migration

Queensland could recruit skilled construction workers from overseas to a greater extent. Migrants are under-represented in the construction industry and some stakeholder groups note that many skilled migrants remain underemployed.

While migration is primarily a matter for the Australian Government, there are two channels through which the Queensland Government could help leverage skills of international workers.

First, there may be scope for the Queensland Government to advocate and nominate for an increased allocation of skilled international workers under the skilled nominated regional visas. This appears to be an under-utilised pathway, with Queensland having only 1,200 out of the 26,260 total 2024-25 state and local government allocation, and with only around 100 construction trades workers migrating to Queensland each year under these visa categories.

Secondly, the Queensland Government could reduce duplicative or unnecessary barriers to skilled migration. Stakeholder feedback suggests that skills recognition processes in Queensland could sometimes be quicker, simpler and more cost effective. For example, a migrating electrician needs to have their skills recognised through the Offshore Skills Assessment Program or a Temporary Skill Shortage Skills Assessment and then undertake 12 months of supervised work under a licensed electrician before being able to apply for a Certificate III.

While there is a mutual recognition process for New Zealand migrants in Queensland (and other states), there may be opportunities to introduce mutual recognition with other developed countries, though this may require stronger links between domestic and international licensing bodies.

Labour hire licensing

Queensland's labour hire licensing scheme requires all labour hire operators to be licensed, and all purchasers of labour hire to only deal with licensed agents. The primary aim of the scheme is to protect workers from exploitation by labour hire service providers.

Labour hire can provide an important mechanism for construction firms to efficiently manage their workforce in response to variable or unplanned demand and can provide benefits to workers by allowing them to obtain work more easily, gain skills or experience, undertake flexible or varied work, or 'try out' new occupations.

Given the benefits of labour hire and the inherent costs of licensing regulation, including its potential to be used as a tool to achieve other industrial outcomes (such as the protection of higher wages and conditions through the restriction of competition), further evidence is required to demonstrate why labour hire regulation should remain.

There is a stronger rationale for protections for those occupations with low employee representation and low bargaining ability. However, it is not clear labour hire licensing is justified in the construction industry, given the potential for regulation to be misused, the high demand for construction workers (and corresponding higher bargaining powers), and the limited evidence provided to justify the introduction *Labour Hire Licensing Act* in 2017.

On balance, there appears to be an in-principle case to suggest labour hire licensing for construction work is less likely to deliver a net community benefit than similar requirements in other industries. Given the potential risks associated with reform and an apparent national harmonisation process, the Commission is seeking further information on the specific operation of labour hire licensing in the Queensland construction industry before forming a final recommendation.

Other matters

Taxation of foreign investment

Foreign investment is an increasingly important source of capital and innovation for the housing market. Foreign investment tends to encourage innovation because it provides a source for new and innovative building approaches, as well as increased competition.

The Queensland Government currently imposes two taxes on foreign investment in the housing market:

- an additional 8 per cent (stamp) duty on transactions for foreign persons and corporations who are not permanent residents
- a 3 per cent surcharge on land held by foreign companies or trusts, on taxable land values greater than or equal to \$350,000.

The Australian Government charges additional tax obligations on the land holdings of foreign individuals and entities, including an annual vacancy fee for unoccupied dwellings.

While foreign property holdings make up a small share of the total housing market, they are responsible for funding just over 6 per cent of all new dwellings.

Although surveys tend to show individuals have concerns about foreign investment in the housing market, studies show that foreign investors are unlikely to make housing more unaffordable. Rather, foreign investors are likely to be crucial to the development of new housing typologies, such as build to rent, and new construction methods. As such, additional taxes on foreign developers may discourage investment, reduce housing supply and reduce innovation.

The Commission is seeking additional information on how taxes on foreign land holders affect the construction of housing in Queensland, and whether recently announced reforms to streamline the provision of ex-gratia relief for firms who contribute substantially to the housing stock will address stakeholder concerns.

Utility connections

For many stakeholders, securing utility connections has become a key 'pain point' that is hampering the timely delivery of residential and commercial construction projects and resulting in significant and unplanned additional costs.

Stakeholders indicated that inconsistent application and interpretation of regulatory standards and requirements by Energy Queensland is leading to unforeseen and unnecessary delays and costs. For example, stakeholders argued that Energy Queensland's interpretation of wiring rules appears to be inconsistent with other distribution network service providers in Australia. There appears to be a case for utilities to ensure their requirements align, as far as practicable, with existing agreed standards.

Stakeholders also raised issues of delays and poor coordination between utility providers, developers, and local governments in the provision of infrastructure and connecting utilities. The Commission is seeking further information from stakeholders on the extent to which such coordination already occurs, and where there may be further opportunities to align development approval with timely infrastructure provision and utility connection.

Energy Queensland's enterprise bargaining agreement

Energy Queensland's (EQ) EBA (the *Energy Queensland Union Collective Agreement 2024*) requires that contractors and subcontractors carrying out contestable works on the EQ network, or on assets that will become part of the EQ network, adhere to the same rates and conditions as provided in the agreement.

Several stakeholders raised concerns about the EBA. For example, the Housing Industry Association claims that this means higher rates of pay and conditions will even apply to employees delivering non-electrical works, such as retaining walls and excavation trenches. As a result, they estimate that new housing allotments will be around \$10,000 more expensive to deliver than they otherwise would be.

Similarly, both Master Builders Queensland and Master Electricians Australia have raised concerns that the EQ EBA is likely to discourage contractors from engaging in work with EQ since this would have significant flow-on impacts to their other business.

These claims are concerning, given their potential impact on construction costs. However, it is not clear what actions the Queensland Government can take to improve matters, given the EQ EBA will be in place until 2028. The Commission welcomes further feedback on this matter, including to assist our understanding of how subcontractors are affected, and whether these effects relate directly to provisions in the EQ EBA or are matters of interpretation.

Summary of preliminary recommendations, reform directions and information requests

The Commission's reform directions and preliminary recommendations, based on our analysis and stakeholder input, to date, are set out below.

- Reform directions are broad reform areas where there is a clear case for action, but the Commission is seeking further information to support the development of specific recommendations.
- Preliminary recommendations are specific reforms that the Commission is seeking feedback on.

We are seeking evidence from all stakeholders on the benefits, costs and risks of these proposals, and how they should be prioritised and sequenced. The Commission is also seeking additional information on a number of specific areas to help the Commission to develop recommendations for the final report.

Improving project selection and sequencing



PRELIMINARY RECOMMENDATION 1 - PROJECT SEQUENCING

The Queensland Government should improve the way it prioritises its infrastructure spend by requiring market sounding be undertaken both prior and during the tender process, to ensure projects are staged and prioritised to be commensurate with market capacity. These assessments should be conducted from a whole of government perspective, rather than a siloed or agency perspective.



PRELIMINARY RECOMMENDATION 2 - PROJECT RATIONALISATION

To reduce pressure on the construction industry and support productivity, the Queensland Government should undertake a full review of its capital program to:

- ensure the forward work program reflects key priorities, whilst being cognisant of market factors, including impacts on productivity
- ensure the scope of works is necessary to achieve the outcomes being sought, for example, the scope does not include any features that add unnecessary costs
- consider ways of delivering infrastructure outcomes (such as reduced congestion) at lower cost, including through non-infrastructure solutions (such as a greater focus on demand management).



REFORM DIRECTION 1 - GOVERNANCE AND OVERSIGHT OF INFRASTRUCTURE DECISIONS

There is a need to improve the decision-making process for public infrastructure projects in Queensland. Improvements could be achieved through better governance frameworks and instruments that surround how infrastructure projects are assessed, selected, sequenced and prioritised.

Consideration should be given to embedding more transparent processes in procurement decisions, including that the selection and announcement of major infrastructure projects are contingent on a sufficiently rigorous assessment, such as a cost-benefit analysis, being conducted and publicly disclosed.

Other potential options to improve decision making could include improved governance frameworks, oversight mechanisms, or something in between. While there are likely to be pros and cons of different options, they should be cost-effective, should not impose unnecessary compliance requirements, be transparent, have longevity, and able to influence decision making.



REQUEST FOR INFORMATION - PROJECT SELECTION AND SEQUENCING

The Commission is seeking further information on:

- the extent to which the Queensland Government's capital program is impacting or is likely to impact the construction industry's ability to deliver other projects (for example, private residential and non-residential projects), and whether there are opportunities to improve the selection and sequencing of future projects
- arrangements or incentives that would help government improve its selection, prioritisation and staging of infrastructure. In particular:
 - Whether internal to government mechanisms can help improve decision making, and if so, what has been successful in the past or in other jurisdictions.
 - If there is any evidence that independent advisory bodies, such as the former Building Queensland, compared to other processes, have improved infrastructure outcomes, and what design elements have proven most successful.
 - Whether there are other effective and efficient mechanisms for improving the way government selects, prioritises, stages and contracts infrastructure projects.

General procurement policies



PRELIMINARY RECOMMENDATION 3 - QUEENSLAND GOVERNMENT PROCUREMENT POLICIES

To ensure the best use of taxpayer money and support construction industry productivity and innovation, the Queensland Government's procurement policy should have a sole objective of value for money, where value for money is defined as the project's i) whole-of-life costs and ii) fitness for purpose, with due consideration for risk and quality outcomes.

To reduce administrative burden on tenderers and increase competition, particularly in regional areas, procurement policies should be simplified. Unless it can be demonstrated they provide net benefits to the community, policies that are not directly related to value for money, should be removed as requirements in government procurement. These include:

- the Ethical Supplier Mandate and Ethical Supplier Threshold
- the Supplier Code of Conduct
- the Queensland Government Building and Construction Training Policy
- the Local Benefits Test
- the Queensland Renewable Energy Procurement Policy.

All procurement instruments that are used for the tender process should be reviewed with the aim of achieving administrative simplicity.



REFORM DIRECTION 2 - PRE-QUALIFICATION

Several stakeholders raised issues with Queensland's pre-qualification (PQC) system, including that it includes unnecessary requirements, is difficult to navigate, duplicates existing requirements, is excessively risk-averse and rigid, particularly for growing or less-established firms. It is also likely to restrict competition.

While there appears to be a case for streamlining the pre-qualification system, the Commission would like to hear from stakeholders on how this would be best achieved, and what agency capabilities or incentives are working well or need to be improved to achieve this.

There also appears to be a case for conducting a review of PQC contract value thresholds.



REQUEST FOR INFORMATION - QUEENSLAND GOVERNMENT PROCUREMENT POLICY

The Commission would like further information on:

- How Queensland Government procurement policies:
 - impact the procurement decision of government
 - affect contractor behaviour and on-site productivity
 - provide benefits or costs not considered by the Commission and whether these justify their retention.
- How the pre-qualification system impacts contractors, building consultants and subcontractors, and the extent to which it impacts the ability of small and medium subcontractors in regional areas to compete for government tenders, and what could be done to improve matters.
- Whether there are more appropriately sized PQC thresholds and the extent to which these thresholds should vary for different stakeholders.

Best Practice Industry Conditions



PRELIMINARY RECOMMENDATION 4 - BEST PRACTICE INDUSTRY CONDITIONS

Best Practice Industry Conditions (BPICs) should be permanently removed from the Queensland Government's procurement policy.



REFORM DIRECTION 3 - OPTIONS FOR A BROADER INDUSTRY RESET

Removing BPICs alone is unlikely to be sufficient to shift construction productivity to a growth path or improve behaviours on government construction sites.

Given that BPIC-like conditions now seem to be embedded in industry practice, including in enterprise bargaining agreements that are not due to be re-negotiated until mid-2027, it is likely that a broader industry reset is required.

Evidence from stakeholders suggests that to improve matters, competition will need to be encouraged, on large government projects. This will require that firms have the confidence to enter the Queensland market, or for existing firms to expand capacity.

Stakeholders have suggested several options for improving confidence and allowing a more competitive market:

- a revised set of policies for large construction projects that provide for higher productivity, for example by excluding firms that allow pass through of enterprise bargaining conditions to sub-contractors and/or provisions that reduce flexibility, competition or enable unnecessary or disproportionate productivity reducing practices
- guidance on managing contentious workplace health and safety issues, such as work during wet and hot weather events, processes for proportionate responses to workplace health and safety incidents, and requirements for site shutdowns
- the establishment of an independent arbiter to negotiate disagreements and/or a watchdog to reduce illegal or anti-competitive conduct on work sites.



REQUEST FOR INFORMATION - BEST PRACTICE INDUSTRY CONDITIONS

The Commission would like to:

- understand whether there is any evidence that workplace and safety outcomes on BPICs sites are better than non-BPIC sites or that BPICs have led to industry-wide improvements in workplace health and safety
- encourage stakeholders to provide quantitative evidence on impacts, costs and benefits of BPICs to further inform the Commission's analysis.

The Commission would like to gather stakeholder feedback on:

- options for improving workplace practices on large construction sites
- options for re-setting industry practices more broadly
- what government could do to create conditions to encourage greater competition for large construction projects, including to encourage growth of existing Tier 2 construction firms
- whether there are likely to be any unintended consequences from the various reform options put forward in submissions to the inquiry.

Contractual arrangements



REFORM DIRECTION 4 – IMPROVING TENDERING AND CONTRACTING

The Commission is considering options for improving the way the Queensland Government tenders and contracts for public infrastructure projects, to reduce costs, foster greater competition, better manage and allocate risk, and encourage innovation.

Options include:

- addressing barriers to 'digital by default' approaches that would increase efficiency, facilitate information sharing and collaboration, and reduce risk
- making greater use of collaborative contracting arrangements to encourage innovation
- developing guidance around appropriate risk/profit sharing arrangements in Government contracts, including on the use of performance incentives
- adopting standard contracts to reduce administration costs
- better 'sizing' of tenders to suit circumstances — this could involve bundling of similar projects to encourage cost savings through economies of scope and scale, and/or breaking up large projects into smaller packages to allow smaller, innovative firms to tender for components of builds.

The Commission notes that these initiatives, at least in part, are already government policy. For example, the Queensland Government has guidance material which is intended to facilitate more collaborative contracting.

It is possible that, to facilitate better outcomes, agency capabilities and incentives need to be changed.



REQUEST FOR INFORMATION – IMPROVING TENDERING AND CONTRACTING

The Commission is seeking information on:

- the key barriers to increased adoption of digital technologies, such as Building Information Modelling, and the policies or practices that would allow the opportunities for digital technologies to be fully leveraged
- the benefits and costs of collaborative contracting arrangements, and the key barriers to greater adoption of collaborative contracting (including early contractor engagement)
- how risk can be more appropriately allocated in government contracts
- the benefits and costs of adopting standardised contracts
- the extent to which there are likely to be benefits from greater bundling of projects, and the extent to which this might prevent competition by preventing smaller firms from tendering for work
- whether government procurement agencies have the capacity to undertake the types of changes noted in submissions, and what additional capabilities (public and private) are required and how these could be best achieved
- examples of successful approaches that have been used to incentivise improved risk-allocation by contracting agencies
- the pros and cons of replacing prescriptive specifications with more performance-based specifications.

Design of planning regulation



PRELIMINARY RECOMMENDATION 5 - DESIGN OF PLANNING REGULATION

To reduce uncertainty and unnecessary regulatory impost on building design, improve productivity and allow greater innovation, the Queensland Government should:

- commission an independent review to remove inconsistencies between the Planning Act and the Building Act (and associated regulations) to provide clarity regarding local government powers to regulate building matters and ensure that planning matters are implemented consistently with the Building Act
- ensure the requirements in local government planning schemes are consistent with the Queensland Development Code, including any variations due to climatic or other conditions
- require that any variations from the Queensland Development Code (the Code) in local and state government planning schemes have demonstrated net benefits to the community — consideration should be given to introducing a requirement for a formal regulatory assessment for any variations from the Code
- amend the Planning Act to standardise zoning types across all local plans.
- continue to progress standardised siting and design requirements for detached housing, secondary dwellings, and smaller townhouse and apartment buildings
- ensure that state and local government overlays are consistently applied across planning schemes.



REQUEST FOR INFORMATION - DESIGN OF PLANNING REGULATION

The Commission would like to test its understanding of planning regulation, including:

- our understanding and framing of the issues with planning regulation, including the way it interacts with building regulation
- stakeholders' experience of complying with planning regulations, including how regulatory differences across Queensland impede construction productivity and innovation
- stakeholders' experience of interacting with regulators, i.e. how well regulators have performed and what factors contribute to better performance
- examples of where regulations have been applied flexibly to achieve better outcomes and conversely where an outcome was worse due to inflexibility.

The Commission is also seeking stakeholder views on the reform directions outlined above, including:

- if there are other reforms that would help to reduce regulatory complexity or inconsistency
- the extent to which developers and residents could be provided the flexibility to negotiate variations to existing regulation to reach mutual agreement on development in a neighbourhood, and what frameworks need to be established to make this work
- what other mechanisms could help to better align regulatory outcomes with community preferences
- any unintended consequences, implementation issues or other issues that should be considered.



PRELIMINARY RECOMMENDATION 6 - INFRASTRUCTURE CHARGING

The Queensland Government should commission an independent review of the infrastructure charging regime to ensure it provides:

- an efficient level of funding to support the necessary infrastructure to support development
- price signals that ensure that future development considers the efficient use and provision of infrastructure assets.

The review should consult widely, including with local governments and industry stakeholders.

Approval processes



PRELIMINARY RECOMMENDATION 7 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To streamline high priority development assessments, the Queensland Government should provide a streamlined alternative development assessment pathway for significant developments, including for housing. This alternative development assessment pathway should:

- use independent planning professionals
- have objectives consistent with maximising the welfare of Queenslanders
- should have clear guidelines on the definition of a significant development but should not be subject to any other requirements.



REFORM DIRECTION 5 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

There is a strong case for amending the Planning Regulation to reduce procedural complexity and make the approval process more accountable.

Stakeholders have suggested that this could be achieved by enhancing the role of building certifiers (or other suitable third parties) to manage the approval process. This could include changing requirements so that only a single development application is required for assessable developments and a third party becoming the prescribed assessment manager, with local government's role changing to a referral agency.



PRELIMINARY RECOMMENDATION 8 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To improve approval processes, the Queensland Government should:

- review the Building Act and Planning Act to ensure statutory timeframes are adequate to allow for staged approval processes
- require local governments to publish their performance information, including approval outcomes, time taken to approve developments and outcomes from planning disputes taken to court
- require a suitable entity to consolidate and publish this local government performance information
- consider developing, in collaboration with local governments, a 'service guarantee' to ensure approval processes occur in an efficient and timely manner
- investigate digital planning and permitting technologies to improve the efficiency, accuracy and transparency of the approval process.



REQUEST FOR INFORMATION - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To assist the Commission to better understand how planning and development approval processes can be improved, we are seeking further evidence on where development approvals work well and where they do not, as well as examples that have been used successfully in other jurisdictions.

The Commission is seeking evidence and views on:

- on what types of development and what criteria should be set for assessing whether a development is sufficiently significant to qualify for an alternative development assessment pathway, and which body should be responsible for coordinating and making assessments
- whether there are opportunities to engage third parties such as building certifiers to take more of a role in the planning and building approval process, including whether this would help to streamline approvals and whether it would introduce unintended consequences, and how these could be mitigated
- what performance information would be useful to collect and make public
- the merit of a 'service guarantee' and what form it might take
- possible housing designs or services where pre-approval could be given or the need for approval could be removed
- whether and how technology could be used to help improve approval processes.

Zoning regulations and land supply



PRELIMINARY RECOMMENDATION 9 - ZONING REGULATIONS AND LAND SUPPLY

To increase the supply of housing and improve housing construction productivity and affordability, the Queensland Government should introduce measures to ease zoning restrictions in well-located areas. To do this it should:

- identify well located areas near activity centres and surrounding transport hubs in South East Queensland and regional cities where housing densities could be increased
- institute a rigorous process that includes open consultation on how and where greater densities should be achieved to improve housing affordability and maximise net benefits to the broader community
- increase the allowable densities in appropriate areas by amending local planning schemes or setting rules for locations that local governments must implement in their planning schemes.



PRELIMINARY RECOMMENDATION 10 - ZONING REGULATIONS AND LAND SUPPLY

To ensure that local governments have sufficient incentives to deliver new housing supply in well-located areas, the Queensland Government should set annual targets for the supply of construction-ready land and for the construction of new housing for each local government area and hold local governments accountable for meeting these targets.

To enact this, the Queensland Government should:

- set targets that include desired outcomes for low, medium and high-density housing, and include short- and long-term targets to zoned supply, development rights, approvals and new land and dwelling supply
- require local governments to report against these targets in their annual reports, including whether targets have been met, and, where they have not been met, the reason
- require reporting on development and building approval outcomes, including acceptance/refusal, time taken to complete approvals and outcomes for cases brought to the planning court
- improve monitoring and reporting on the implementation and performance of housing supply targets across Queensland
- regularly consolidate local and state planning performance information and publish this in a public report
- consider applying financial incentives and/or penalties to local governments to incentivise them to meet any new land and housing targets.



REQUEST FOR INFORMATION - ZONING REGULATIONS AND LAND SUPPLY

To assist in further developing recommendations in relation to zoning reform, the Commission is seeking stakeholder views on:

- the adequacy of current reporting on land supply
- where zoning reforms should be targeted, particularly those aimed at increasing density, and whether there should be exceptions or exemptions within regions targeted for zoning reform
- how consultation on zoning reforms should be conducted
- whether and how land and housing targets should be set for individual local governments
- whether there are likely to be significant costs with the public reporting of local government performance in achieving any targets
- whether monitoring and reporting of land supply targets should be undertaken by an independent body
- the efficacy of any financial incentives or penalties for improving performance, and how they could be applied
- other factors the Commission needs to consider.

The Commission is also interested in whether it is possible to enable more local control over land use, and what arrangements might align local and broader community interests.

The Commission would like to encourage stakeholders to provide quantitative evidence on the impacts, costs and benefits of planning reforms to further inform the Commission's analysis.

Increasing support for zoning reforms



REFORM DIRECTION 6 - COMMUNITY SUPPORT FOR HOUSING DEVELOPMENT AND REFORM

The Commission is considering how governments can better assess and build community support for housing development and reform. Options include:

- building the case for development and reform
- engaging earlier and better with the community on proposed developments
- enacting provisions to enable more local involvement in the way development occurs
- improving consultation approaches so community views are better understood and represented
- sharing the benefits of development with the community by enhancing local neighbourhoods and enacting reforms to allow greater negotiation between developers and residents on the conditions of development.



REQUEST FOR INFORMATION - COMMUNITY SUPPORT FOR HOUSING DEVELOPMENT AND REFORM

To assist in further developing the reform direction, the Commission is seeking further information and evidence on:

- community views and preferences on housing development and the need for reform and mechanisms that can be used to ensure consultation mechanisms are representative of broader community views
- how outcomes can be shaped so that communities are more accepting of change, including of higher densities
- whether there are practical measures that can be taken to allow more local involvement in shaping how development, including those aimed at increasing density, occurs in neighbourhoods
- whether there are options that would enable or facilitate more direct negotiations between developers and neighbours (for example trading off height restrictions for greenspace) without compromising development costs or timeframes
- how the benefits of development can be shared with the community.

Building regulations



PRELIMINARY RECOMMENDATION 11 – IMPACTS ARISING FROM NCC 2022

Unless it is demonstrated through consultation that energy efficiency and accessibility standards made as part of NCC 2022 provide a net benefit to the Queensland community, the Queensland Government should amend the Queensland Development Code to opt-out of these provisions (that is, make them voluntary).



PRELIMINARY RECOMMENDATION 12 – FUTURE REGULATORY CHANGES TO BUILDING CODES

The Queensland Government should:

- only adopt future NCC changes in Queensland codes where these have been through robust regulatory impact analysis to demonstrate they provide net benefits to the community
- only adopt other building code changes where these have been assessed as providing a net benefit under the Queensland Government Better Regulation Policy
- advocate for improved regulatory processes at the national level, including for NCC.



REQUEST FOR INFORMATION – IMPACTS ARISING FROM NCC 2022

Changes to the NCC are agreed upon through a process involving public consultation, review by expert committees and assessment of costs and benefits. Only those changes that have a demonstrated net benefit to the community are supposed to be adopted. The Commission would like to understand if stakeholders agree that this is a reasonable process, and if not, what changes should be made.



REFORM DIRECTION 7 – STOCK REVIEW OF BUILDING REGULATIONS AND STANDARDS

Given the accumulation of regulatory burden, there is likely to be value in undertaking a targeted, in-depth review of building regulations and standards, including how they are made, implemented and administered.



REQUEST FOR INFORMATION – STOCK REVIEW OF BUILDING REGULATIONS AND STANDARDS

To finalise any recommendation for a review of the stock of building regulations and standards, including how they are administered, the Commission would like to understand if there are particular areas a review should focus on, and how the review should be conducted.



REFORM DIRECTION 8 – QBCC PERFORMANCE

The QBCC should consider and implement outstanding recommendations of the 2022 QBCC governance review that remain relevant. It should also consider measures to improve performance, including streamlining its licensing processes, improving its responsiveness to stakeholder and customer concerns, ensure it has sufficient presence in regional areas and continue to work to reduce compliance burdens on industry.

While it is beyond the scope of this inquiry to conduct an operational review of the QBCC, consideration should be given to whether the regulatory framework underpinning the QBCC provides the right incentives for ongoing improvements to regulatory performance.



REQUEST FOR INFORMATION – QBCC PERFORMANCE

The QBCC currently reports quarterly against a range of measures including processing times for renewals, licence applications and defects, movement to online forms and proportion of QBCC decisions set aside by the Queensland Civil and Administrative Tribunal. It also reports annually under the Queensland Government's Regulator Performance Framework.

The Commission would like to understand if the metrics the QBCC reports against appropriately measure its performance, and if not, what other metrics would help to make performance outcomes more transparent.

Are there other options for incentivising improved performance that the Commission should consider?



REQUEST FOR INFORMATION – THRESHOLD FOR INSURABLE WORKS

The Commission is seeking further information on the threshold for insurable works under the Queensland Home Warranty Scheme, including:

- the potential benefits and risks of increasing the threshold (including the impact on insurance claims and dispute resolution provisions)
- whether the threshold should be indexed annually and, if so, the appropriate methodology for indexing.



REQUEST FOR INFORMATION – DEPOSIT CAPS

The Commission is interested in feedback on the current deposit caps for domestic building contracts in Queensland, including:

- potential implications of raising the deposit cap for higher value contracts including any impact on pre-construction costs, cash flow, and project timelines for small businesses
- whether the premium for the Queensland Home Warranty Scheme should be paid separately from the deposit. What would be the advantages and disadvantages of this approach for builders and consumers?

Financial regulations



PRELIMINARY RECOMMENDATION 13 – MINIMUM FINANCIAL REQUIREMENTS

Unless it can be demonstrated that Queensland's minimum financial requirements deliver net benefits to the community, the Queensland Government should remove the requirements.



REQUEST FOR INFORMATION – MINIMUM FINANCIAL REQUIREMENTS

The Commission is seeking evidence on:

- stakeholders' experience of complying with minimum financial requirements in Queensland and the time and resources involved
- whether minimum financial requirements remain well-targeted following the recent removal of reporting requirements for the majority of licensees
- whether minimum financial requirements provide benefits not considered by the Commission and whether these benefits justify their retention.

**PRELIMINARY RECOMMENDATION 14 – TRUST ACCOUNT FRAMEWORK**

To reduce regulatory burden on the construction industry, the pause on further rollout of Queensland's trust account framework should remain in effect until the Queensland Government undertakes commensurate regulatory impact analysis of the framework in line with the Better Regulation Policy.

**REQUEST FOR INFORMATION – TRUST ACCOUNT FRAMEWORK**

The Commission would like to test its understanding of the costs and benefits associated with trust account obligations in Queensland, in particular:

- stakeholders' experience of complying with trust account obligations in Queensland and the time and resources involved
- how impacts differ across projects of different sizes (for example, contracts valued above/below \$10 million)
- whether stakeholders have observed reductions in contract pricing that could be attributed to the presence of trust accounts and a lower risk of delayed or non-payment
- whether trust account regulation is a significant impediment to undertaking construction projects in Queensland (including case studies or examples).

The Commission is seeking further information on:

- whether trust accounts have been effective in reducing cases of non-payment in the Queensland construction industry
- how trust accounts affect the way stakeholders operate and manage their finances (for example, cash flow)
- the adequacy of existing alternatives available under the security of payment framework
- availability of technological solutions to meet trust account obligations.

Modern methods of construction

**PRELIMINARY RECOMMENDATION 15 – MODERN METHODS OF CONSTRUCTION**

To remove unnecessary regulatory barriers to the adoption of modern methods of construction (MMC), the Queensland Government should progress commitments under the revitalised National Competition Policy to:

- adopt a nationally consistent definition of MMC and adopting the national definitions in its relevant legislation
- amend building legislation to accept manufacturer's certificates for NCC compliance
- ensure regulatory neutrality in planning schemes and consumer protections for MMC.

The Queensland Government should also advocate for NCC performance-based provisions to be production-neutral, so they are suitable for MMC or, where necessary, develop MMC specific guidance and advocate with the Australian Building Codes Board and Standards Australia to ensure any standards accommodate MMC.



REQUEST FOR INFORMATION – MODERN METHODS OF CONSTRUCTION

Despite claims that MMC has the potential to reduce the costs and timeframes of construction, stakeholders have suggested that uptake in the industry has been limited compared to overseas jurisdictions. However, other than regulatory barriers, the Commission was unable to identify any market failures that would justify government intervention. The Commission is seeking any further insights or examples from stakeholders about barriers to MMC that have resulted from market or regulatory failures, including any:

- identified barriers that prevent widespread uptake of MMC
- complications encountered by MMC builds complying with the NCC, planning schemes or other regulation
- barriers to the adoption of MMC in government procurement processes.

Workplace health and safety regulations



PRELIMINARY RECOMMENDATION 16 – WORKPLACE HEALTH AND SAFETY

The Office of Industrial Relations should review the Compliance Monitoring and Enforcement Policy. The review should focus on ensuring that the policy provides adequate guidance and direction on how to ensure that compliance monitoring and enforcement activities appropriately manage risk while minimising unnecessary costs to businesses and society.



PRELIMINARY RECOMMENDATION 17 – WORKPLACE HEALTH AND SAFETY

The Queensland Government should expedite the development and rollout of a single, harmonised incident reporting framework, with the ability for single point digital reporting.



REFORM DIRECTION 9 – WORKPLACE HEALTH AND SAFETY

The Commission is exploring other options to improve the operation of Queensland's WHS regime. There appears to be broad stakeholder support for reforms that improve the operation and enforcement of the WHS regime, including to facilitate improved engagement between workers and employers.

There seems to be several options for improving the operation of the workplace health and safety regime, which would not compromise health and safety outcomes. The following options have been suggested by stakeholders:

- to the extent possible, ensure Queensland's WHS laws reflect the National Model WHS Law
- reviewing the powers and functions of the regulator so that it has a more effective and efficient role in facilitating site safety, including provisions for the removal from worksites of any parties who are acting illegally
- ensuring that WHS representatives are elected representatives of company workers with a cap of one per working unit, with fit and proper person tests for the position and options for suspending WHS representatives where misconduct has been demonstrated, or where it can be demonstrated through a ballot that the representative has lost the support of those they represent
- reviewing right of entry provisions to ensure these are commensurate with risk
- developing codes of practice that outline right of entry, agreed approaches to wet and hot weather events, appropriate responses to safety incidents, and how and when site shutdowns occur
- ensuring WHS regulators are appropriately funded, resourced and supported to undertake their designated functions
- convene quarterly forums as part of a recommended taskforce, between principal contractors, subcontractor groups, Industry associations and unions, to review stoppage data, resolve recurring issues and update guidelines as needed.



REQUEST FOR INFORMATION – WORKPLACE HEALTH AND SAFETY

Data suggests that WHS outcomes for the construction industry have not improved over the last decade, despite significant policy effort and increased compliance costs on industry. The Commission is seeking further evidence from stakeholders to support or refute this.

In addition, the Commission is seeking information on:

- whether options in the reform direction are workable, and whether they introduce any significant health and safety risks
- any alternative or additional reforms that should be considered to more effectively and efficiently manage WHS risks and resolve other issues raised
- case studies or examples where innovative or adaptable practices have been used successfully to manage WHS risks.

Labour market



REFORM DIRECTION 10 – TRAINING AND APPRENTICESHIPS

The Queensland Government should establish a collaborative process with industry and relevant government organisations and agencies to identify problems, reform opportunities and priorities to improve the training and apprenticeship system for the construction industry in Queensland. Issues that should be considered include:

- the attraction and retention of prospective students and apprentices, including the efficacy of pre-apprenticeship and mentoring programs
- the design, capacity and quality of the training system, and how these can be improved to meet the needs of industry and prospective and existing workers
- financial considerations for employers, apprentices and students, including whether the efficacy of apprenticeship subsidies can be improved
- development pathways to encourage a career in construction.

In considering these issues, attention should be given to:

- any legal or institutional barriers to reform in this area
- the appropriate sharing of funding among government, students and apprentices, individual businesses and industry generally, considering the incidence of benefits from training
- the design of measures to minimise market distortions to the construction industry and the broader economy
- broader reforms of the education and training systems, and how these interact with reforms proposed under this process
- the requirements of mature age apprentices, and other factors required to support diversity
- the requirements of regional and remote areas.



REQUEST FOR INFORMATION – TRAINING AND APPRENTICESHIPS

The Commission is seeking stakeholder views and evidence on:

- the underlying drivers, incidence and scale of issues in the training and apprenticeship system as they affect the construction industry
- further case studies where strategies to improve training and apprenticeship outcomes have been effective
- the design of an appropriate process to drive reform
 - the Commission is aware of the newly instituted Strategic Dialogue Series of the Department of Trade, Employment and Training and is seeking feedback on whether this model alone will deliver the identified objectives or what other activities would be needed to support reform
- any other issues or considerations that should be identified in the recommendation.



PRELIMINARY RECOMMENDATION 18 – REVIEW OF OCCUPATIONAL LICENSING

All of Queensland's construction-related occupational licensing requirements should be reviewed through a multi-year coordinated program of stock reviews by relevant agencies in consultation with relevant stakeholders. At a minimum, each review should consider whether:

- there is reliable evidence of a market failure
- market failure is better addressed by existing regulation (for example, consumer law)
- there is clear evidence the licensing requirement addresses the market failure effectively
- licensing arrangements deliver net benefits to the community
- licensing requirements deliver the greatest net benefits to the community relative to other options.

There may also be opportunities to more fully recognise prior learning and experience in assessing whether licensing requirements have been met.



REQUEST FOR INFORMATION – PRIORITISING OCCUPATIONAL LICENSING REVIEWS

To best prioritise these reviews, the Commission is seeking stakeholder views on what specific construction-related occupational licensing requirements are most likely to impose the greatest net costs on the community and how a program of stock reviews could best be coordinated across relevant agencies.



PRELIMINARY RECOMMENDATION 19 – REGULATORY IMPACT ANALYSIS OF PENDING OCCUPATIONAL LICENSING

For any pending changes to occupational licensing that have the potential to increase requirements for the construction industry and have not been subject to an assessment under Queensland's Better Regulation Policy, the Queensland Government should suspend their commencement until that analysis is completed.



PRELIMINARY RECOMMENDATION 20 – REMOVING BARRIERS TO LABOUR MOBILITY

Unless it can be rigorously demonstrated that Queensland's specific occupational licensing requirements deliver greater net benefits to the community than those of other states and territories, the Queensland Government should:

- join other states and territories in participating in Automatic Mutual Recognition of occupational licences, at least in relation to the construction industry
- automatically recognise equivalent licensing obtained in other states for construction workers.



REFORM DIRECTION 11 – OPPORTUNITIES TO BETTER UTILISE SKILLED OVERSEAS MIGRATION

Based on preliminary evidence, there appears to be scope for the Queensland Government to advocate for an increased allocation from skilled international migration.

There may also be scope for the Queensland Government to:

- nominate more subclass 190 or 491 visas for construction trades
- reduce duplicative skills assessments, or to recognise equivalent overseas qualifications of potential immigrants.



REQUEST FOR INFORMATION – OPPORTUNITIES TO BETTER UTILISE SKILLED OVERSEAS MIGRATION

To ascertain the opportunity for leveraging skilled overseas migration to address gaps in the construction labour force that cannot be filled domestically, the Commission is seeking stakeholder views and evidence on:

- the need and opportunities for the Queensland Government to nominate more subclass 190 or 491 visas for construction tradespeople
- the opportunities to reduce duplicative skills assessments, or to recognise equivalent overseas qualifications, and if these opportunities exist, what the benefits, costs and risks are
- other specific opportunities to increase the use of skilled overseas migration to meet Queensland's construction skills needs.



REFORM DIRECTION 12 – LABOUR HIRE LICENSING

The Commission is considering whether existing labour hire licensing requirements should be applied to construction work, noting the rationale for labour hire licensing appears weaker for construction than for other industries.



REQUEST FOR INFORMATION – LABOUR HIRE REGULATION IN CONSTRUCTION

In relation to labour hire in construction, the Commission is seeking evidence as to whether:

- labour hire licensing arrangements enhance workplace health and safety outcomes beyond those achieved by other laws
- the costs imposed on businesses by the regime are disproportionate to those benefits
- Queensland workers and businesses would be better served by the state's participation in the process underway for a national (rather than state-based) scheme.

Taxes on foreign investment



REQUEST FOR INFORMATION – TAXES ON FOREIGN INVESTMENT

The Commission is seeking further information from stakeholders on:

- the extent to which Queensland's foreign investor taxes are likely to impede housing construction and innovation
- whether the recently announced changes to streamline the granting of *ex gratia* relief will address stakeholder concerns
- whether Queensland's additional taxes on foreign investment should be removed.

Utility connections



PRELIMINARY RECOMMENDATION 21 – UTILITY CONNECTIONS

Any requirements or conditions applied by utility providers should align, as far as practicable, with existing agreed standards. Where they do not align, the utility provider should offer clear, transparent, and evidence-based justifications for any differing requirements imposed.



REQUEST FOR INFORMATION – UTILITY CONNECTIONS

Appropriate coordination and collaboration between local governments, utility providers and developers can ensure new dwellings are serviced by the timely and efficient provision of utility services.

The Commission is seeking further information on:

- the extent of coordination and collaboration, between governments, the construction industry and utility providers that already occurs
- where there may be further opportunities to align development approval with timely infrastructure provision and utility connection
- whether existing performance standards and metrics reported against by utility providers appropriately incentivise performance.

EQ EBA



REQUEST FOR INFORMATION – EXTENSION OF ENERGY QUEENSLAND’S ENTERPRISE BARGAINING AGREEMENT RATES OF PAY TO CONTRACTORS AND SUBCONTRACTORS

Several stakeholders have raised issues with the 2024 Energy Queensland Union Collective Agreement (the EQ EBA), stating that it adds unnecessary conditions on subcontractors carrying out contestable works on the EQ network, reducing competition and increasing the costs of housing developments.

Several options have been put forward by stakeholders to address this issue, including that the Queensland Government:

- request EQ to remove the requirement for EQ’s EBA rates of pay and allowances to be applied to contestable works (which apply to employees of contractors and subcontractors) when EQ negotiate their next EBA in 2028
- revise the definition of contestable works, so that sub-contractors are no longer covered by the EQ EBA.

The Commission is seeking information on the impact of the requirements and feedback on stakeholder proposals.



1.0

Introduction

1.1 About the inquiry

On 24 April 2025, the Queensland Government asked the Commission to undertake an inquiry into productivity in the construction industry.

The inquiry has been requested in response to government and industry concerns about declining productivity in the industry, and its ability to meet rising demand for housing and other infrastructure.

The inquiry's terms of reference (see Appendix A) set out a broad scope for the inquiry, but are primarily about finding ways to increase productivity in the construction industry to:

- increase housing supply and improve housing affordability for Queenslanders, and
- allow the government to deliver infrastructure to meet the needs of a growing population.

The Commission has been asked to consider regulatory and non-regulatory mechanisms that would help to achieve these outcomes.

The Commission has been asked to report back to Government by 24 October 2025.

Box 1.1 What is the construction industry

The construction industry is one of the largest in Queensland, accounting for 7.9 per cent of Queensland's total output and employing almost 10 per cent of the state's workforce across a range of activities from dwelling renovations to highway constructions.

The construction industry consists of a broad range of activities, including:

- building construction, which includes detached homebuilding, multi-unit and high-rise apartment construction, renovations and non-residential building activities such as industrial construction, office building and other commercial building
- heavy and civil engineering construction, which includes the construction of large-scale infrastructure projects, such as roads, bridges, mine sites, railways and utilities
- construction services which incorporate specialised construction activities that are usually performed by subcontractors, such as plumbers, carpenters, electricians, tilers, plasterers and landscapers.

There are strong links between each part of the industry, and the industry relies heavily on downstream manufactured materials and professional services.

1.2 Consultation

The terms of reference requires the Commission to consult widely. For our initial consultation, we conducted more than 50 stakeholder meetings with industry groups, trade unions, businesses and government. We also called for and received many submissions from stakeholders. These are available on our website.

The Commission would like to thank stakeholders for their involvement in the inquiry so far, and we look forward to further engagement on the matters raised in this interim report.

It is worth noting that many stakeholders were prepared to only provide confidential or verbal submissions to the Commission, stating a fear of reprisal (in the form of intimidation, loss of work, adverse treatment during approval or regulatory processes and/or procurement processes). It is not the role of the Commission to comment on the accuracy of these statements. However, it should be noted these concerns were not isolated to a small number of stakeholders or location.

1.3 Our approach

Following the receipt of the terms of reference the Commission commenced initial consultation with key stakeholders and called for submissions and comments on any matters relating to the terms of reference.

Stakeholder feedback to date, reflects the technical and organisational complexity of the construction industry. Further, stakeholders have also highlighted the significant risks from policy or regulatory missteps or inaction, including risks for workplace safety and the performance of what are often long-lived assets.

Within this context, the Commission has not sought to address every issue affecting the construction industry. Rather, the Commission is seeking to identify the main issues that are holding back productivity in the construction industry and preventing the construction of the homes and infrastructure Queensland needs over the next decade.

This interim report provides both recommendations and reform directions:

- Reform directions are broad reform areas where there is an obvious case for action, but the Commission is seeking further information to support the development of specific recommendations.
- Preliminary recommendations are specific reforms that the Commission is seeking feedback on.

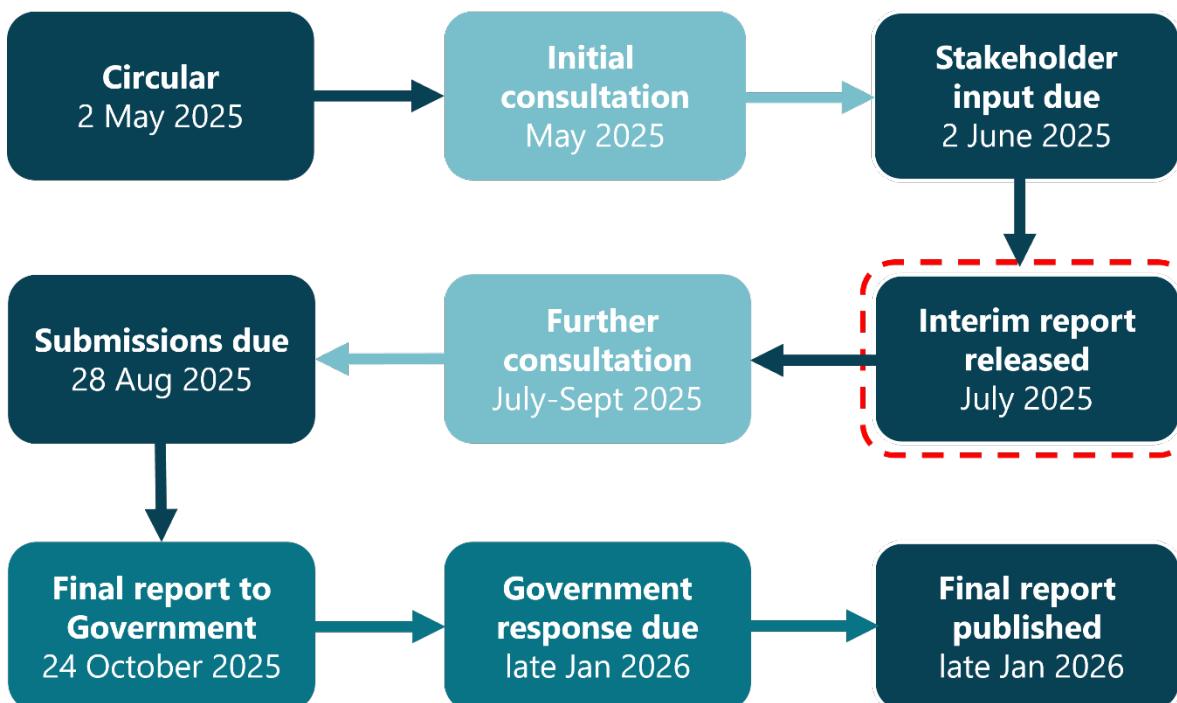
The preliminary reform directions and recommendations contained in the interim report focus on issues that:

- will significantly affect construction productivity
- are likely to provide significant economic gains for the community
- appear to have a clear and compelling case for action, as there is enough evidence to support a clear reform direction, and
- the Queensland Government can influence or drive outcomes.

The Commission is seeking to test the preliminary reform directions and preliminary recommendations in this interim report with stakeholders before the final report is submitted to government.

Information requests are provided at the end of each chapter.

Figure 1.1 Inquiry stages and timing



1.4 Interim report structure

Based on our assessment of the evidence, including stakeholder submissions, the Commission has focused on four key areas where reforms are likely to improve productivity and generate large benefits for the community. These are covered in the following four parts:

- **Part A: Government procurement** — government procurement is having a large impact on construction industry productivity both through the scale of its capital works program, which comprises a large and growing share of construction industry activity, and the ways in which it procures these services. Key issues include Best Practice Industry Conditions (BPICs), general procurement rules and vetting and sequencing of capital projects.
- **Part B: Land use regulation** — there is an emerging literature suggesting that restrictions on land use have been a significant contributor to declining productivity in the residential construction market. Given the close links to housing supply, reforms to land use regulation have the potential to generate large benefits for the community. Land use regulation also has links to other economic activity, by regulating where and how these activities occur.
- **Part C: Building regulation** — developing and constructing housing and infrastructure in Australia requires compliance with a growing body of regulation, imposed by every level of government. These regulatory burdens are likely to be hindering construction industry productivity and inhibiting innovation in the sector. Key focus areas include regulation of labour markets, workplace health and safety regulation and building regulation.
- **Part D: Labour markets** — because construction activity is sequential, skilled labour shortages in one area can adversely impact productivity by delaying activities in other areas. Queensland's labour market is currently extremely tight, and there is rising demand for construction workers. Key settings that can exacerbate matters include labour market regulation such as licencing, training of new workers and policy settings around skilled migration.

The Commission has also considered several other issues that have been raised by stakeholders, including taxation of foreign land holders, impacts arising from Energy Queensland enterprise bargaining agreements and utility connections. These are covered in **Part E: Other matters**.

The report also contains several technical appendices that support the analysis in this interim report.



2.0

Background

Key points

- Although there have been periods of strong growth, over the long run, productivity growth in Queensland's construction industry has been slow. Labour productivity today is only 5 per cent higher than it was in 1994-95 — in comparison, labour productivity in the market economy grew by 65 per cent over the same period.
- While there are difficulties in assessing more recent changes in productivity because of large structural changes within the industry, the industry's productivity appears to have declined by around 9 per cent since 2018.
- If the Queensland construction industry's productivity had been maintained at 2018 levels:
 - the industry would require 9 per cent less labour to achieve the same level of output — this would more than offset recent industry estimates of worker shortfalls.
 - the industry may have been able to construct an additional 77,000 dwellings, with flow through benefits for housing affordability.
- Queensland's construction industry is facing rising levels of demand, boosted by the infrastructure and housing needed to support a growing population, and other key government infrastructure, including for the 2023 Olympic and Paralympic Games.
- At the same time, the industry is facing difficult conditions with a tight labour market and supply chain issues making the operating environment extremely challenging.
- As a result, the industry is increasingly unable to keep pace with demand:
 - The pipeline of work yet to be done has more than doubled since 2020, with infrastructure projects increasingly behind time and over budget.
 - The housing market is not keeping pace with population changes, and housing affordability is declining.
- If the construction industry is to meet the challenges ahead, productivity will need to increase.
- The evidence suggests that low productivity is not unique to Queensland. In recent decades, construction productivity has mainly been flat across Australia and in many other developed countries. There are exceptions and there have been periods in which construction productivity grew quickly, suggesting the construction industry is not inherently unproductive, but has become less so.
- Although international and national evidence on the causes of slow productivity growth is incomplete, it suggests that policy and regulation is likely to have played a key role through:
 - the introduction of more restrictive land use regulation that may have made it more difficult and expensive to construct housing and other buildings
 - building regulation becoming more complex and burdensome
 - differences in regulation between jurisdictions (and the way they are structured) that create incentives to keep the industry fragmented and dominated by small firms
 - government policies and procurement practices that directly impact productivity and stifle cost and productivity disciplines more broadly.
- Improving productivity does not require a reduction in working conditions. Productivity improvements in Australia have been associated with improved working conditions — because productivity generates income it tends to lift wages and allow firms to invest in better safety outcomes.

2.1 The construction industry

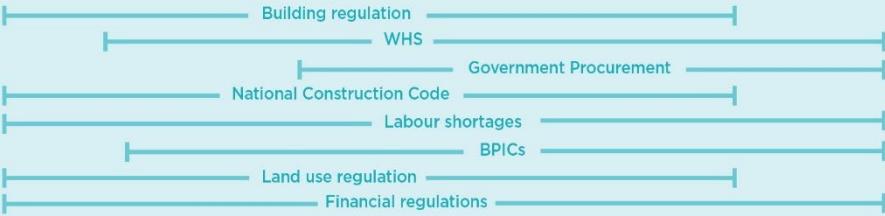
The construction industry is large and diverse with a complex range of issues cutting across sub-sectors of the industry (Figure 2.1)

It is one of the largest industries in Queensland, accounting for 7.9 per cent of Queensland's total output and employing almost 10 per cent of the state's workforce across a range of activities from dwelling renovations to highway construction (ABS 2024a; ABS 2025i).

The construction industry includes:

- building construction, which includes detached homebuilding, multi-unit and high-rise apartment construction, renovations and non-residential building activities such as industrial construction, office building and other commercial building
- heavy and civil engineering construction, which includes the construction of large-scale infrastructure projects, such as roads, bridges, mine sites, railways and utilities
- construction services which incorporate specialised construction activities that are usually performed by subcontractors, such as plumbers, carpenters, electricians, tilers, plasterers and landscapers.

Figure 2.1 The construction industry is diverse, with key issues affecting each part differently

	RESIDENTIAL BUILDING CONSTRUCTION	NON-RESIDENTIAL BUILDING CONSTRUCTION	CIVIL CONSTRUCTION
Project type	Detached houses Townhouses and duplexes Apartments and multi-residential units Renovation activity	Office towers and commercial complexes Hospitals, schools, government buildings Factories, warehouses, retail developments	Railways, airports Roads, highways, bridges, tunnels Water supply and sewage systems Mines and dams Utilities and energy infrastructure
Sub-sector characteristics	Mix of small and large contractors Traditionally lowest average wages of the three sectors	Mix of small and large contractors Faces competition with the mining industry and interstate projects Workforce tends to remain within each industry from project to project	Large multinational firms and specialised civil contractors
Key issues identified	 <ul style="list-style-type: none"> Building regulation WHS Government Procurement National Construction Code Labour shortages BPICs Land use regulation Financial regulations 		

Source: QPC based on stakeholder consultation and Queensland Unions submission (sub. 59, p. 7).

There are also strong links between the outputs from each part of the construction industry. For example, residential development requires access to infrastructure supplied by the civil construction sector.

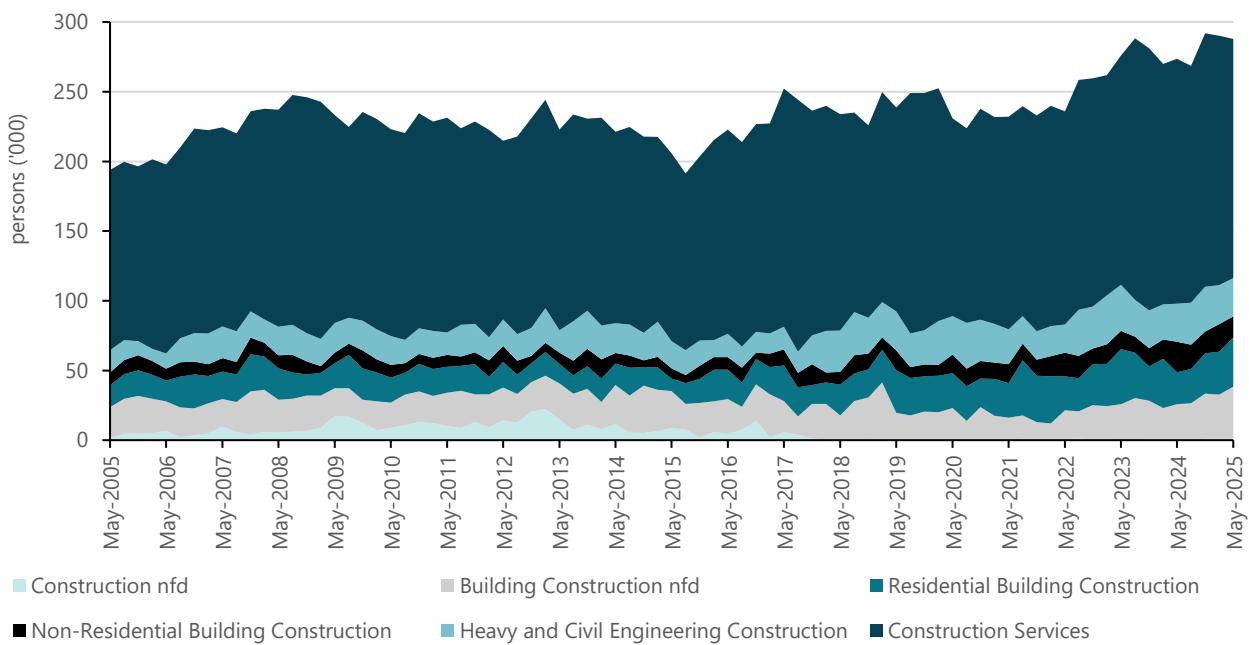
The industry also relies heavily on the services and manufacturing sectors for inputs to support production.

In May 2025 Queensland's construction industry employed 287,000 persons — an increase of around 52,000 persons (or a 22 per cent increase in the size of the workforce) since May 2022 but below the peak of 291,900 persons in November 2024 (ABS, PC 2023c).

The construction services sub-industry employs the largest share of workers within the industry, employing around 60 per cent of the industry's total workforce in May 2025. While there have been some changes over time, the composition of the workforce by sub-industry over the last 20 years has been reasonably constant (Figure 2.2).

Figure 2.2 Industry workforce is dominated by construction services

Composition of Queensland's construction workforce by sub-industry



Source: QPC, ABS 2025i.

Note: nfd refers to 'not further defined'. The Building Construction sub-industry consists of Building Construction nfd, Residential Building Construction and Non-Residential Building Construction.

While female participation in the construction industry has doubled over the last thirty years - increasing from 7 per cent in 1994 to 14 per cent in 2024, participation remains low. In May 2025 women made up 11 per cent (30,300 persons) of Queensland's construction workforce, with almost half (14,600 persons) employed in construction services.

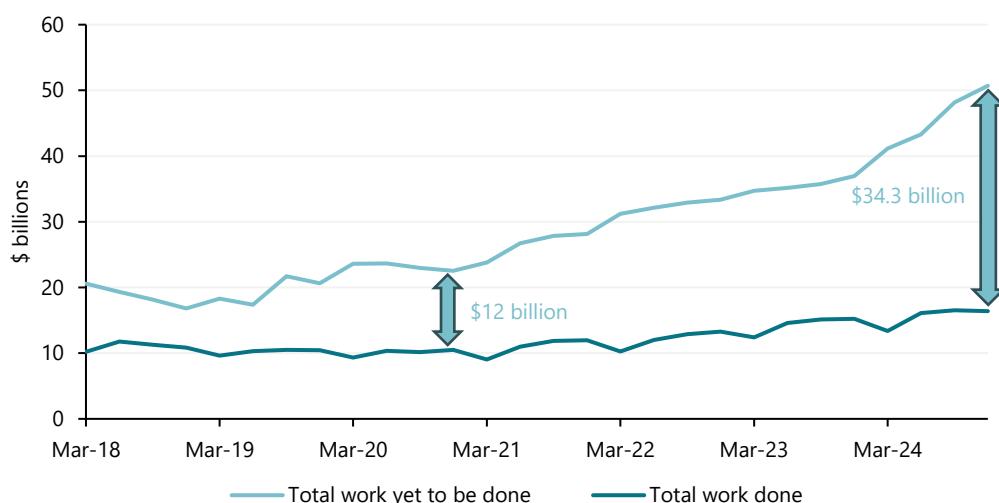
Despite continued efforts from state and federal governments, female participation within the industry appears to have plateaued over recent years, remaining between 10-14 per cent over the last five years, with the exception of a peak of 16 per cent in May 2024 (ABS 2025i).

2.2 Queensland's construction challenges

Queensland is currently facing rising levels of demand for construction services

The value of the pipeline of construction works has more than doubled since December 2020, while the value of total work done has increased by only 56 per cent — as a result the difference between work done and work yet to be done has increased from \$12 billion to \$34.3 billion over this period (Figure 2.3).

Figure 2.3 The pipeline of construction works is growing strongly
Building and engineering construction activity, Queensland, nominal



Source: QPC based on ABS 2025b, 2025d.

Note: Work done is work done during the quarter. Work yet to be done is the value of work remaining to be done on jobs under construction at the end of the quarter (i.e., the difference between the anticipated completion value and the estimated value of work done on jobs up to the end of the quarter).

This rising demand for construction largely reflects:

- Strong population growth driving demand for housing and infrastructure — in the five years to June 2024, Queensland's population grew by 9.8 per cent to 5,586,322, the largest increase over this period of any state or territory (QGSO 2024). Over the next decade, Queensland's population is projected to increase by up to 1 million people, an increase of around 17 per cent (ABS 2023a).
- Growth in Queensland's energy infrastructure — Queensland's departments and state-owned businesses are investing in firming capacity (that is, pumped hydro, batteries and gas peaking plants) and major network infrastructure (that is, transmission lines) to deliver affordable, reliable and sustainable energy for Queenslanders (Queensland Government 2025g, 2025f).
- The 2032 Olympic and Paralympic Games — over the next seven years, the program of works includes \$3.5 billion on the 2032 Athletes Villages and \$7.1 billion on Olympic and Paralympic Games venues infrastructure, including a new 63,000-seat stadium in Victoria Park, a National Aquatic Centre, and significant upgrades to existing transport and minor venue infrastructure across Queensland (Queensland Government 2025a, 2025g).

The community is concerned about the industry's capacity to meet housing needs

Tightness in the construction industry is particularly apparent in the housing market. Over the past several years, demand for homes has outpaced the industry's capacity to provide new supply, with dwelling completions declining since 2016 (Figure 2.4), despite rising demand. This has led to significant declines in housing affordability, with dwelling prices, rents and levels of homelessness escalating (for example, Pawson 2024).

Figure 2.4 A significant uptick in completions is needed to meet housing targets



Source: QPC based on ABS 2025b.

Note: Annual rolling sum.

Without significant change, Queensland is unlikely to build enough homes to address recent declines in affordability:

- The Queensland Government is aiming to have an additional 1 million additional homes built over the next 20 years (Crisafulli 2024), that is, 50,000 homes per annum. However, over the last decade only 37,000 homes were delivered per year, and in recent years, the number has been even lower (Figure 2.4).
- The Urban Development Institute of Australia (2025) recently forecast that Queensland will undershoot its National Housing Accord annual dwelling target by between 37 per cent and 43 per cent in each of the next five years, with a combined 'supply gap' of roughly 74,000 dwellings (p. 26). The Property Council of Australia (2025b, p.11) also recently projected a shortfall of 96,000 homes in Queensland by 2029.

Outside of housing, there are also signs that both private investment and public infrastructure projects are being impacted by declining productivity in the construction industry.

While there have been numerous cost overruns and delays to public projects, such as those on the Cross River Rail project, there have also been similar issues on some private sector projects. For example, the project costs on the Queen's Wharf development have reportedly increased by \$1 billion, from an original costing of \$2.6 billion (Samios & Macdonald 2025).

Looking ahead, stakeholders have raised concerns about how the construction industry is going to service future demand, with concerns being raised about productivity on infrastructure sites and future workforce shortages (Master Builders Queensland 2025a; QMCA 2024). There is broad agreement there is not enough workers (directly and indirectly involved in the construction industry) to deliver the work in the pipeline.

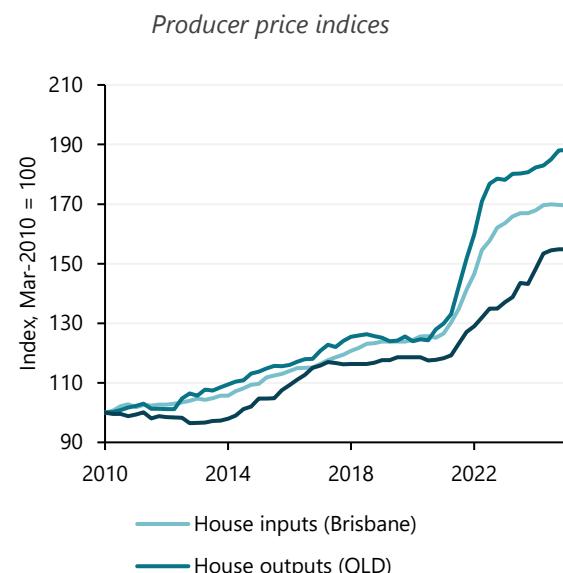
Persistent skills shortages across all specialist trades represent a major constraint on the industry's capacity to deliver on Queensland's significant infrastructure agenda and contribute to overall economic growth. (AMCA, NECA & NFIA, sub. 47, p. 6)

2.3 Industry conditions are difficult, but poor productivity is the key issue

Capacity constraints are having adverse impacts, but are not unique to construction

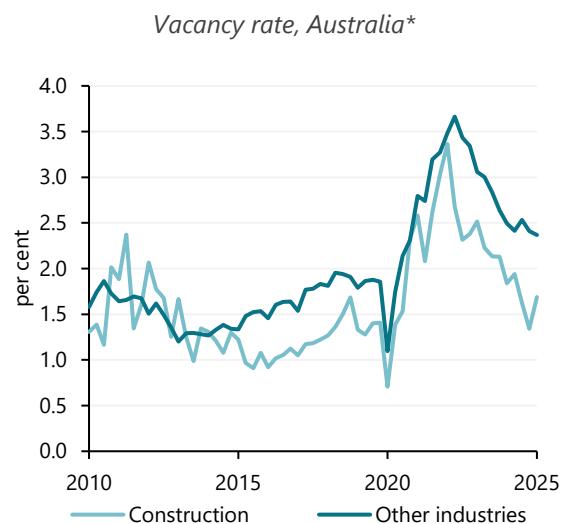
Queensland's construction industry has been operating at or near capacity since 2021, resulting in significant rises in materials prices (Figure 2.5) and trades vacancies (Figure 2.6). While supply chain disruptions initially limited the industry's capacity, these conditions have eased, although prices remain elevated.

Figure 2.5 Materials prices rose significantly from 2021, but have since plateaued



Source: QPC based on ABS 2025*l*.

Figure 2.6 Trades vacancies escalated sharply from 2021, but have since eased



Source: QPC based on ABS 2025*l*, 2025*f*.

Note: *Job vacancies are not directly available at the state-industry level. 'Other industries' excludes agriculture, forestry and fishing.

Demand for construction workers — both professionals and tradespeople — is likely to continue to outstrip supply over the next decade across Australia (BuildSkills Australia 2024; Infrastructure Australia 2024b). BuildSkills Australia, for example, projects a shortfall of around 40,000–80,000 construction workers for Australia over the next decade. Meanwhile, Construction Skills Queensland (2025b) predicts that Queensland is likely to face an average shortfall of around 18,000 construction workers per year over the next eight years.

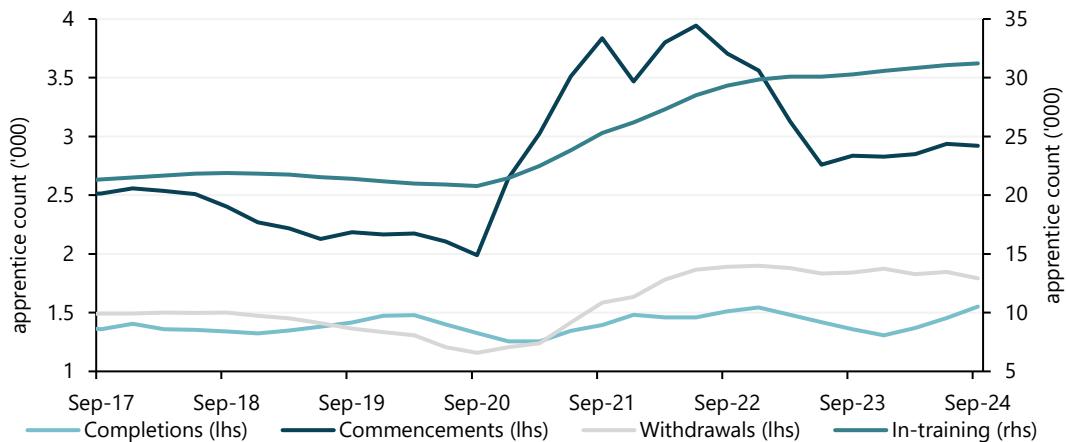
'Skills shortages' do not necessarily reflect market or regulatory failures. Even a 'perfect' labour market will have some level of unmet demand, and there will always be scenarios where the pay or conditions a business is willing to offer is less than what workers will accept.

Workforce shortages are not unique to construction. Labour market conditions across the economy remain historically tight, and there is little evidence that shortages in the construction industry are particularly worse than the economy average. Nationally, the data suggest vacancy rates in construction are both lower and easing more rapidly than in other industries (Figure 2.6).

With respect to the pipeline of apprentices, while the number of apprentices in-training has risen since 2020, withdrawals have significantly outpaced completions since 2021 (Figure 2.7). As apprenticeships typically take up to four years to complete, it is anticipated that commencements throughout 2021 and 2022 will start to increase the qualified workforce through 2025 and 2026.

Figure 2.7 Apprenticeship commencements rose markedly in 2021, but this is yet to be reflected in completions

Queensland construction industry's apprenticeship pipeline, 4-quarter rolling average



Source: QPC based on CSQ 2025a.

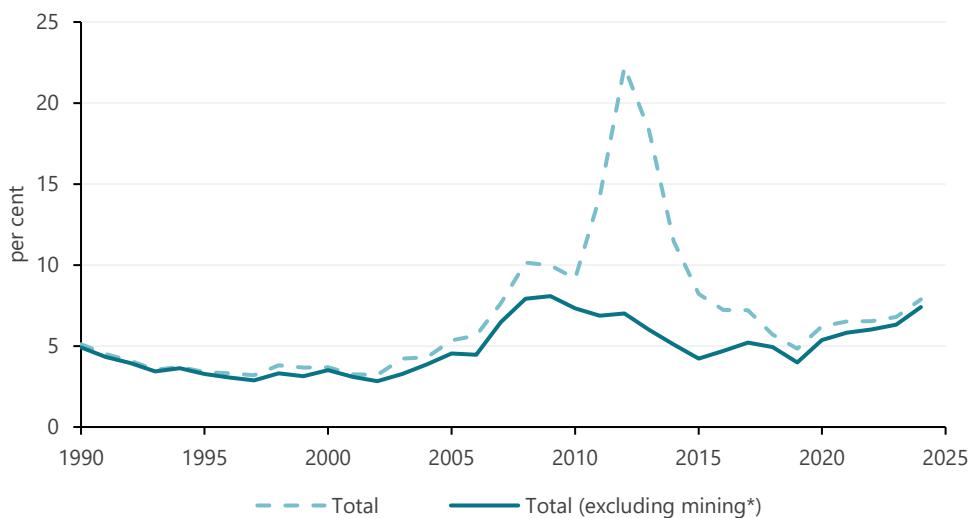
While demand is high, it is not unprecedented

While the pipeline of construction work in Queensland has grown rapidly since 2020, it remains well below the levels seen in the lead up to and during the liquid natural gas (LNG) construction boom (that is, 2011 to 2014):

- The value of work yet to be done in Queensland was around 32 per cent of GSP in 2023–24, well below the average of 45 per cent over the decade between 2005–06 to 2015–16.
- Even excluding mining, the value of work yet to be done as a share of GSP was higher in 2008–09 than in 2023–24 (Figure 2.8).

Figure 2.8 The current pipeline of work is not unprecedented

Construction work yet to be done as share of nominal GSP, Queensland



Source: QPC based on ABS 2024a, 2025b, 2025d.

Note: Construction work yet to be done is the sum of building work and engineering construction work yet to be done. Total excl. mining is total construction work yet to be done less heavy industry (which is mostly relates to mining).

Despite being significantly higher than today, Queensland was able to quickly clear the large pipeline of work during the LNG construction boom. The reason this was able to occur was that construction industry productivity during the peak was around 37 per cent higher than it is today.

While significant structural differences in the type of demand⁵ mean it would be unrealistic to expect a return to the levels seen during the peak of the mining boom, there appear to be significant opportunities to increase construction industry productivity to meet the challenges ahead, without compromising quality or safety outcomes (see Box 2.1).

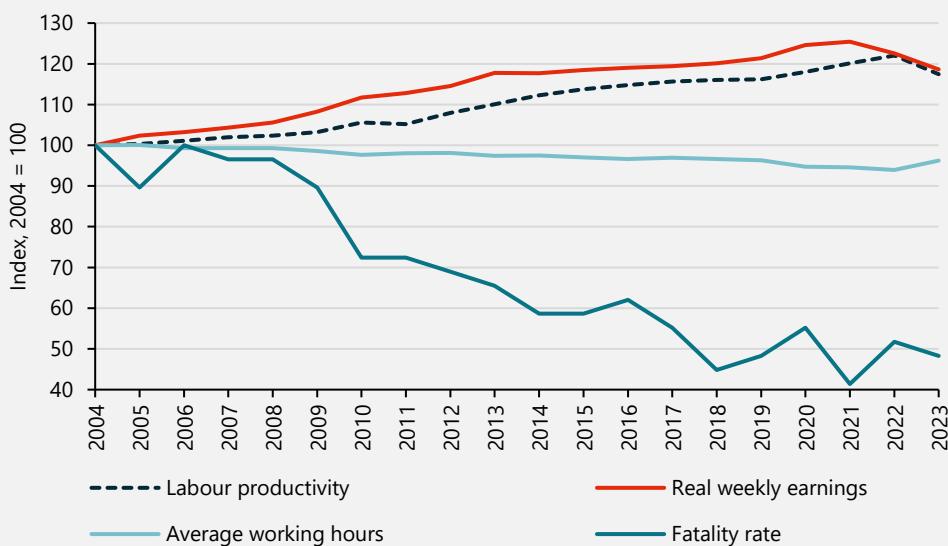
Box 2.1 Productivity growth has been associated with improved working conditions

While there is some scepticism that productivity growth is good for workers, the evidence suggests this scepticism is misplaced.

Conceptually, improvements in productivity produce more income for a given level of effort. How this income is distributed determines whether improvements in productivity result in higher wages, higher profits for firms, more leisure time, better working conditions, or some combination of these outcomes.

As shown in Figure 2.9 below, productivity growth in Australia has been associated with increased earnings for workers, safer work environments, and reduced working hours. Since 2004, Australian labour productivity has increased by 17 per cent, while real weekly earnings increased 19 per cent, workplace fatality rates have halved, and average working hours have fallen by 5 per cent.

Figure 2.9 Productivity growth in Australia has been associated with improved living conditions
Whole-of-economy, Australia



Source: QPC based on ABS 2024b, 2024e, 2024f, 2025h; Safe Work Australia 2024.

Note: Labour productivity is GDP per hour worked, real weekly earnings are average weekly ordinary time earnings deflated by CPI. While productivity increases have corresponded with improvements in safety, this does not imply causation.

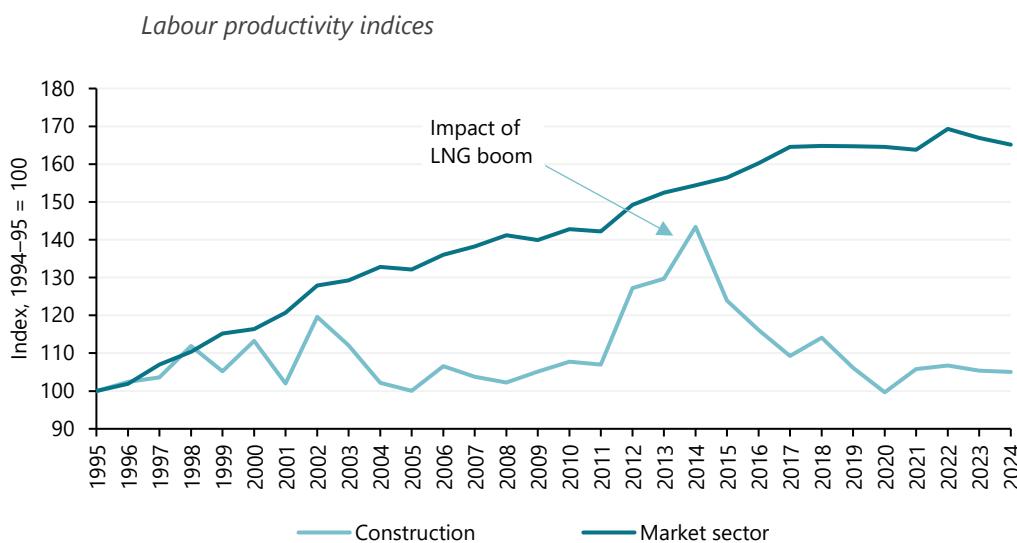
⁵ During the peak of the liquified natural gas investment boom, a significant component of construction work involved assembling gas plants and networks, which had high value relative to the workforce used.

The key underlying issue is slowing productivity

Apart from a brief anomaly associated with the LNG construction boom, measured productivity⁶ in the Queensland construction industry has largely been stagnant over the last three decades:

- Since 1994–95, labour productivity in the Queensland construction industry has grown by 5 per cent, compared to 65 per cent in the broader market sector (Figure 2.10).
- Multifactor productivity growth (a measure of technical change) has been similarly poor. While data is not available for Queensland, Australian construction multifactor productivity (MFP) has grown by 1 per cent since 1994–95, compared to 23 per cent for the broader market sector (ABS 2025e).

Figure 2.10 Queensland's construction productivity has flatlined



Source: QPC based on ABS 2024a, 2025g, 2025k, 2025e.

Note: Market sector labour productivity is sourced from ABS, Queensland construction labour productivity is a QPC estimate. For consistency with official statistics, Queensland's construction inputs are constructed by apportioning labour account hours worked with labour force data.

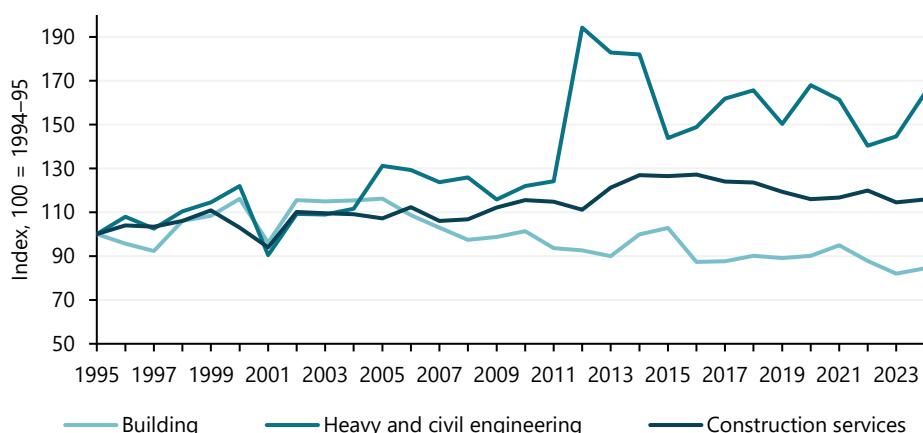
As noted in Box 2.2, understanding trends in construction productivity is challenging without understanding how the different parts of the construction industry are performing.

While state level data is not available, national data shows that productivity performance across the sub-industries that form construction has been divergent (see Figure 2.11). Since 1994–95:

- Heavy and civil engineering has performed well, largely keeping pace with the broader market.
- Construction services have been stagnant, with no noticeable change in labour productivity.
- Building construction has performed poorly, with labour productivity declining by around 16 per cent.

Although data is not available for dwelling construction (a subset of building construction), recent Australian Productivity Commission research (2025) suggests that labour productivity fell by 12 per cent from 1994–95 to 2022–23.

⁶ 'Measured productivity' is defined as gross value added per hour worked.

Figure 2.11 National data show building construction has underperformed*Labour productivity, Australia*

Source: QPC based on ABS 2024d, 2025g.

Returning productivity to 2018 levels would provide large benefits

While there are difficulties in assessing recent productivity changes because of large structural changes in the industry, the data suggest productivity in the construction industry has fallen by around 9 per cent since 2018 (see Figure 2.10). Addressing this decline would not only address most of the current worker shortages in the construction industry, it would also allow improved outcomes for the rest of the economy.⁷

Even modest improvements are likely to have large impacts. For example, if construction labour productivity had remained at 2018 levels, the industry could have produced 9 per cent more output with the same number of workers. If this extra capacity had been funnelled into the housing market, Queensland could have delivered around 77,000 additional dwellings.

Increasing productivity will also increase the industry's sustainability through increased levels of industry profitability. Construction has high insolvency rates, linked to high upfront costs, cash flows delays, scale of many businesses, vertical separation and cascading nature of payments. In the 2024 financial year, 297 construction companies collapsed, accounting for 23 per cent of all insolvencies, in Queensland (ASIC 2024). In the current context of high insolvency rates, improving the financial sustainability of construction businesses should reduce the exposure of home buyers, creditors, workers, and government to insolvency risks.

Higher levels of productivity can also enable the industry to improve working conditions, by generating more income. Whilst there has been significant policy effort over the last decade to improve safety in the construction industry, outcomes in the industry remain broadly the same. For example, workplace health and safety data show that since 2018 there have been no reductions in fatalities or serious injuries (discussed further in Chapter 15).

⁷ Construction Skills Queensland's Horizon 2032 report forecasts an average shortfall of 18,200 workers over the period 2024–25 to 2031–32. A 9 per cent productivity gain, would deliver the equivalent of around 25,000 workers in 2024–25.

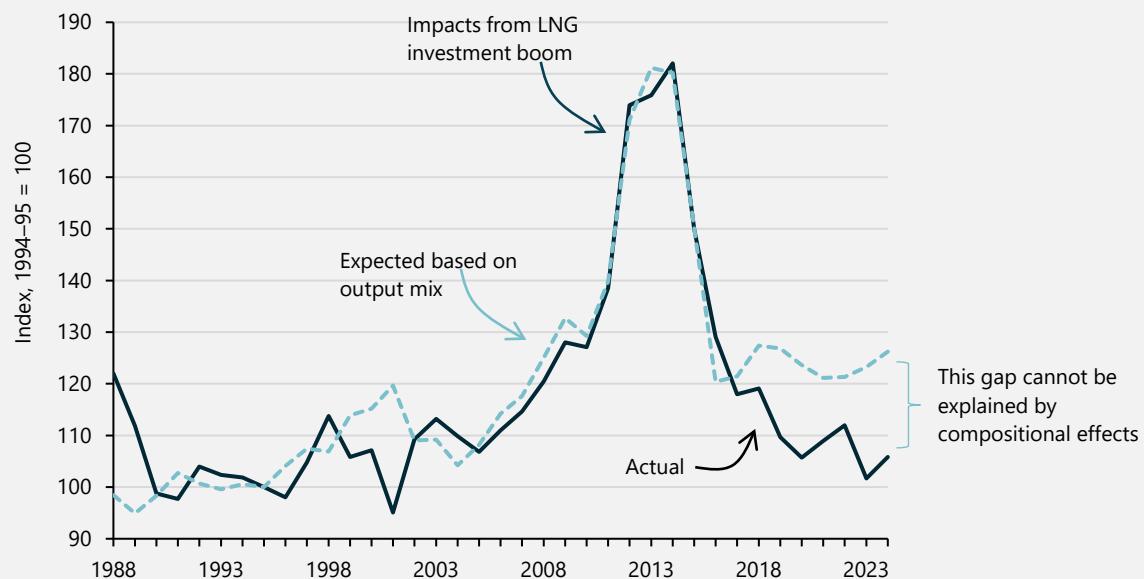
Box 2.2 Unpacking short run productivity outcomes

Understanding short run productivity movements in the construction industry is confounded by compositional effects. Because productivity levels vary enormously between different types of construction activity — for example, civil engineering activity is significantly more productive than house building — changes in composition can cause large movements in measured productivity. This occurred during the mining and LNG construction boom, when civil engineering activity dominated construction work, leading to a large spike in measured productivity. As the mining and LNG investment tapered off, so did productivity.

However, holding compositional effects constant, as in Figure 2.12, can help to unpack the productivity story. It shows that compositional shifts explain most of the large changes in work done per hour worked (a close approximation of labour productivity) until around 2018, when it continued to decline, despite no significant changes in composition. This infers that, unlike previous periods, the decline in productivity in Queensland's construction industry since 2018 cannot be explained by compositional effects.

Figure 2.12 Over the short run, poor productivity cannot be explained by compositional changes

Experimental estimates - work done per hour worked, Queensland



Source: QPC based on ABS 2024a, 2025i.

Note: Labour productivity is approximated by work done per hour worked. For the dotted line, labour productivity is held constant for each component of construction activity.

2.4 The causes of slow productivity growth

Poor performance is not unique to Queensland

Weak construction productivity is not unique to Queensland. Construction productivity growth has been weak across Australia and in most advanced economies (Figure 2.13; Goolsbee & Syverson 2023; McKinsey Global Institute 2017; Sveikauskas et al. 2018). However, as noted by the PC, this does not mean that construction productivity growth is inherently slow — rather it has "acquired this trait in recent decades" (PC 2025a, p. 20).

Figure 2.13 Construction productivity has been relatively weak in advanced economies



Source: QPC based on ABS 2024d, 2025g; OECD 2025; StatsNZ 2024.

Note: Due to differences in source, scope, and reference years, limited reliance should be placed on cross-country comparisons.

*Data for Australia and NZ are sourced from the ABS and StatsNZ (respectively) and use the market sector as a comparator. Queensland construction estimates are modelled. Data for other countries are sourced from the OECD and use 'Industry (except construction)' as the comparator. ** Data is not available for all countries for the full period, therefore it has been averaged over the period for which it is available.

Although construction industries across jurisdictions have generally experienced weak productivity growth, the extent of this trend has shown significant variation.

For example, while New Zealand has generally recorded softer productivity growth than Australia, productivity in New Zealand's construction industry has grown more quickly. Further, in direct contrast to Australia, New Zealand has experienced strong productivity growth in building construction and weak growth in engineering construction (New Zealand Infrastructure Commission Te Waihanga 2022).

Similarly, there is significant intertemporal variation in productivity outcomes. International data suggest that low construction productivity is a relatively recent phenomenon, with construction in many countries experiencing periods of high productivity growth (PC 2025a). For example, D'Amico et al (2023) suggest that construction productivity in the US grew quickly until the 1970s. Similarly, the PC (2025a) show that construction productivity in Australia grew faster than the economy average during the 1970s.

There is no single driver of poor productivity performance

Despite it being an international phenomenon, the causes of recent weak productivity growth in construction have not been well researched and there remains some conjecture about the factors behind it.

Nevertheless, the research suggests this weak productivity growth is unlikely to have been caused by:

- Mismeasurement — several researchers (Garcia & Molloy 2023; Goolsbee & Syverson 2023) have noted that while quality changes, price effects or other sources of mismeasurement could affect productivity statistics, those effects are too small to explain the industry's poor performance. The Australian Productivity Commission similarly concluded that mismeasurement could not explain weak productivity performance in Australia's residential building industry (PC 2025a).
- Boom and bust cycles — while some stakeholders have argued that boom-bust cycles reduce productivity (for example, HIA 2024b), New Zealand's Infrastructure Commission (2022) undertook a cross country examination and found no statistically significant relationship between volatility in construction growth and productivity outcomes.
- A lack of general competition — the Australian construction market appears to be competitive, being both unconcentrated (Bakhtiari 2020) and associated with low markups (Hambur 2021). Even among the concentrated subsection of the industry that delivers public infrastructure, the Australian Productivity Commission (2014) did not find any 'concrete evidence' that a lack of competition had substantially inflated costs.⁸
- Changes in the composition of labour inputs — some researchers (e.g. Goodrum et al. 2002) have identified that workers performing specific tasks (e.g. framing or trenching) have become more productive despite flat productivity outcomes across the industry. One suggestion is that growth in 'white-collar' workers as a share of employees — as observed in Australia and the UK — might reflect increased project complexity, or a response to more complex regulatory environments (ONS 2021; RLB 2024). However, in Australia those changes have primarily occurred in civil and engineering construction, which has experienced comparably strong productivity growth, rather than in building construction. The Australian Productivity Commission found that growth in white collar employment does not explain the decline in housing construction productivity (PC 2025a, p. 41).

Possible causes – international and national evidence

Industry fragmentation and sequential nature of construction may reduce innovation

It is possible that the nature of the construction industry makes it resistant to innovation, which in turn makes it difficult to achieve significant productivity improvements.

The construction industry tends to be fragmented, in that there is little vertical integration with individual firms each performing separate tasks in the supply chain. For example, houses are typically built by a series of specialist tradespeople that usually operate as separate entities, such as carpenters, plumbers and electricians. This may prevent the industry from achieving productivity gains through consolidation, streamlining of operations and achieving better control over the construction process.

While unconcentrated markets are typically more competitive, industry fragmentation — wherein a project is divided into discrete tasks undertaken by small businesses and subcontractors — may lead to coordination problems that inhibit the uptake of new technology and practices.

The Australian Constructors Association (2023, p. 9) has argued that the standard commercial environment, in which small (and even large) construction firms operate on thin margins with limited current assets, drives 'a myopic focus on short-term survival' over long-term innovation or investment.

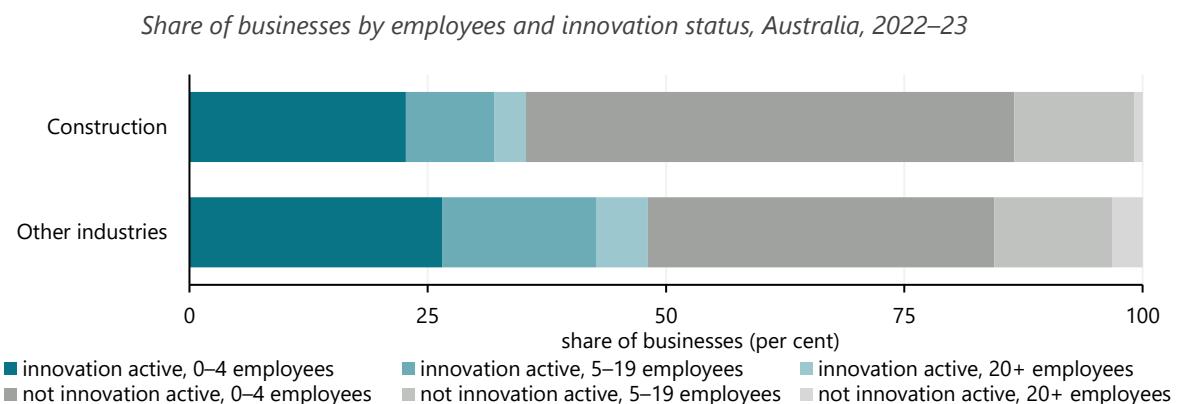
⁸ Importantly, governments also have market power as monopsonistic infrastructure purchasers.

The large share of small firms in construction may also exacerbate the costs of regulation relative to other industries. Regulation often imposes a fixed administrative cost on businesses irrespective of size. This represents a larger relative cost for smaller businesses and may create drag on aggregate productivity.

The sequential nature of construction may also reduce incentives for firms to innovate. As construction tasks are sequential and dependent on each other, disruptions at any stage of the construction process can lead to cascading delays and large holding costs. Because new technologies may increase the risk of delays, firms need to have a significant level of confidence in the return they will generate to justify their use. That means in the construction industry, unlike other industries where processes are tightly controlled, new technologies can face hurdles larger than the direct cost of their adoption.

This is reflected in survey data showing that construction firms tend to be smaller than those in other industries, and less innovative than similar sized firms in other industries (Figure 2.14).

Figure 2.14 Construction is dominated by small firms that do not innovate



Source: QPC based on ABS 2024g.

Increased regulatory burden appears to be a contributing factor

While these issues, at least partially, reflect the nature of the industry, they may have been exacerbated by regulation. The Australian Productivity Commission's recent review of housing construction productivity (2025a) found that regulation tends to hinder the growth of construction firms by:

- Making it hard to replicate processes across the country due to geographical regulatory differences
- Requiring builders to obtain regulatory approval and demonstrate compliance for each new project, due to building regulations tending to be project-based rather than firm-based.
- Encouraging risk management approaches that lead to highly disaggregated specialisation and outsourcing.

Recent research by the Committee for Economic Development of Australia (2025) also suggests that policy and regulatory settings are keeping builders small due to:

- Tax incentives, including instant asset write-offs and payroll tax thresholds, which favour smaller firms
- Australia's complex and decentralised system of land-use regulation, which exacerbates geographical segmentation, making it hard for firms to expand into new areas
- Complex state-based occupational licensing rules, which make it harder for productive businesses to expand interstate.

The quality, availability, and use of land, including the regulation of land use

A possible explanation of slowing productivity growth over the long run is that development opportunities have become scarcer and more challenging as populations grow and urban centres densify.

US research (D'Amico et al. 2023; Garcia & Molloy 2023; Goolsbee & Syverson 2023) shows that construction industry productivity has been steadily declining since the 1970s. Some researchers argue that a key driver of this decline is land use regulations that work to restrict the size of housing developments, disincentivise larger firms and reduce incentives to invest in innovation. They argue that construction productivity in the US only began to fall with the growth in land use regulations during the 1970s.

The view that land use regulation is hindering productivity is supported by McKinsey Global Institute (2017, p. 45) who state that:

Assembling land is another problematic area where regulation hinders productivity. A patchwork of outdated zoning codes, fragmented land ownership, and extensive review processes makes it very difficult for developers to assemble land quickly and build on a large scale, and therefore limits their ability to standardize and modularize construction designs.

This view was also supported by stakeholders during initial consultation. For example:

Council policies on height limits, lot minimums and character protections in residential zoning all severely limit the developable land to a handful of large sites, particularly in the inner city where transport access is barely relevant for access to employment. (Greater Brisbane, sub. 11, p. 2).

Cross-country analysis by New Zealand's Infrastructure Commission (2022) also suggests that countries with more cumbersome construction permit processes tend to experience slower construction productivity growth.

While there are significant empirical issues that make it difficult to demonstrate causation, there have been several instances where increases in building productivity have followed the relaxation of land use regulation. For example:

- New Zealand's building sector experienced strong productivity growth after reforms to relax zoning and other land-use restrictions were introduced during mid-2010 (Maltman 2024).
- Australian Productivity Commission (2025a) research suggests that productivity in Australia's high-density residential construction sector grew strongly over the period 2010 to 2016. This period followed the relaxation of planning rules, which placed greater emphasis on streamlined planning processes, particularly in Brisbane, Melbourne and Sydney (Shoory 2016).
- Research on significant reforms in São Paulo found that construction output increased both in areas where development rights had increased, as well as overall across the city (Anagol et al. 2021).
- US studies (for example Burn-Murdoch 2024) have also associated land use regulation reform with increased construction of housing.

Regulation of construction practices, outputs and workforce

In Australia, construction activity requires compliance with layers of regulation imposed by every level of government. For example, building regulations dictate:

- where housing can be built, how it should be built and what it should look like
- who can undertake construction activity and under what conditions licences can be held
- conditions for complying with standards relating to health and safety, environmental and natural hazard management (PC 2025a).

While regulations can provide significant benefits to the community (for example by providing assurance of quality) and can even enhance productivity (where they, for example, reduce search costs for consumers and employers) they can also impose significant drags on productivity, particularly where they are unnecessarily prescriptive, outdated or complex.

There is some evidence that regulatory burdens are increasing (for example see PC 2025a), and industry groups (HIA 2024b; Master Builders Australia 2024a) argue that building regulation is substantially increasing the costs and complexity of building and that regulatory barriers are inhibiting the adoption of productivity improving technologies.

This view was shared by stakeholders during initial consultation.

The construction sector in Australia operates within one of the country's most heavily regulated environments ... However, stakeholders across the sector consistently report that while these regulations are fundamentally important, the current regulatory burden has become a significant barrier to innovation, efficiency, and adaptability. (Lyndall Bryant, pers. comm.)

A fragmented and inconsistent regulatory environment creates delays, increases costs, and undermines innovation. Clearer, more predictable systems are essential to improving construction productivity. (Australian Institute of Architects, sub. 26, p. 5)

Government procurement appears to have constrained productivity over the shorter term

Since 2018, the value of public work in the pipeline as a share of GSP has more than doubled (ABS 2024a, 2025b, 2025d).⁹ This rising share of government-led construction activity over recent years has coincided with a significant decline in construction industry productivity.

Government procurement practices are likely to have had an increased influence over the construction industry, including its productivity, through three main mechanisms:

- directly, by imposing conditions on how site works are conducted and tendered for,
- indirectly, by influencing standards and expectations across the broader construction market, and
- by inflating demand for construction when the construction industry is at capacity, leading to efficiency losses from staging issues across the sector.

Of particular note within the Queensland context is the coincidence of the introduction of Best Practice Industry Conditions (BPICs). First introduced in 2018, BPICs initially applied to only parts of the Townsville Stadium project. Over time, the scope expanded to include Queensland Government construction projects valued at \$100 million or more and on 'declared' projects.

Stakeholders from across the industry have told us that, since their introduction, BPICs have caused a significant slowdown in site productivity on public construction sites and have enabled productivity weakening conditions to creep into the private sector through the roll-out of BPIC-like conditions in enterprise bargaining agreements (EBAs).

BPIC has reduced the attractiveness of Queensland to contractors as it has resulted in delivery costs being substantially higher than other jurisdictions... (Australian Constructors Association, sub. 39, p. 22)

Beyond BPICs, general Queensland Government procurement policies and practices are likely to have constrained productivity, with opportunities identified to rationalise procurement policy, and improve project selection, sequencing and contracting.

The key issues concerning Queensland procurement processes and contracts in the construction industry, revolve around their excessive length and cost, the complexity of requirements, their role as barriers to innovation, problematic risks allocation, and the need for government leadership in driving reform for increased productivity. (Queensland Major Contractors Association, sub. 66, p 25)

These issues are discussed in more detail in Part A of this report.

⁹ The value of public work in the pipeline as a share of GSP is up from 1.4 per cent in 2017–18 to 3.4 per cent in 2023–24.

3.0

Regulatory framework

3.1 Context

Regulation can promote or inhibit the growth of productivity and economic output, depending on how it is designed and administered.

As noted by the Australian Productivity Commission (2025a) developing and constructing housing and infrastructure in Australia requires compliance with layers of regulation imposed by every level of government, and this regulatory burden (and the associated costs it imposes) appears to be increasing.

The Queensland Government has a system for assessing the impacts of potential changes to regulation through *The Queensland Government Better Regulation Policy* (see Box 3.1), which includes considering a range of feasible policy options, consulting with affected stakeholders and assessing likely costs and benefits. While this process can help to ensure new regulation is required, is fit for purpose and designed to minimise unnecessary costs to the community, it is not always used.

Box 3.1 Regulatory Impact Analysis and Queensland's Better Regulation Policy:

Regulatory Impact Analysis (RIA) is a systematic approach to critically assessing the impacts of proposed regulatory policy options and is an integral part of good policy making. It is designed to improve the quality of regulation by providing relevant and timely information to government decision makers about the expected impacts of different policy options for addressing a policy problem. It also provides the basis for the community to be consulted on the policy problem and how to address it.

The Queensland Government Better Regulation Policy (the Policy) outlines the Queensland Government's requirements for the development and review of regulation. The Policy does not apply to local governments.

Under the Policy, an Impact Analysis Statement (IAS), which includes an analysis of feasible policy options, consultation with affected stakeholders and an analysis of the likely costs and benefits, is required for any significant regulatory change. The relevant portfolio Minister and Director-General are responsible for ensuring the regulatory review requirements are met and for approving IASs. Cabinet may exempt a proposal from RIA requirements in exceptional circumstances.¹⁰

The Office of Best Practice Regulation, within the Queensland Productivity Commission (the Commission), provides regulatory advice, analytical support and training on the development of regulation, application of regulatory best practice principles and RIA.

Source: Queensland Treasury 2023.

Similar approaches apply at a federal level for assessing Commonwealth legislation and regulatory actions by Ministerial Councils.

Stakeholders have raised concerns with the impact and effectiveness of some regulations affecting the construction industry. These concerns are discussed later in the report based on the area the regulation relates to.

¹⁰ The Policy notes that where an exemption is granted, the agency must note the exemption and the reasons for the exemption in the summary section of the IAS template.

3.2 Assessing the impact of regulation

Regulations can deliver benefits but need to be 'fit for purpose'

Many regulations impose costs on business or the community either through administration and compliance requirements, or by negatively affecting the type, quantity and prices of goods and services produced. However, these costs need to be considered against the benefits that regulation creates.

The building and construction industry is subject to a wide range of regulations, codes and standards (Figure 3.1). Like other regulation, these generally seek to support the efficient functioning of markets and improve outcomes for the community.

Figure 3.1 Key regulations affecting construction in Queensland

Land use, planning and environment	Building regulation	Labour / licensing regulations	Safety and industrial relations
Planning Act 2016	Queensland Building and Construction Act 1991		Workplace Health and Safety Act 2011
Building Act 1975		Electrical Safety Act 2002	
Plumbing and Drainage Act 2018		Labour Hire Licensing Act 2017	Industrial Relations Act 2016
National Construction Code (2022)		Further Education and Training Act 2014	
Queensland Development Code	Australian and International Standards	Professional Engineers Act 2002	Valuers Registration Act 1992
Local Government Act 2009	City of Brisbane Act 2010	Building Industry Fairness Act 2017	Surveyors Act 2003
Regional Planning Interests Act 2014	Economic Development Act 2012		Architects Act 2002
Mixed Use Development Act 1993	Vegetation Management Act 1999		
Planning and Environment Court Act 2016	Environmental Protection Act 1994		
Queensland Heritage Act 1992	Nature Conservation Act 1992		
Waste Reduction and Recycling Act 2011	Land Act 1994		

Source: QPC.

Note: The above chart is indicative only and does not exhaustively list all legislations that could potentially apply to the construction industry, including subordinate instruments. Some legislation may also apply across more than one regulatory category.

Regulations affecting the construction industry typically aim to improve worker and public safety, protect consumers from poor quality products, and minimise environmental impacts. Where regulations have a strong rationale and are designed and administered well to address the underlying problem, the benefits should outweigh any costs that arise.

The total cost of all regulation in Queensland is large. According to Business Chamber Queensland's *Efficient Regulation Report 2023*, the costs of federal, state and local regulation could be as high as \$11 billion annually, with a median annual cost of \$50,000 per Queensland business¹¹. Reports from the Australian Productivity Commission (2011b), Queensland's Better Regulation Taskforce (2017), and business groups such as Business Chamber Queensland (2023) have all identified broad challenges for business from regulation, including an increase in complexity and duplication, difficulties in identifying and understanding regulatory obligations and a growing cumulative burden. Therefore, even when there is an 'in-principle' case for regulation, it still needs to be:

¹¹ An increase from a median cost of \$25,000 reported in the 2021 survey (BCQ 2023).

- effective, in that the regulation targets and addresses significant policy problems, reducing their prevalence and impact
- efficient, in that the regulation maximises net benefits (that is, the regulation minimises the costs it imposes and maximises the benefits).

In addition, regulatory requirements that were once an effective, or cost-effective, way of achieving objectives may not be effective today, due to factors such as changes in technology, industry and market conditions, demographics or community preference. The fact that settings do not remain static reinforces the need for governments to ensure that regulations remain 'fit for purpose' over time.

Poor regulation can be a drag on productivity

Regulation can promote or inhibit the level and growth of productivity and economic output, depending on how it is designed and administered.

For example, building and labour regulations (such as occupational licensing) can increase productivity where they reduce costly defects or reduce information asymmetries and search costs - such as enabling consumers to better identify quality builders and regulators to monitor the quality of building works (particularly more complex structural features). By enhancing consumer confidence, these regulations can therefore encourage a greater level of building activity than would otherwise occur (VCEC 2010).

Conversely, where regulations increase input costs without a subsequent increase in outputs, they are likely to be a drag on productivity. In many cases this can still be justified because regulations provide some other community benefit (such as enhanced safety outcomes). However, poorly designed regulations that either unnecessarily increase costs or require expensive add-ons without commensurate community benefit, are likely to reduce productivity. Box 3.2 below presents some characteristics of regulation that can determine its impact on productivity.

Box 3.2 Characteristics that may determine the impact of regulation on productivity

- Does the regulation impose additional compliance costs? For example, it is excessively complex to navigate, requires excessive administration or is incompatible with existing processes.
- Is the regulation excessively prescriptive in the way compliance is achieved?
- Does the regulation prohibit design choices and production methods, or inhibit investment, innovation and alternative business models?
- Is the regulation reliant on out-of-date technology?
- Does it adequately allow for changes in the industry?
- Does the regulation require additional design features not wanted or valued by consumers?
- Does the regulation create uncertainty, either through complexity or frequency of change?
- Does the regulation create barriers to entry and exit of workers and businesses? For example, through licencing requirements, high compliance costs or capital requirements which restrict competition and discourage innovation.
- Do administrative regulatory processes (for example, licence applications) lead to delays and increased costs to businesses?
- Do compliance and enforcement processes take into account the risk an activity poses and desired regulatory outcomes?

Regulations do not always solve the problems they were designed to address (Australian Government 2006). According to a survey by Business Chamber Queensland (2023, p. 20):

Two thirds (66%) of Queensland businesses ... disagreed or strongly disagreed that regulations are effective in meeting their economic or social objective.¹²

Where they are ineffective, regulations can unnecessarily raise prices, reduce the variety and quality of products offered to consumers, and impose excessive compliance and administrative costs on business and government. These costs and economic distortions can affect productivity, economic activity and housing affordability.

Estimates of the cost of building regulations vary but could add between 5 per cent and 11 per cent to costs (Geck & Mackay 2018)¹³ – however these costs need to be assessed against the potential benefits. Many regulations also appear to specifically apply to or disproportionately impact the building and construction industry—however, as detailed in later sections, in some circumstances there appears to be limited evidence for why the building and construction industry is sufficiently different from other industries to warrant additional regulation.¹⁴

Even when regulations, considered in isolation, do not appear overly burdensome, the accumulation and combination of different regulation may still lead to market or government failures (Mandel & Carew 2013). For example, multiple regulations can interact in ways that are either obvious or not, leading to duplication and increased costs for businesses.

In addition, a large accumulation of regulations can create high barriers to entry, potentially discouraging new market entrants and allow existing businesses to accumulate excessive market power. This can disproportionately affect smaller businesses, as many experience higher costs of regulation (as a proportion of its total costs and turnover) than larger businesses and often have fewer resources to understand and fulfil compliance obligations (OECD 1997; PC 2013).¹⁵

Regulatory uncertainty and policy unpredictability is an issue most cited in investor surveys and can have a significant effect on investor confidence and productivity (ASBFEO 2017; OECD 2015). As noted by Davis (2019, p. 13):

... a variety of studies find evidence that high (policy) uncertainty undermines economic performance by leading firms to delay or forego investments and hiring, by slowing productivity-enhancing factor reallocation, and by depressing consumption expenditures.'

Identifying opportunities for improvement can be challenging

The ever-increasing volume of regulation, across multiple levels of government, can make it difficult for those affected by regulation to identify and prioritise specific opportunities for improving regulation (QPC 2021).

Similarly, it can be difficult to assess the impact of an individual regulation, including whether it is performing as intended, because of the way it interacts with other legislation or because impacts are not felt until long after its introduction. For example, while individual regulations may, on their own, represent a low regulatory burden, the cumulative burden of these regulations on an industry may be significant (NZPC 2014; OECD 2008).

¹² Business Chamber Queensland's survey received 329 responses from Queensland businesses across all sectors including construction.

¹³ Geck and Mackay (2018) noted that "the Victorian Competition and Efficiency Commission's (VCEC) 2005 survey of 20 building practitioners indicated that the costs of regulatory compliance added between 2 and 20 per cent to the cost of a new home in Victoria. This compared with other estimates at the time that suggested regulation added between 5 per cent and 11 per cent to cost."

¹⁴ In general, specific regulation is justified where there is evidence of an industry specific market failure that is not addressed through general 'economy-wide' regulation.

¹⁵ As earlier noted, the construction industry has a large share of small firms.

Further, the impact of regulation is often determined by the way it is administered. For example, regulators taking an excessively rigid approach to enforcing the intent of regulation, can impose unnecessary administrative burdens on regulated entities and negatively impact innovation and efficiency (Australian Government 2006).

Opportunities for reform are likely to arise in both:

- reviewing existing regulation (including sunset and stock reviews), to detect those requirements that no longer provide a net public benefit and those that may no longer be fit for purpose due to, for example, changes in technology, consumer preferences and industry and market conditions.
- improvements in the administration (and enforcement) of regulation by regulators.

Governments can also improve the overarching regulatory environment by directly promoting better processes and behaviours that support regulatory reform and improved regulatory outcomes. While it is acknowledged by industry and the community that regulations will ‘evolve over time,’ regulatory risk can be mitigated by governments providing greater certainty, when policy changes or reforms are undertaken, through transparency and consultation (European Investment Bank 2016; OECD 2015). This includes:

- providing transparency of analysis and decisions and undertaking consultation (for example, using RIA to communicate to both decision makers and the public the costs and benefits of proposed regulations)
- having appropriate implementation timeframes for new or amended regulations.

Managing the stock of regulation

One of the few strategies that has shown to be effective in improving the quality of regulation is the evaluation of the ‘stock’ of regulation that has accumulated over time, to ensure its continued relevance and effectiveness (QPC 2021). Evaluation can effectively target the key issue—regulatory design—and provide a robust assessment of whether a regulation supports the public interest or not.

Management of the stock of regulation involves more than arbitrarily ‘cutting red tape.’ Rather, it means:

retaining ‘good’ regulation, while removing or amending regulation that is no longer fit for purpose
(PC 2011b, p. 18).

There are various approaches to managing the stock of regulation, ranging from routine activities to more major undertakings:

- sunset reviews can evaluate expiring regulation against changes in technology, market conditions, consumer preferences and behaviours, community expectations and regulator best practice. They can assist in reducing duplication, regulatory burden and determining whether regulatory provisions are still required at all.
- evidence suggests there is greater value in more targeted, in-depth reviews of packages of regulations or regulation within industry sectors that potentially give rise to excessive regulatory burdens (Greiner et al. 2017; PC 2011b).

These approaches can be informed by an appropriate framework for assessing regulations (see Table 3.1).

Table 3.1 Framework for assessing regulation

Framework for assessing regulation
<ul style="list-style-type: none"> • Is there a sound rationale for regulatory intervention?
<ul style="list-style-type: none"> • Is the regulatory approach effective in addressing the identified problem, or are there likely better ways of addressing the problem?
<ul style="list-style-type: none"> • Are there clear and consistent legislative objectives and intended outcomes, which enable future evaluation?
<ul style="list-style-type: none"> • Is the regulation implemented in a way that minimises compliance and efficiency costs / distortions on businesses and the economy: <ul style="list-style-type: none"> – Is it unduly prescriptive and lacks flexibility or consideration of risk or the size of the problem? – Does it unnecessarily inhibit consumer choice, business innovation and investment? – Does it create any unnecessary barriers to entry or exit from a market? – Does it crowd out private sector activity?
<ul style="list-style-type: none"> • Does the regulatory option generate a 'net benefit' to the community (that is, the benefits outweigh the costs) compared to the current situation?
<ul style="list-style-type: none"> • Does the regulatory option generate the 'greatest net benefit' – that is, it must be better than any other alternative regulation or policy tool, including non-regulatory options and the status quo?
<ul style="list-style-type: none"> • Does it duplicate (or is inconsistent with) other regulatory requirements, including provision of similar information to multiple regulators?
<ul style="list-style-type: none"> • Is it consistent with other laws, agreements and international obligations?
<ul style="list-style-type: none"> • Is it clear to stakeholders when and how the regulation applies to them?
<ul style="list-style-type: none"> • Is the regulation evaluated over time to ensure its continued need, relevance and effectiveness (taking into account shifts in technology or consumer preference)?
<ul style="list-style-type: none"> • Is regulation administered by accountable bodies in a fair and consistent manner, accompanied by appropriate guidance and transparency?

Sources: Adapted from Banks (2003), Office of Regulation Review (1998).

Improving regulator performance

Regulators are a key influence on the regulatory experiences of businesses and individuals and have the potential to unnecessarily increase regulatory burden and negatively impact productivity, such as through:

- complex, prescriptive and unnecessarily lengthy approval processes
- unnecessary administrative and reporting obligations and the need to submit duplicated information
- ineffective, poorly targeted, and disproportionate compliance and enforcement processes and actions
- fees for licences and inspections based on their costs to administer and enforce regulations.

Reviews and feedback from businesses suggest that a significant source of unnecessary compliance costs can be traced back to how the regulators implement the regulations rather than requirements in the regulations themselves (see, for example, PC 2017b).

There are many ways that regulatory compliance costs can be reduced, from technological solutions (see Box 3.3) to the adoption of risk-based or outcomes-focussed approaches. In some instances, however, legislation may be overly prescriptive and not allow regulators to identify and seize opportunities offered by emerging technologies or provide sufficient space to employ innovative regulatory approaches.

Box 3.3 Use of technology can reduce regulatory burden and better target regulatory risks

'Regtech' is the use of technology to better achieve regulatory objectives and can be adopted as a means to reduce administrative and compliance costs for both businesses and regulators (PC 2020c). Regtech:

- has the potential to free up significant resources for businesses and consumers by both reducing the time and financial costs associated with information, reporting and record keeping requirements and demonstrating compliance with regulations.
- can support regulators to remotely monitor compliance, reduce delay costs by accelerating licensing approval processes, and focus resources on higher-risk businesses and activities.
- can increase the effectiveness of regulation by allowing regulatory risks to be better managed and transforming how regulation is conducted by broadening the suite of viable regulatory strategies.

New and better uses of data, including data sharing, can also lead to increased innovation and productivity by facilitating improvements in both regulator processes and services to businesses and consumers and allow risk and outcomes-based regulatory models (PC 2023).

Importantly, the Australian Productivity Commission notes that while Regtech can improve regulatory outcomes and reduce costs, it is not a substitute for regulatory reform.

The *Queensland Government Regulator Performance Framework* (RPF) aims to achieve positive regulatory outcomes in Queensland through effective and efficient regulatory practice. Queensland Government regulators, whose regulatory activities impact business are required to publicly report annually against the Framework's five 'model practices' and demonstrate the extent to which they are translating the practices into their business and detail any plans for future improvements.

Under the RPF, regulators are responsible for reporting on performance. The Commission publishes regulator reports, acts as a point of contact for stakeholder enquiries and may provide regulators with advice on the framework's reporting requirements.



PART A: Government procurement

Key points

- Government procurement is likely to affect construction productivity through three key mechanisms:
 - directly, by imposing conditions on how site works are conducted and tendered for,
 - indirectly, by influencing standards and expectations in the broader sector, and
 - by inflating demand for construction related activities when the sector is at capacity.
- Government procurement processes should be repeatable, defensible and instil confidence that procurement will deliver value for money. They should also encourage competition and promote innovation.
- Evidence suggests there are significant opportunities to improve project selection and sequencing of the Queensland Government's capital program:
 - there are many examples of large projects being commissioned in the absence of a robust business case, and in some cases it appears that projects have either been selected despite failing a cost benefit test or benefits appear to have been exaggerated, or costs understated.
 - there does not appear to be any authoritative mechanisms for overseeing and coordinating Queensland's capital program to ensure its sequencing is commensurate with market capacity, and there are few incentives to ensure decision making is made in the interests of the broader community.
- Queensland Government procurement policies have moved beyond a focus on achieving genuine value for money for the Queensland community. Current Queensland Government procurement policies:
 - impose numerous conditions on contractors that are unrelated to value for money, increasing costs and introducing a level of subjective decision-making susceptible to adverse outcomes
 - have become unnecessarily complex, with more than 15 overarching and subordinate policies, totalling more than 1,000 pages, and
 - appear to discourage smaller players, particularly those in regional areas.
- The Best Practice Industry Conditions (BPICs), which applied to large government funded construction projects prior to their temporary suspension in November 2024, impose large costs on the community:
 - Queensland Productivity Commission modelling suggests BPICs increase project costs by between 10 and 25 per cent and imposes net economic costs on the community of between \$5.7 and \$20.6 billion — despite these costs, data suggests there have been no measurable improvements to safety outcomes since their introduction.
 - Consultation confirmed the impact of BPICs has spread beyond government projects, with policy requirements being captured in enterprise bargaining agreements across the construction industry that have led to reduced productivity, impeding the delivery of infrastructure and housing.
- Stakeholders have voiced concerns that government contracting arrangements are outdated, burdensome and are preventing innovation by:
 - allocating too much risk onto contractors,
 - overburdening contractors with compliance costs, and
 - prescribing the use of traditional technologies.
- Our preliminary assessment is that Queensland Government's procurement system can be reformed, simplified and made more transparent by:
 - removing Best Practice Industry Conditions,
 - refocusing procurement policies on fundamental value for money principles,
 - considering appropriate arrangements to improve project selection and sequencing, and
 - considering options for improving contracting arrangements.

Context

Why procurement matters

The Queensland Government exerts a large influence on the market, given the size of its capital and operating expenditure. This significant buying power can influence market confidence, supply chains, innovation and competition among suppliers and downstream markets.

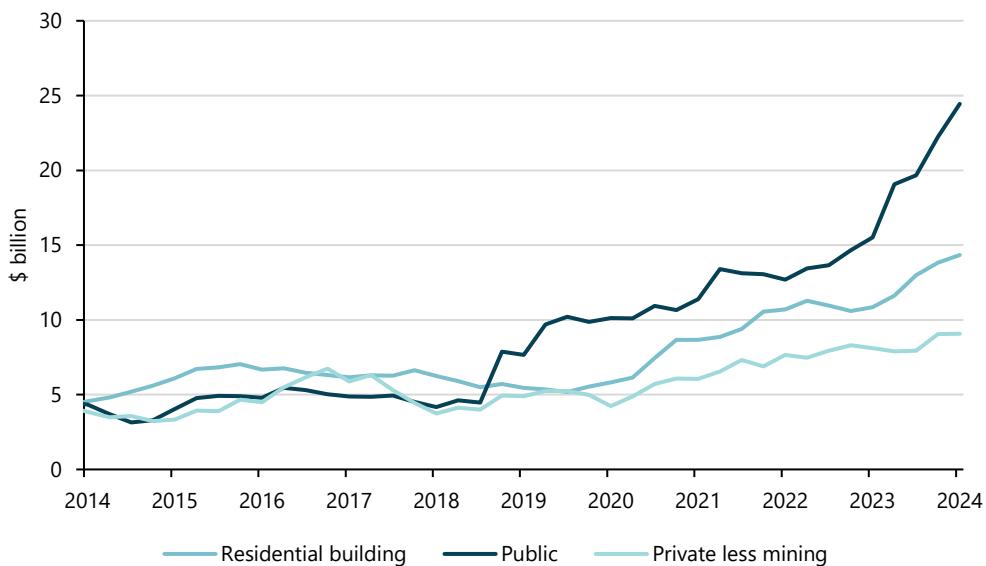
Government procurement is likely to affect the activities of the broader construction industry, and its productivity, through three main mechanisms:

- directly, by imposing conditions on how site works are conducted, and through the way it tenders for projects
- indirectly, by influencing the broader sector through the establishment of revised standards and expectations, and
- by inflating demand for construction, particularly if the construction market is close to capacity (this can also affect productivity where it creates labour shortages that prevent the efficient sequencing of work).

The Queensland Government's capital program makes up a large share of construction activity, with this share rising rapidly over recent years (Figure A.1).

Figure A.1 Government procurement is influencing a greater share of construction activity

Building and engineering construction work yet to be done, Queensland, nominal



Source: QPC based on ABS 2025b, 2025d.

Note: Private includes all private engineering construction and non-residential building work yet to be completed. Heavy industry (which is mostly related to Mining) has been omitted because the LNG investment boom during the early 2010s included significant quantities of imported pre-assembled modules, which significantly distorted engineering construction activity statistics during this time.

Looking ahead, the state government's influence over the construction industry is projected to continue to grow. Planned capital works over the forward estimates (2025-26 to 2028-29) are expected to cost almost \$117 billion — almost double the 2022-23 planned 4-year program of \$59.1 billion (Queensland Treasury 2025a, p. 42, 2025b, p. 12).

This growth in capital works is largely due to:

- upgrades to health facilities (including the Queensland Health Hospital Rescue Plan)
- planned transport infrastructure (including the Queensland Transport and Roads Investment Program)
- the Queensland Housing Investment Pipeline
- the Energy Roadmap and Electricity Maintenance Guarantee
- activities to support the Dam Improvement Program
- the 2032 Olympic and Paralympic Games (Queensland Treasury 2025a, p. 42).

The procurement activities of Queensland departments, government owned corporations, statutory bodies and special purpose vehicles are undertaken in accordance with the Queensland Procurement Policy (QPP). The QPP and its supporting instruments seek to ensure procurement processes and decision-making activities uphold accountability and transparency. They have also at times sought to influence markets, drive economic activity in select market sectors/locations and achieve broader social and environmental objectives.

Given the volume and scope of procurement issues, the Queensland Productivity Commission (the Commission) has sought to focus on the following key issues where procurement is likely to be affecting construction productivity and where there appear to be significant opportunities for reform:

- **Queensland Government project selection and sequencing** — Queensland's current project selection and prioritisation process appears opaque, not commensurate with current market conditions, and is likely to be contributing to the growth in the size and influence of the government's capital program.
- **Queensland Government procurement** — current policy appears to have a strong focus beyond value for money¹⁶, including preferencing local suppliers and workers, mandating the use of apprentices on government projects, and requiring that government suppliers work towards social and environmental objectives.
- **Best Practice Industry Conditions (BPICs)** — concerns have been raised about the impact of BPICs on the cost of delivering the government's capital works program and the broader economy, by diverting labour from private to public construction and bidding up construction industry costs.
- **Government contracting arrangements** — concerns have been raised that Queensland Government contracting arrangements are outdated, burdensome and preventing innovation.

What does best practice look like?

Best practice procurement processes and policies should deliver value for money for taxpayers, appropriately manage risks, ensure compliance with laws and regulation, encourage competition and promote transparency (Commonwealth Department of Finance 2024).

Government procurement should be underpinned by robust and transparent decision-making processes (PC 2014). This includes ensuring that prior to reaching the procurement stage, government has:

- considered its infrastructure needs in the context of addressing an infrastructure problem or opportunity, and its long-term planning processes
- investigated the potential risks to the viability and delivery of potential responses (i.e. capacity constraints)

¹⁶ Queensland's current procurement policy conceptualises 'value for money' to include: (i) relevant government economic, ethical, social and environmental objectives and targets including but not limited to 'local benefits'; and Best Practice Principles; (ii) whole-of-life costs; (iii) non-cost factors, including fitness-for-purpose, capability, capacity, experience, and risk (this may include operational and reputational risks) (Queensland Government 2024k, p. 2). However, the other government objectives listed in (i) do not fall under an economically prudent definition of 'value for money'. Instead, 'value for money' in this chapter will refer to (ii) and (iii).

- undertaken detailed analysis of potentially viable options (including making better use of existing infrastructure) for addressing the identified infrastructure problem/opportunity, including the development of robust full business cases, including cost-benefit analyses, with the overarching objective of providing the greatest net benefit to the community
- publicly disclosed its decision-making processes and all information and analysis used to form the basis of its infrastructure decisions
- undertaken a level of community consultation appropriate to the circumstances (Infrastructure Australia 2018).

By ensuring clear lines of accountability and responsibility for decision makers, government can provide industry and the community with greater assurance that the projects it has identified, prioritised, funded and delivered are in the public interest and will provide taxpayers with the greatest value for money (Infrastructure Australia 2018).

Achieving value for money

Selecting projects based on value for money is important for ensuring that taxpayer money is spent on infrastructure that delivers the greatest net benefits to the community (Harper et al. 2015). When projects are selected based on non-value-for-money metrics, this is likely to result in lower productivity and higher project costs — which must be funded either through higher taxes (now or in the future) or reduced spending in other areas, such as fewer nurses, teachers or police.

Value for money is not simply about the cheapest option, nor the highest quality good or service. It should include consideration of lifecycle costs, and the benefits the project will deliver for the community (Queensland Treasury 2024).

When projects are assessed based on broader objectives (for example, social, environmental) this is likely to limit the extent to which projects can be assessed objectively, potentially leading to biased assessments and the selection of unproductive infrastructure. A singular focus on value for money, however, is likely to mitigate some of this risk, by providing grounds for a more objective assessment.

Assessing projects based on a singular value for money focus does not, however, mean that social and environmental objectives will not be considered by government, as these are typically either inherent in the purchasing decision (that is, infrastructure being built to deliver a social objective) or covered by other regulation.

Commercial arrangements are likely to deliver highest value for money outcomes

Costs are likely to be lowest where the government procures construction services on a commercial arrangement basis (that is, reflective of existing market and regulatory conditions).

Where procurement processes move away from commercial arrangements, for example because they are unnecessarily prescriptive or contain provisions that are unrelated to maximising a project's value, they are not only likely to increase project costs, but undermine construction industry productivity, with subsequent impacts on the broader community.

Procurement rules are likely to impose additional costs and impede construction industry productivity where they:

- distort the contracted firms' employment and subcontracting decisions through quotas or hiring restrictions (Nechvoglod et al. 2009)
- include requirements for contractors to adhere to above industry-standard or legislated labour and/or environmental conditions (PC 2014)
- restrict competition, such as through requirements for contractors to gain pre-approval to tender for projects, or where procurement processes explicitly or implicitly restrict tenderers (including where excessively complex tendering processes restricts the ability of SMEs to participate) (Australian Small Business and Family Enterprise Ombudsman 2023; Klok Advisory 2025)
- increase input costs through local content rules, or other restrictive sourcing requirements (Deringer et al. 2018)
- include specifications that move beyond those required to describe the outcomes the infrastructure is required to deliver, such that they restrict room for innovative or lower cost solutions by the supplier (PC 2014)
- unnecessarily increase complexity for project managers (PC 2014).

Other objectives are likely to be better achieved through other policy mechanisms

Governments are increasingly including other objectives they wish to achieve through their procurement policies.

Research generally shows that objectives beyond value for money come at a net cost to the community, with any benefits for preferred suppliers or industries more than offset by costs to other sectors of the economy (Deringer et al. 2018; Harper et al. 2015; QCA 2015; VCEC 2011).

Given the inclusion of broader objectives in procurement policies are likely to impose additional costs on the community by raising project costs, government should consider if there are more efficient mechanisms available for delivering these broader objectives, assuming they are not already covered under existing regulation or convention.

Mechanisms should be in place to ensure selected projects maximise net benefits for the community

Procurement is inherently vulnerable to influence from parties with vested interests (Independent Commission Against Corruption South Australia 2024), which can shift project selection away from a focus on delivering benefits for the community.

While this vulnerability cannot always be fully mitigated, governments should ensure that mechanisms are in place to ensure this vulnerability is minimised.

As discussed above, while the use of a sole value for money objective for assessing projects is likely to mitigate this risk to some extent, transparent institutional and governance arrangements are also fundamental to achieving the efficient provision of public infrastructure services to the community. This includes ensuring that prior to undertaking any procurement, context and agency specific controls are embedded throughout the entire procurement process (Independent Commission Against Corruption New South Wales 2024).

Transparency can also be improved by including mechanisms that strengthen incentives for decision makers to select projects based on their net benefits. For example, requiring cost benefit analyses (with a complete options analysis) to be undertaken and published, allows assumptions and estimates to be transparently tested. This is also likely to improve the quality of analyses as any flaws are likely to be identified (PC 2014).

Transparent decision-making processes are vital for ensuring projects are selected based on their net benefits to the community. In the absence of transparent and robust information and analysis, there are few incentives for good decision making, since it is difficult for third parties to assess the merits of selected projects.

When projects are announced in the absence of robust analysis and planning, evidence suggests these projects are more likely to experience cost overruns (Terrill 2016; Terrill et al. 2020).

Governments should be cognisant of their impact on the broader market

When procuring larger infrastructure projects, governments should be cognisant of how the project will impact the market. This should include an assessment of the state of the market and how the broader capital program is likely to affect market capacity.

This should be a continuous process given the propensity for delays between the decision to go to market and the selection of a tenderer.

Where governments aim to deliver large infrastructure projects in overheated construction markets, they are likely to cause rapid increases in construction prices and undermine industry productivity. This can occur where excessive demand creates labour or materials shortages, that in turn, reduces the ability of the market to sequence tasks efficiently.

Typically, best practice approaches try and minimise impacts by sequencing projects based on their expected net benefit to the community. Formally assessing projects against their expected net benefits can also discourage the inclusion of unnecessary features since proponents need to minimise costs to push projects “up the line”.

4.0

Project selection and sequencing

4.1 Queensland's selection and sequencing of capital projects

As discussed earlier, the Queensland Government's capital program and its influence over Queensland's broader construction industry has grown in recent years. Evidence suggests that poor project selection and sequencing is likely to be contributing to this increased growth.

Project selection

There currently appears to be a relatively low level of transparency around how the Queensland Government selects projects. That is, only a handful of recent Queensland Government-funded infrastructure projects appear to have a publicly disclosed assessment including a cost benefit analysis (CBA)¹⁷.

Similarly, project announcements do not appear to be contingent on robust analysis being completed. Early announcements that include untested cost and schedule estimates may place undue pressure on delivery and procuring agencies to meet unrealistic expectations, leading to poor planning decisions (Staples 2025). This sentiment was reinforced by stakeholders:

Announcing project budgets and timeframes before sufficient planning and investigation has been undertaken places unnecessary pressure on government delivery agencies as well as the construction industry. It sets an expectation within the community of what a project will cost taxpayers that will forever be the benchmark against which project success is measured.
(Australian Constructors Association, sub. 39, p. 12)

Further, stakeholders told the Commission that many projects proceed past the business case stage based on overstated benefits (Queensland Major Contractors Association, sub. 66, p. 20). Additionally, projects tend to include overly elaborate or unnecessary features that add costs without improving functionality (Advantage Project Solutions, sub. 69, p. 4).

These shortcomings are not unique to Queensland and are a common problem across Australian governments (PC 2014, pp. 75–107).

A high-level evaluation of a selection of recent projects was undertaken to assess whether Queensland Government project selection processes are robust. This assessment considered whether:

- a robust assessment had been used during project selection
- the business case was based on overly optimistic assumptions
- where the business case did not pass a CBA but the project was progressed anyway
- a higher cost option was selected over a lower cost alternative likely to deliver similar outcomes.

Based on these criteria the Commission was able to identify several recent projects that demonstrate poor project selection.

Cross River Rail

Infrastructure Australia (2017) identified "material concerns" with the business case used by the Queensland Government to justify the Cross River Rail project. These concerns included the estimated project benefits being "significantly overstated" such that it was unlikely that the project would deliver a net benefit as stated (the business case estimated the project as having a benefit-cost ratio of 1.41, meaning benefits would exceed the costs).

¹⁷ Project assessments should however be appropriate for the stage of the project, noting that these assessments take time and are often costly.

For example, the business case assumed average annual patronage growth projections of 6.9 per cent through to 2026 (Building Queensland 2017). Even accounting for the impact of the COVID-19 pandemic, patronage growth averaged only 2.6 per cent for the three years leading up to 2018-19. Infrastructure Australia (2017) similarly noted in its evaluation of the business case, that "this [6.9 per cent] is a rate of growth not previously seen in Australia over such a sustained period".

Despite these concerns, and Infrastructure Australia's (2017) decision to not include the project on its Infrastructure Priority List (which is one of several inputs considered by the Australian Government when making investment decisions), the Queensland Government progressed the project at an anticipated cost of \$5.4 billion.

Given these concerns were raised when the anticipated cost was \$5.4 billion, expected cost overruns and completion delays (for example, O'Neal 2023 and Queensland Government 2024h) — whether unforeseeable or a consequence of poor project planning — have significantly reduced the likelihood the project will deliver a net benefit to the community.

Youth Detention Centre at Woodford

An 80-bed youth detention centre in Woodford is estimated to cost \$983 million (Queensland Parliament 2024) — equating to approximately \$12 million per bed. When compared to per-bed cost estimates of other recent youth detention centre projects, the Woodford Youth Detention Centre appears significantly more costly.

For example, the 32-bed West Moreton Youth Detention Centre at Wacol cost \$150 million — equating to approximately \$5 million per bed, while a 16-bed extension at the existing Brisbane Youth Detention Centre cost \$27 million — equating to approximately \$2 million per bed (Farmer 2020).

While acknowledging potential differences in project size, location, and service delivery requirements, based on publicly available information, the driver(s) of this significant cost disparity appears unclear.

Cairns Marine Precinct Common User Facility

In 2022, the Australian and Queensland governments jointly committed \$387 million towards the delivery of a maritime Common User Facility (CUF) at the Cairns Marine Precinct (CMP) to allow the precinct to capitalise on future defence and maritime industry business. Based on publicly available information it is unclear if the CUF passed its initial CBA.

In late 2024, following the transfer of the ownership and delivery of the project to Ports North, a review of the CBA identified several assumptions and estimates to be inconsistent with the requirements of the project. The project cost estimate was revised to \$826 million (113 per cent higher than the original cost estimate).

At the time of writing, Ports North was preparing a business case optimisation report to "recommend the scope and additional funding required to support the construction of a commercially viable CUF that meets industry needs (Advance Cairns 2025)".

Queensland Rail Station Upgrade Program

While the Commission has not made a full assessment, Queensland Rail's \$1.5 billion investment on train station upgrades, delivered under the Station Accessibility Upgrade Program, appears to have delivered upgrades exceeding those likely to be required to improve accessibility and safety outcomes.

For example, it appears that Queensland Rail undertook full station rebuilds, which required those stations to be closed for extended periods of time — in some instances for more than a year — without fully considering lower cost options that may have achieved similar (or better) outcomes with less disruption.

Similarly, a combined \$181.8 million (Queensland Government 2024a, p. 111) was spent upgrading Lindum, Bundamba, and Banyo stations, despite each of these stations being surrounded by low density housing, an industrial estate, and in the case of the former two, a floodplain.

The Sangster Review

The Sangster Review (Klok Advisory 2025) into Queensland Health's Capacity Expansion Program (CEP) — covering the construction of a new Cancer Centre, three new hospitals, and 11 hospital upgrades — found poor project selection to be a key driver of cost overruns and project delays of Queensland hospital infrastructure projects, namely:

- Business cases were not completed prior to the announcement of projects nor the allocation of project budgets. While business cases had previously been undertaken on some projects (e.g. new Coomera Hospital), costs were either not adequately escalated to capture current market conditions or previous business cases were ignored all together.¹⁸
- Despite market conditions and construction pricing being well known at the time, these factors were not considered when project budgets were originally estimated, resulting in inadequate initial budgets.
- Projects were planned in roughly six weeks, with planning mainly desktop in nature, with no or very limited consultation or site investigations. This resulted in site specific environmental and other approvals being omitted from project plans, and projects being developed without appropriately accommodating differences between rural, regional and metropolitan hospital needs and requirements.

The Sangster Review estimates that the CEP originally budgeted to cost \$9.8 billion is now expected to cost \$17 billion, with delays of between six months and three years estimated for 13 of the 15 projects. The Sangster Review identifies these cost blowouts and project delays to be largely attributable to poor planning and decision making processes (Klok Advisory 2025).

The Commission would like to test our project assessments with stakeholders to determine if poor project selection is a pervasive issue, and identify examples of best practice.

Project sequencing

While it is not uncommon for project planning to be fragmented across government departments, or even across various divisions within a single department, fragmentation can be problematic where it reduces government's ability to sequence its capital pipeline, and can result in government demand overheating the market (International Monetary Fund 2025).

Stakeholders raised concerns about the extent to which the Queensland Government's capital program may be impacting the construction industry's ability to deliver the:

- housing supply required to improve housing affordability in Queensland
- essential infrastructure required to meet the needs of Queensland's growing population on-time and on-budget (see Master Builders Queensland CEO Paul Bidwell, as quoted in McKenna 2025; CSQ 2025b; Games Independent Infrastructure Coordination Authority 2025).

The Sangster Review (Klok Advisory 2025, p. 36) found evidence to suggest that poor project sequencing may also be resulting in intra-departmental projects competing with one another for resources. For example, it was noted that despite Health Infrastructure Queensland¹⁹ (HIQ) engaging an infrastructure advisory body to undertake market sounding prior to launching the CEP procurement process — which identified significant market capacity constraints and issues and recommended the use of a staged procurement process — HIQ progressed with the simultaneous procurement of all 15 projects.

¹⁸ The Review also states that a full business case has still yet to be undertaken on the Queensland Cancer Centre.

¹⁹ The division of Queensland Health responsible for leading the planning, design, procurement and delivery of Queensland's capital infrastructure.

Government may be willing to pay above market rates for projects that it sees as a priority. By paying higher prices to direct large volumes of resources towards 'priority' projects, during periods where the market is at or near capacity, governments inadvertently inflate the prices faced by other projects (public and private). This can reduce the purchasing power of other departmental budgets, and crowd-out private sector projects that are commercially constrained (Reserve Bank of Australia 2018; Tulipwood Economics 2024).

Stakeholders told us that the inconsistent nature of the infrastructure pipeline can have a detrimental effect on productivity (for example, Australian Constructors Association, sub. 39, p. 11). As periods of strong demand are followed by periods of subdued activity, contractors are reluctant to invest in their medium and long-term capacity.

Construction requires the coordination and mobilisation of a complex and fragmented supply chain. The more clarity that can be given to industry on what is in the pipeline and the timeframes for delivery the better these supply chains can manage to deliver the required outcomes ... Certainty of pipeline is required for contractors to commit to their plan and provides them with the confidence to invest and to enhance their own capability and capacity. (Australian Constructors Association, sub. 39, p. 11)

Inconsistent volumes of work can be particularly problematic where governments simultaneously fund a large number of similar infrastructure projects that rely on similar skills, such as the CEP. This burst in demand for particular skills inevitably leads to skills shortages and project bottlenecks. This can create long-term cyclical issues as projects that are built at the same time often need to be replaced at the same time.

Stakeholders raised the need for a reliable, single source of truth on the forward infrastructure pipeline to provide certainty and consistency (for example, Australian Constructors Association, sub. 39, p. 11). While the Queensland Government publishes a forward procurement pipeline, including construction procurement, 95 per cent of the procurement opportunities listed are estimated to go to market by December 2025 (Queensland Government n.d.).²⁰ The Commission understands that there is also an internal to government capital pipeline; although, it is uncertain how many additional projects are included in the internal pipeline above what is publicly available.

Both the Department of Transport and Main Roads (DTMR) and the Department of State Development, Infrastructure and Planning (DSDIP) also publish details about the Queensland Government's planned infrastructure projects. However, it is unclear whether any agency is responsible for overseeing and coordinating the sequencing of Queensland's whole-of-government capital program, to ensure it is commensurate with market capacity.²¹

4.2 Potential directions for reform

To reduce pressure on the construction industry, the Queensland Government should undertake a review of its capital program to ensure its forward work program reflects key priorities, whilst being cognisant of market factors, including impacts on productivity.

Improving the way the Queensland Government selects and sequences future projects will also be essential for improving future infrastructure outcomes in Queensland.

²⁰ The forward procurement pipeline is the consolidated pipeline of each of the Queensland Government's six buying categories' pipelines (Queensland Government n.d.). Two of these buying categories relate to construction: 'Building construction and maintenance' and 'Transport infrastructure and services'.

²¹ While the Coordinator-General does appear to play a role in the planning, delivery and coordination of large-scale infrastructure projects, it does not appear that this role extends to overseeing the coordination of all public infrastructure projects in Queensland, to ensure they are commensurate with market capacity. Based on publicly available information, it appears that the majority of projects coordinated by the Coordinator-General are within the mining and energy sectors (Department of State Development, Infrastructure and Planning 2025).

It should however be acknowledged that such a task has proven challenging for governments in every jurisdiction, and there is limited direct evidence for what works. Available evidence does however suggest that good governance processes, robust cost-benefit analyses and high levels of transparency can help to improve outcomes (International Transport Forum 2021; Marcelo et al. 2016; PC 2014; Terrill et al. 2020).

There are several options that could be considered from greater transparency to independent assessment through to new institutional arrangements. No governance process can guarantee perfect outcomes, but those that ensure government decision-making is underpinned by rigorous analysis and have in-built accountability mechanisms are more likely to improve outcomes than those that do not.

There are pros and cons of different governance and oversight mechanisms. For instance, the embedded nature of an internal-to-government oversight mechanism can be beneficial in terms of often being a lower cost option, and having closer proximity to decision making processes, but these mechanisms are often less transparent. Conversely, while external oversight mechanisms can often be more costly to implement, they do generally have greater transparency.

The Commission is interested to hear from stakeholders about mechanisms that might help improve the selection and sequencing of public sector infrastructure, including:

- the extent to which various institutional or assessment arrangements can be an effective mechanism for improving decision making on public sector infrastructure
- design features which are likely to make any institutional or other arrangements most effective.

4.3 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 1 - PROJECT SEQUENCING

The Queensland Government should improve the way it prioritises its infrastructure spend by requiring market sounding be undertaken both prior and during the tender process, to ensure projects are staged and prioritised to be commensurate with market capacity. These assessments should be conducted from a whole of government perspective, rather than a siloed or agency perspective.



PRELIMINARY RECOMMENDATION 2 - PROJECT RATIONALISATION

To reduce pressure on the construction industry and support productivity, the Queensland Government should undertake a full review of its capital program to:

- ensure the forward work program reflects key priorities, whilst being cognisant of market factors, including impacts on productivity
- ensure the scope of works is necessary to achieve the outcomes being sought, for example, the scope does not include any features that add unnecessary costs
- consider ways of delivering infrastructure outcomes (such as reduced congestion) at lower cost, including through non-infrastructure solutions (such as a greater focus on demand management).



REFORM DIRECTION 1 - GOVERNANCE AND OVERSIGHT OF INFRASTRUCTURE DECISIONS

There is a need to improve the decision-making process for public infrastructure projects in Queensland. Improvements could be achieved through better governance frameworks and instruments that surround how infrastructure projects are assessed, selected, sequenced and prioritised.

Consideration should be given to embedding more transparent processes in procurement decisions, including that the selection and announcement of major infrastructure projects are contingent on a sufficiently rigorous assessment, such as a cost-benefit analysis, being conducted and publicly disclosed.

Other potential options to improve decision making could include improved governance frameworks, oversight mechanisms, or something in between. While there are likely to be pros and cons of different options, they should be cost-effective, should not impose unnecessary compliance requirements, be transparent, have longevity, and able to influence decision making.



REQUEST FOR INFORMATION - PROJECT SELECTION AND SEQUENCING

The Commission is seeking further information on:

- the extent to which the Queensland Government's capital program is impacting or is likely to impact the construction industry's ability to deliver other projects (for example, private residential and non-residential projects), and whether there are opportunities to improve the selection and sequencing of future projects
- arrangements or incentives that would help government improve its selection, prioritisation and staging of infrastructure. In particular:
 - Whether internal to government mechanisms can help improve decision making, and if so, what has been successful in the past or in other jurisdictions.
 - If there is any evidence that independent advisory bodies, such as the former Building Queensland, compared to other processes, have improved infrastructure outcomes, and what design elements have proven most successful.
 - Whether there are other effective and efficient mechanisms for improving the way government selects, prioritises, stages and contracts infrastructure projects.

5.0

General procurement policies

5.1 Queensland Government procurement processes

To assess the extent to which the Queensland Government's procurement processes and policies are consistent with best practice, the Queensland Productivity Commission (the Commission) has undertaken a preliminary review of Queensland Government procurement documents.

The key findings of the Commission's preliminary review are detailed below.

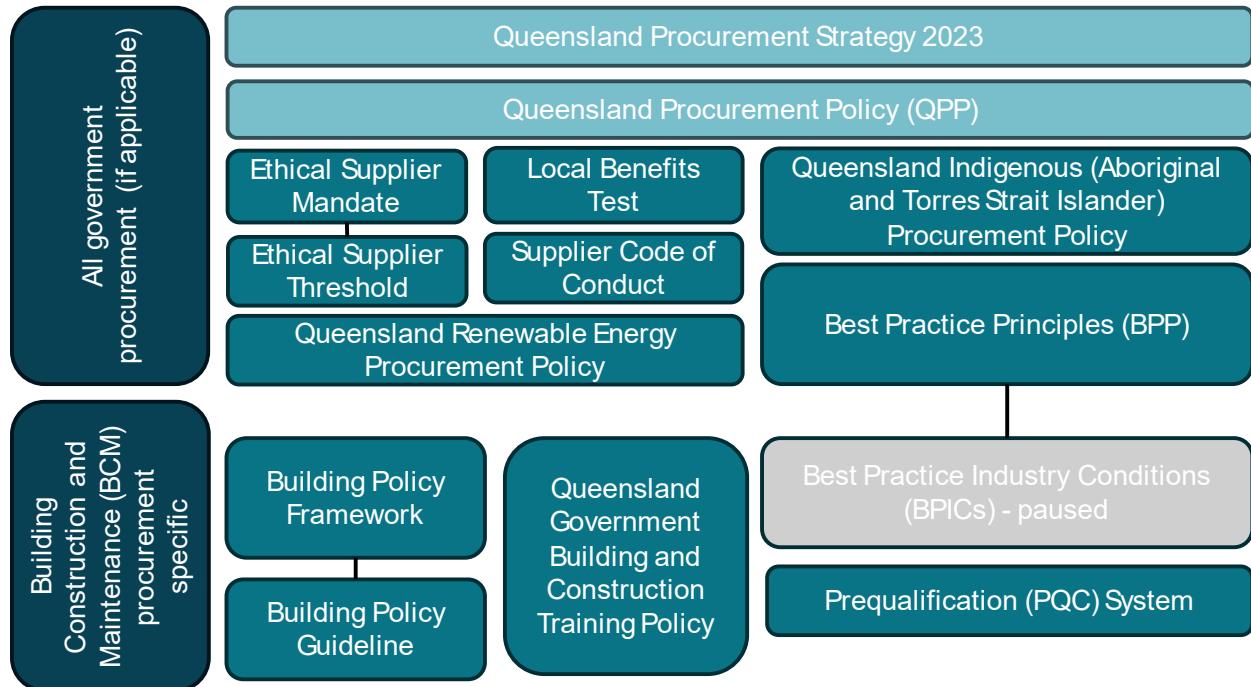
The Commission understands the Queensland Government is currently undertaking a review of the Queensland Procurement Policy (QPP) (Department of Housing and Public Works 2025c).

Procurement policies appear to be overly complex

The Queensland Government Procurement System (the System) is underpinned by a whole-of-government Queensland Procurement Strategy (QPS) (Queensland Government 2024l) and the QPP (Queensland Government 2024k) as well as several subordinate procurement policies (Figure 5.1).

For construction procurement, the System includes more than 15 documents, totalling more than 1,000 pages, and includes both instruments which aim to support the delivery of specific government objectives, as well as documents relating to the application (and compliance) with these instruments.

Figure 5.1 Key Queensland Government procurement policies



Source: QPC.

The System itself is centred around a *Buy Queensland* approach, which has the intent of:

- leveraging procurement power back to local suppliers and stimulating jobs growth, skills and development
- using procurement to drive sustainable economic growth, encourage innovation and increase supplier diversity.

These objectives are applied to procurement projects through conditions and expectations outlined in subordinate procurement policies, which are formalised through assessment criteria used as part of the tender process and are often included as provisions in procurement contracts. Any conditions and expectations in procurement contracts between the principal contractor and government also typically apply to subcontractors.

As the QPP operates as a hub and spoke model, it is up to each agency to interpret and apply the QPP and each of the subordinate procurement policies. Stakeholders have told us that the complexity of the System imposes significant administrative burdens onto tenderers and their subcontractors and that differing requirements across government agencies add additional complexity.

The current policy structure includes primary procurement policy requirements, ancillary guidance documents creating additional compliance layers, varying interpretation across different government agencies... (Australian Flexible Pavement Association, sub. 54, p. 13)

Productivity benefits will come from greater standardisation and consistency in the approach to procurement. Alignment of procurement processes across delivery agencies and greater consideration of the information that is needed to assess the ability of a bidder to deliver the project is needed. (Australian Constructors Association, sub. 39, p. 25)

A business should not need to read several separate documents to ensure compliance with a single clause in a procurement policy... This is not merely about simplifying the practices, but also about presenting them in ways that are easy for suppliers to navigate. (Civil Contractors Federation Queensland, pers. comm.)

The Queensland Law Society attributed differences in interpretation across government to the complexity of the procurement system.

Our members have reported that, when assisting government entities (e.g., local governments delivering State-funded projects, statutory bodies and government-owned corporations) with the conduct of procurement processes for construction work, it can be difficult for those entities to identify, understand and properly apply the various State government procurement policies in practice. (Queensland Law Society, sub. 63, p. 2)

According to stakeholders, the administrative burden disproportionately impacts smaller, less resourced firms, and is having the unintended consequence of reducing competition, particularly in regional areas.

Smaller contractors in regional areas face disproportionate barriers to market entry, procurement participation, and compliance with standardised policy models designed for large-scale metropolitan projects. (Australian Flexible Pavement Association, sub. 54, p. 3)

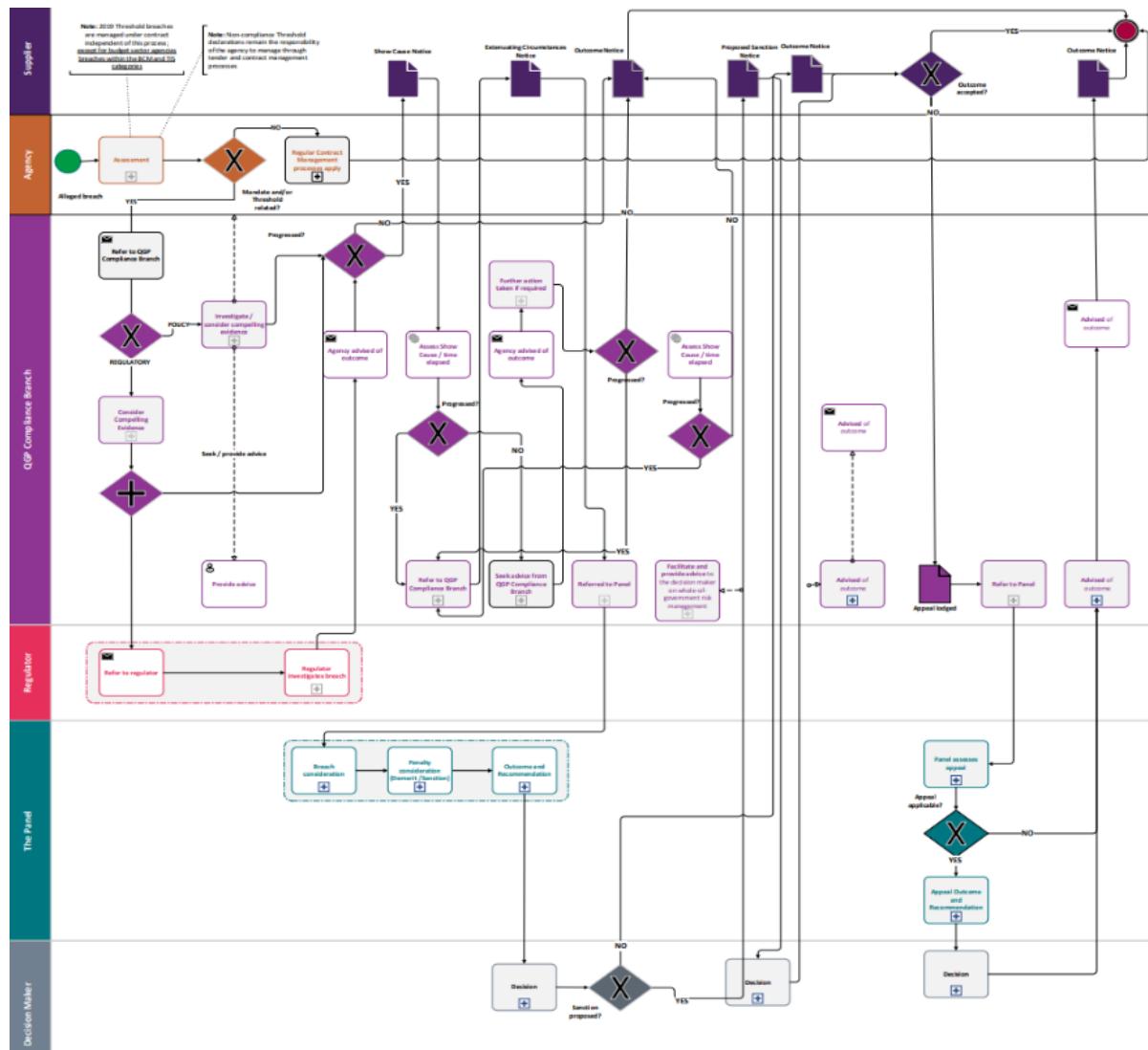
Learning how to navigate procurement processes, as well as ensuring continuous high-quality documentation, layers of approvals, and even how to read relevant policies can present challenges to new contractors. (Civil Contractors Federation Queensland, pers. comm.)

Stakeholders told us that this burden has increased the costs of tendering for projects and ultimately results in higher project costs.²² The System's complexity also elongates the procurement process, further exacerbating the burden faced by tenderers, which are required to keep a contingent of their workers available for the project while awaiting a decision on their bid (ACA 2023a, p. 14).

Where the state government suspects non-compliance, (i.e. a contractor or subcontractor fails to comply with procurement policy, legislative or contractual requirements), this is managed through the Ethical Supplier Mandate (the Mandate; Queensland Government 2024c). This process appears to be excessively complex (Figure 5.2).

²² The Australian Productivity Commission (2014) found that as contractors do not win all tenders, contractors will aim to recoup costs imposed during the tendering process for both successful and unsuccessful bids via higher costs for the projects they do win.

Figure 5.2 The process used by the Queensland Government to investigate alleged non-compliance under the Ethical Supplier Mandate and Threshold



Source: Queensland Government (2024d, p. 45).

Note: The diagram above is for illustrative purposes only. It is not intended that the reader be able to read the detail in the diagram. Each box within the diagram above represents a different stage in the process while the coloured sections on the left of the diagram represent different parties included in the process.

In its current state, the Mandate imposes significant and disproportionate compliance costs on contractors and subcontractors — this is likely to place further upward pressure on bid and project costs and reduce competition.

For example, if penalties were applied as rigidly as outlined in the Mandate, a significant proportion of contractors and subcontractors would be required to allocate resources to supporting the government's investigations.

The penalisation of non-compliance under the Mandate also appears to be duplicative of both the contract breach provisions already included in government procurement contracts, as well as the processes undertaken by regulators and law enforcement agencies with respect to non-compliance with laws and regulation (Master Builders Queensland 2025b).

Subjectivity is likely to exacerbate risk of poor outcomes

In addition to being complex, the Queensland Government's procurement policies also contain elements that may be perceived as ambiguous from the perspective of the procuring agency. These ambiguities appear to introduce a high level of subjectivity into procurement decisions. While some flexibility is necessary given multiple objectives under current arrangements, it risks poor outcomes if the procuring officers lack the necessary tools and experience to make the appropriate decision and lends itself to influence by undeclared conflicts of interests and parties with vested interests.

The Commission has identified the Prequalification System and Ethical Supplier Mandate as key procurement policies where their application appears to be dependent on discretionary decision-making from procuring agencies. Preferential treatment, for example under the Local Benefits Test (see following section; Queensland Government 2019a), similarly provides mechanisms for discretionary decision-making that do not seem beneficial.

Prequalification (PQC) System

The current process to assess the performance of prequalified contractors and subcontractors under the PQC System also appears likely to allow for potential influence from interest groups.

Procuring agencies are only required to use prequalified contractors and consultants when a project or commission value exceeds a particular threshold value (see Box 5.1). As such, this may be distorting the way in which procuring agencies estimate the value of their projects or consultant commission fees.

Box 5.1 Queensland prequalification (PQC) System

The PQC System is the Queensland Government's whole-of-government register of prequalified building consultants and contractors.

Building consultants and contractors must be prequalified and appropriately registered on the PQC System to be eligible to tender for any Queensland Government building project where the project or commission value meets the following thresholds:

- *Managing contractors* must be prequalified if they are directly engaged to work on a Best Practice Principle (BPP) project (i.e. a project either valued at \$100 million or above, or that has been declared a BPP project).
- *Building contractors* must be prequalified if they are directly contracted on a government building project valued at more than \$1 million. For non-residential building contracts with a construction cost of at least \$50 million, building contractors are required to instead apply for prequalification under the National Prequalification System, but must be registered on the PQC System.
- *Building consultants* must be prequalified if directly commissioned on a government building project where the commission fee either:
 - exceeds \$60,000
 - is less than \$60,000 (where the service risk rating is 3 or 4²³).
- *Subcontractors* are currently not required to be pre-qualified to work on new or existing BPP projects. However, prior to the temporary suspension of BPICs, building subcontractors were required to be prequalified to work on BPP projects.

²³ A service risk rating of 3 or 4 identifies projects that the Queensland Government has assessed as being a 'high risk or significant'.

Prior to their temporary suspension, the requirement for subcontractors to be prequalified under the Queensland Government's PQC System was a potential impediment to subcontractors competing for government tenders.

Given subcontractors are not directly contracted by the state government, there does not appear to be a clear rationale for subcontractors being required to be prequalified under the PQC System.

Furthermore, this requirement appears to provide procuring agencies with significant discretion around which subcontractors can work on government projects. This is likely to reduce competition and make tendering decisions more susceptible to external pressures and undue influence, which in turn increases risks of adverse outcomes (in terms of project cost and productivity).

As part of initial consultation, stakeholders raised concerns that the requirement for subcontractors to be prequalified to work on BPP projects (prior to the temporary suspension) has effectively resulted in these subcontractors being required to enter into union approved Enterprise Bargaining Agreements (EBAs), which offer substantially more generous conditions than otherwise available in the market. Due to the nature of the EBAs, these contractors are then required to provide these more favourable conditions to their workers across all their projects, essentially making their non-government work 'uncommercial'.

Stakeholders have told us that this has had a significant impact on competition and project costs in Queensland, with some subcontractors, particularly in the regions, making the decision to not tender for government projects.

[The] requirement for PQC drives cost prices up in regional areas due to limited [resource] pool ... there is thus little differential between Tender responses from the Building Contractor when the same subcontractor has tendered across multiple submissions ... Removing the requirement of PQC would reduce the administrative burden on contractors and diversify the labour market and resource pool, which would increase competition and decrease prices. (Health Infrastructure Queensland, sub. 25, p. 4.)

There are elements of this [prequalification] system that have the potential to reduce the attractiveness to construction companies ... State-based policy does not always fully account for the operation of the construction industry as a national industry, and rather than strengthening the local industry, it can weaken it. (Australian Constructors Association, sub. 39, p. 14.)

The duplicative nature of the PQC System was also raised during initial consultation. For example, stakeholders advised the Commission that much of the information required for prequalification duplicates what the Queensland Building and Construction Commission (QBCC) and other regulators already collect. This is resulting in contractors having to compile and present the same information (i.e. information about financials, experience, past performance, and quality, safety and environmental systems), but in different formats for each.

Stakeholders also noted that in instances when contractors are wanting to work on Australian, state and local government projects, contractors are required to be prequalified under each individual government's prequalification scheme.

Concerns were also raised about the need to ensure that PQC contract and project value thresholds align with market conditions. While contract and project values have increased significantly over recent years, contract and project value thresholds under the PQC have not been updated.

Performance reporting of prequalified building contractors and subcontractors also appears to provide some discretion for procurement officers to influence how future tender opportunities are awarded. Performance reports, for example, are completed by a departmental employee or a third party engaged by the department (and approved by the department) based on what appears to be a subjective scoring methodology.

The Commission is seeking further information on how this discretion is applied in practice, and whether there is sufficient transparency on how decisions are made. The Commission is also seeking stakeholder views on how duplicative requirements can be minimised.

Ethical Supplier Mandate

The Mandate outlines how the Queensland Government manages instances where a contractor or subcontractor fails to comply with Queensland procurement policy, legislative or contractual requirements outlined in their procurement contract, and how penalties (demerit points) for non-compliance are applied. This includes instances where a contractor or subcontractor fails to meet wage and entitlement standards consistent with provisions set out in the Ethical Supplier Threshold (Queensland Government 2024e).

While most of the Mandate process appears to sit within the responsibility of the Queensland Government Procurement Compliance Branch, the Tripartite Procurement Advisory Panel (the Panel) — prior to the lapse of its latest membership²⁴ — held sole responsibility for recommending how agencies penalised instances of non-compliance. The Panel was appointed by government and comprised of an independent chair and deputy chair, 5 union representatives and 5 employer representatives.

While in theory the use of an advisory panel can be an effective mechanism, in practice, its effectiveness is highly dependent on the independence of its recommendations, as well as the composition and impartiality of the members of the panel. If the panel's settings are not appropriate, including improper controls to prevent external parties from influencing procurement decisions, there is the potential for poor outcomes in the form of inflated project costs and lower project productivity.

Given the Mandate appears to serve little purpose but carries significant risk, creates compliance burden on both agencies and contractors, and duplicates existing legislative and contractual provisions, it is likely the costs associated with the Mandate and Ethical Supplier Threshold would outweigh any benefits they provide. As such, there appears to be compelling case to remove both from Queensland Government Procurement Policy.

Procurement objectives beyond value for money

Many of the Queensland Government's procurement policies are designed to achieve objectives beyond value for money. By focusing on alternative objectives, these policies implicitly preference contractors that are better at demonstrating how they can deliver against these objectives, rather than contractors that can deliver the highest value for money for the Queensland community. This, in turn, incentivises firms to alter their business priorities, with potential impacts on site productivity and project costs.

Stakeholders indicated that these alternative objectives are most effectively achieved organically, by having a productive construction industry. For example, more productive firms have greater capacity to train apprentices, use more sustainable materials, and provide better conditions for workers.

Procurement policies should further consider that there really are no such thing as non-financial benefits that exist independent of financial benefits. Social benefits can occur organically, as a side effect of working towards financial benefits. A business that is doing well financially can afford to hire and train more people, seek out better materials, and upskill groups that are often neglected – these are by products of financial benefits and done because it is in the financial interest of the business to do so. (Civil Contractors Federation Queensland, pers. comm.)

The Supplier Code of Conduct

The Supplier Code of Conduct (Queensland Government 2023c) outlines the government's expectations of contractors. It includes 17 expectations of suppliers that are unrelated to fundamental value for money principles. While many of these expectations relate to legal obligations, there are numerous expectations that compel contractors to contribute towards social and environmental government objectives. Stakeholders told us these requirements unnecessarily add compliance costs to government projects.

²⁴ On 31 March 2025, the Queensland Government allowed for the previous appointment of the Panel to lapse while it undertakes a compliance review. This review is part of a broader Queensland Procurement Policy review currently being undertaken (Department of Housing and Public Works 2025c).

For example, one of the Supplier Code of Conduct's expectations is that suppliers will look for opportunities to enhance environmental sustainability, including by recycling and minimising waste. While the broad objective may be sound, it is not clear that delivering environmental outcomes through procurement is a cost-effective approach. Rather, it may simply result in contractors providing expensive site-specific solutions that deliver few real environmental and sustainability outcomes. As such, procurement policies are likely to be a poor policy instrument for delivering this objective.

Based on currently available information the costs associated with the Supplier Code of Conduct, in its current form, appear to exceed the benefits associated with it. If this is the case, the Supplier Code of Conduct should either be removed or be provided as a guide only.

The Queensland Government Building and Construction Training Policy

Another procurement policy that aims to achieve additional objectives is the Queensland Government's Building and Construction Training Policy (the Training Policy) (Queensland Government 2024j). The Training Policy mandates 15 per cent of total labour hours on large government projects be allocated to apprentices or trainees or be dedicated to other forms of workforce training.²⁵ The Training Policy aims to complement existing government subsidies to correct for a perceived private sector underinvestment.

Again, it is not clear that procurement policies are an effective or efficient instrument for achieving higher apprenticeship rates. Under current arrangements, contractors are required to employ apprentices at a minimum level across all government projects, rather than matching apprentices to the needs of the market. As no assessment is made about whether government projects are likely to provide training opportunities that match skill shortages in the market, the policy is blunt in its implementation and may draw apprentices away from other parts of the market.

The policy is also likely to be inefficient in the sense that it does not allow employers to match apprentices to those projects where they can be most efficiently utilised (for example, by employing apprentices on projects where the productivity differential between them and experienced tradespeople is less pronounced).

Stakeholders questioned whether the Training Policy was resulting in a net addition of apprentices, suggesting larger government contractors tend to poach more experienced apprentices from smaller firms to satisfy apprenticeship requirements, rather than providing new apprenticeship opportunities:

Contractors are required to ensure a certain number of apprentices and trainees on government projects (which is passed down to subcontractors to implement), though there is no requirement that they be new to the industry (e.g., 1st year apprentices). As a result, larger businesses working on government projects are incentivised to entice 3rd or 4th year apprentices from local small businesses, offering higher wages. This leads to small businesses going through the more difficult early years with an apprentice with greater levels of supervision and less productivity of the business, only for the apprentice to leave once they become more productive. (Master Electricians Australia, sub. 37, p. 17.)

Additionally, while workforce training is important for upskilling the industry, it is unclear that mandating contractors to use labour hours on major government projects to undertake workforce training is efficient. Rather, allowing firms the flexibility to train their staff when it is more suitable for them, such as when workers are between projects, may enable firms to utilise their staff more efficiently.

Stakeholders indicated that training targets incorporated into procurement policies are not necessarily effective, as contractor's willingness to upskill their workforce is often driven by recognised skills shortages.

²⁵ The Training Policy applies to Queensland Government building projects with a contract sum of \$500,000 or greater, and civil construction projects with a contract sum of \$3 million or greater. The Training Policy requires at least 60 per cent of the deemed training hours be toward the employment of apprentices and trainees, with the remaining deemed hours allocated to other workforce training.

Contractors also reported that training targets set by procurement policies and contracts were either unhelpful or had no impact on their willingness or ability to upskill their workforce. This is because the recognised shortage of skills is a primary driver for them to upskill their workforce. However, skilling targets or quotas are useful to ensure all of industry regardless of their appreciation for the skills shortage work to drive the overall skilling requirements. (Civil Contractors Federation Queensland, pers. comm.)

While there may be a case for increasing apprenticeship rates and workforce training, it is not clear that procurement policies are the best instrument for achieving this outcome. It is likely that government absorbs the cost of these apprentice-worked hours through elevated project costs, but there is no clear way to determine the extent of these costs, or whether the policy is addressing skill shortages in the market.

Local benefits test

Despite the prevalence of policies that preference local suppliers across Australian governments, there is little economic rationale for their usage. In many cases they are unnecessary because local construction firms have a natural advantage, given their close proximity and knowledge about operating with local conditions, supply networks and labour markets (PC 2014, pp. 472–475). For example, at the national level in 2023–24, 94 per cent of Commonwealth contracts were awarded to Australian suppliers (Commonwealth Department of Finance 2025).

Where policies result in genuine preferential treatment, they tend to make the targeted industries less competitive and less innovative, while also creating inefficiencies across the broader economy by redirecting resources away from more productive industries (OECD 2019; PC 2024b). Stakeholders flagged their frustrations with the added costs local procurement policies impose for the questionable benefits they deliver:

The local procurement policies of Queensland government disincentivise the use of resources from interstate or through offshoring, and require substantial effort in tendering, data collection and systems to complete reporting for unknown benefits. Consult Australia recommends Queensland government engage with other state and territory governments to explore alternative models that reduce the regulatory impose and increase available resources for project delivery. (Consult Australia, sub. 28, p. 17.)

Similarly, stakeholders involved in renewable energy projects have raised concerns about the administrative burden of complying with the local benefits test (Queensland Renewable Energy Council, sub. 68, p. 3). The policy may be restricting the commercial viability of renewable energy projects, especially smaller projects that do not generate sufficient profit to allocate resources towards searching for local suppliers.

Under the Local Benefits Test, procuring officers are responsible for deciding the weighting to apply to local benefits. Given the latitude this provides procuring officers, it is likely to decrease transparency and increase the scope for external influence.

Stakeholders told us that smaller regional firms are constrained from competing for government tenders by the PQC system and the onerous reporting requirements associated with government projects (Project Legal, sub. 60, p. 5; Master Builders Queensland, sub. 43, p. 11). Local businesses may benefit more from the removal of these barriers to their participation in procurement policies and processes, rather than by using explicit preferential procurement policies.

Queensland Renewable Energy Procurement Policy

Elevated project costs are particularly problematic for Queensland's energy-generating Government-Owned Corporations (GOCs) as they operate in a commercially competitive environment. The Queensland Renewable Energy Procurement Policy (QREPP) (Queensland Government 2024m) applies Queensland's broader procurement policy to the construction of GOC-owned renewable energy projects.

By requiring GOCs to procure renewable energy projects under more restrictive procurement policies than their private competitors, GOC projects are likely to have inflated construction costs.

Based on currently available information the costs of the QREPP appear larger than the benefits it provides. If this is the case, the Commission is of the view the QREPP should be repealed and the Queensland Government should prioritise delivering renewable energy assets as efficiently as possible.

5.2 Preliminary findings

The incentive structure established by each of these procurement policies is likely to encourage contractors to reorient their priorities away from delivering projects at best value for money. This is likely to lead to inflated bid prices and lower site productivity, culminating in elevated project costs for the Queensland Government. As such, there appears to be a compelling case for winding back or simplifying the Queensland Government's general procurement policies towards a focus on value for money, whole-of-life costs and quality.

5.3 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 3 - QUEENSLAND GOVERNMENT PROCUREMENT POLICIES

To ensure the best use of taxpayer money and support construction industry productivity and innovation, the Queensland Government's procurement policy should have a sole objective of value for money, where value for money is defined as the project's i) whole-of-life costs and ii) fitness for purpose, with due consideration for risk and quality outcomes.

To reduce administrative burden on tenderers and increase competition, particularly in regional areas, procurement policies should be simplified. Unless it can be demonstrated they provide net benefits to the community, policies that are not directly related to value for money, should be removed as requirements in government procurement. These include:

- the Ethical Supplier Mandate and Ethical Supplier Threshold
- the Supplier Code of Conduct
- the Queensland Government Building and Construction Training Policy
- the Local Benefits Test
- the Queensland Renewable Energy Procurement Policy.

All procurement instruments that are used for the tender process should be reviewed with the aim of achieving administrative simplicity.



REFORM DIRECTION 2 - PRE-QUALIFICATION

Several stakeholders raised issues with Queensland's pre-qualification (PQC) system, including that it includes unnecessary requirements, is difficult to navigate, duplicates existing requirements, is excessively risk-averse and rigid, particularly for growing or less-established firms. It is also likely to restrict competition.

While there appears to be a case for streamlining the pre-qualification system, the Commission would like to hear from stakeholders on how this would be best achieved, and what agency capabilities or incentives are working well or need to be improved to achieve this.

There also appears to be a case for conducting a review of PQC contract value thresholds.



REQUEST FOR INFORMATION - QUEENSLAND GOVERNMENT PROCUREMENT POLICY

The Commission would like further information on:

- How Queensland Government procurement policies:
 - impact the procurement decision of government
 - affect contractor behaviour and on-site productivity
 - provide benefits or costs not considered by the Commission and whether these justify their retention.
- How the pre-qualification system impacts contractors, building consultants and subcontractors, and the extent to which it impacts the ability of small and medium subcontractors in regional areas to compete for government tenders, and what could be done to improve matters.
- Whether there are more appropriately sized PQC thresholds and the extent to which these thresholds should vary for different stakeholders.



6.0

Best Practice Industry Conditions (BPICs)

6.1 Best Practice Industry Conditions

The stated purpose of Best Practice Industry Conditions (BPICs) is to ensure “quality, safe workplaces for people engaged on major state government projects” by setting out the Queensland Government’s expectations about wages and conditions on these sites (Queensland Government 2024n, p. 12).

Box 6.1 What are Best Practice Industry Conditions and how do they apply?

First introduced in 2018, BPICs initially applied to only parts of the Townsville Stadium project. Over time, the scope expanded to include Queensland Government construction projects valued at \$100 million or more and on ‘declared’ projects.

According to stakeholders, the ability for projects to be ‘declared’ resulted in the policy being extended down to smaller projects including the delivery of schools valued at \$20 million.

BPICs apply through a threshold/mandatory criterion as part of the tender process and apply to all subcontractors as well as the main tenderer. Key conditions include:

- Wage rates, including specified penalty rates and allowances for different tasks, projects and building types
- 26 rostered days off (RDOs), requiring full site closure
- Explicit stop work conditions relating to inclement weather conditions
- Requirements for any changes to rosters, hours of work including overtime, and the selection of subcontractors, to be agreed in accordance with the relevant union.

In addition to these provisions, BPICs provide union delegates significant powers on building sites, including powers to call site meetings, cease work due to safety concerns and review building material and employment records to ensure compliance with the policy.

Contractors engaged on applicable Queensland Government projects are required to have in place legally binding and enforceable workplace arrangements with conditions of employment that meet or exceed the minimum conditions of employment set out in BPICs policies.

Head contractors and subcontractors have as a result entered into enterprise bargaining agreements (EBAs) with the same conditions as outlined in the BPICs policies.

According to stakeholders, BPICs-like conditions have become the industry standard for infrastructure projects in Queensland, because:

- As discussed above, Tier 1 contractors and subcontractors tendering for BPICs projects have needed to have EBAs with BPICs-compliant provisions embedded in order to be eligible for government work. By default, these contractors are also required to provide these provisions to their workers across all projects, regardless of whether they are government projects or not.
- Secondly, the EBAs for Tier 1 firms contain provisions which effectively mean that any subcontractors used by them must also sign agreements with BPICs-like conditions, regardless of whether the project is for government.

Stakeholders have told us that most of these EBAs are in place until mid-2027.

Citing concerns about the impact of BPICs on the broader economy, on 14 November 2024, the Queensland Government suspended the use of BPICs on all new government-funded construction projects. The temporary suspension applies to:

- all new major government-funded projects
- projects that have not reached the procurement stage
- projects in procurement, where future stages have not been finalised, or where there is no approved EBA (or industrial instrument) – on a project-by-project basis.

The temporary suspension is to remain in place until the Queensland Productivity Commission (the Commission) has completed an assessment of the economic impacts of BPICs and the government has responded (Queensland Government 2024f). However, BPICs still apply on many sites where work was already underway at the time the policy was paused.

While BPICs increase wages and conditions for construction workers, they are likely to impose costs on the community

Wages and conditions under BPICs appear to be substantially more favourable to workers than otherwise available in the broader industry. While these provide direct benefits to construction workers, concerns have been raised by stakeholders about impacts on:

- the cost of delivering the Queensland Government's capital works program
- the broader economy, by diverting labour from private to public construction and bidding up construction industry costs.

BPICs wages and conditions are now embedded in EBAs for many Tier 1 firms and contractors, with many in place until July 2027. Stakeholders have told us that this has had a significant impact on project costs and competition.

BPIC has reduced the attractiveness of Queensland to contractors as it has resulted in delivery costs being substantially higher than other jurisdictions with little appetite from clients to accept these higher costs. Further, non-EBA employers are reluctant to enter the Queensland market where there will be pressure to meet the benchmark that has been set through BPIC. (Australian Constructors Association, sub. 39, p. 22)

The current system of largely fixed RDOs, with no work on Weekends and Shutdown Weeks, has a significant impact on productivity, subcontractor cash flow, and workplace control. The most notable impact in recent months has been a 50% reduction in productivity, excluding inclement weather. (Workforce Advisory Lawyers, sub. 30, p. 2)

Industry groups have claimed that BPICs have had a significant impact on site productivity:

...provisions contained in BPICs are a drag on productivity in the building industry, and are contributing to higher costs, longer construction timelines and lower supply of much-needed new homes, especially in the development of unit towers. (Housing Industry Association 2024)

...there is clear evidence that BPIC is driving productivity down and pushing costs up - the opposite of what we need in the middle of a housing crisis. (Master Builders Queensland 2024a)

...while BPICs only applies to government jobs the economic flow on impact is felt by the private sector and has inhibited capacity to deliver homes and projects at the worst possible time. (Property Council of Australia 2024a)

The Real Estate Institute of Queensland (REIQ) (2024, p. 18) identified BPICs as a long-term factor driving elevated construction costs and timeframes in Queensland, stating that:

these [BPICs] conditions have proven to reduce productivity in the construction industry.

Some industry groups have claimed contractors are experiencing as little as three effective workdays per week on BPICs sites (see letter to the Honourable Meaghan Scanlon MP by Master Builders Queensland et al. 2024; Queensland Economic Advisory Solutions 2024).

The Queensland Major Contractors Association (sub. 66, p. 33) also explained that irrespective of how provisions are applied on site, BPICs result in project cost escalations, with the maximum potential application of BPICs provisions now priced in as the norm.

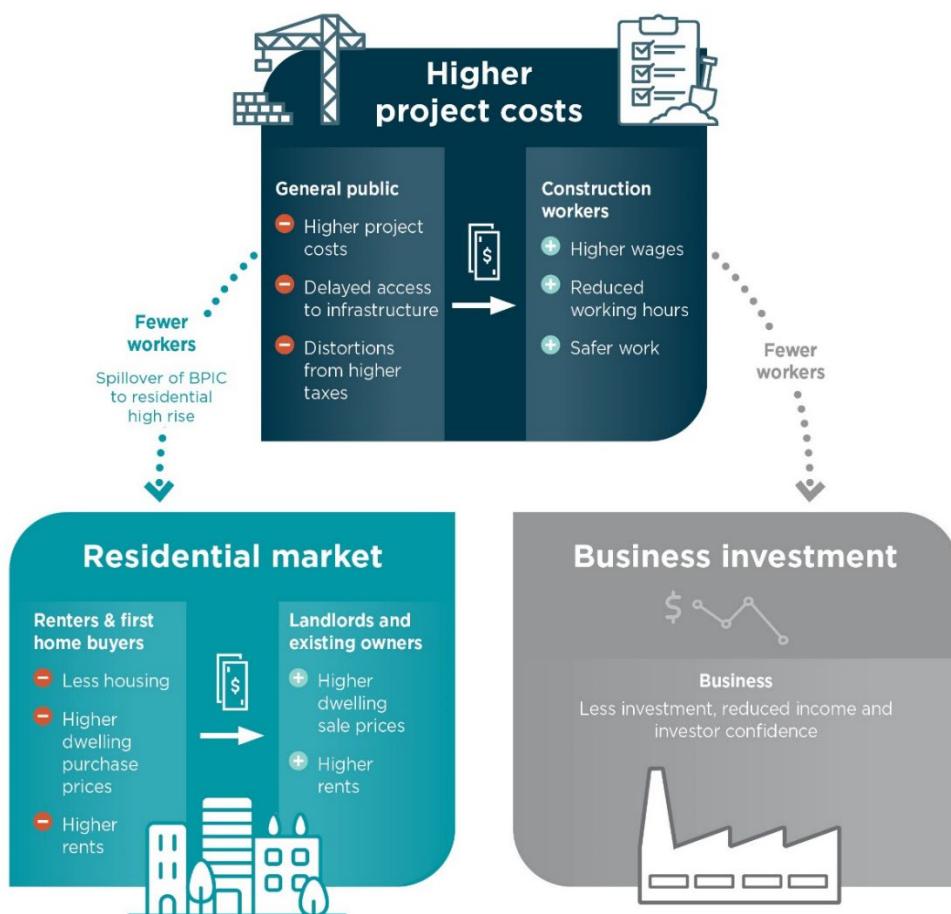
When quoting for a project, a company under BPIC will quote based on maximum potential usage of collective agreement provisions in order to price in risk for such usage. Accordingly, BPIC escalates project costs regardless of whether BPIC provisions are used and how often.

Given that the government's capital program is mostly funded from government revenues, higher project costs will impose costs on the community through either higher taxes (now or in the future) or reduced services.²⁶

Where BPICs result in resources being pulled from other parts of the construction industry, this is likely to impact the housing market and business investment through higher costs and/or project delays.

A summary of likely impacts on the economy is provided in Figure 6.1.

Figure 6.1 How BPICs are likely to affect the economy



Source: QPC.

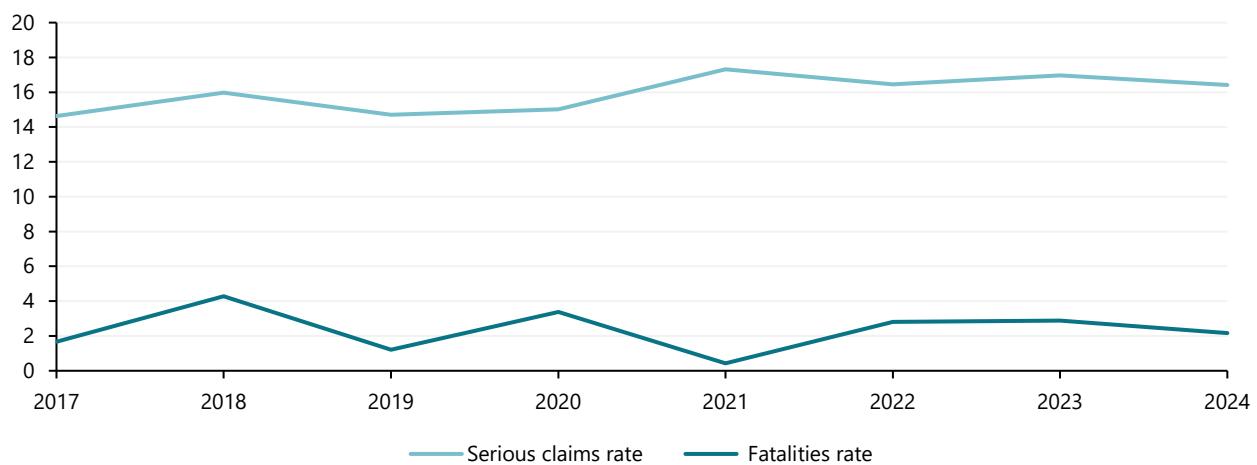
²⁶ The effect is generally the same for Government Owned Corporations where higher projects costs are funded through either higher prices to consumers, reduced dividends to government or through taxpayer funded payments to offset costs.

At least at an aggregate level, safety outcomes do not appear to have improved since the introduction of BPICs

There is no clear evidence that BPICs have improved workplace health and safety outcomes across the construction industry.

Although data is not available for individual sites, data from Safe Work Australia show that neither fatality rates nor serious injury claims have materially decreased across Queensland's broader construction industry since BPICs were introduced in 2018 (Figure 6.2).

Figure 6.2 Workplace health and safety outcomes on Queensland construction sites



Source: QPC based on data provided by the Office of Industrial Relations (OIR).

Note: Fatality rate is work related fatalities per 100,000 construction workers. Serious claims are accepted claims per 1,000 construction workers that resulted in 5 days or more off work not including fatalities.

The Commission seeks any evidence from stakeholders that workplace and safety outcomes on BPICs sites are better than non-BPICs sites or that BPICs have led to industry-wide improvements.

Analysis suggests BPICs impose high net costs on the community

To understand the potential impacts of BPICs on the broader community, the Commission conducted a stylised analysis of the likely costs and benefits of BPICs on the broader community over the period 2024-25 to 2029-30 (assuming no pause had occurred).

The analysis is based on the best available evidence available at the time of writing and includes a cost benefit analysis to consider the direct impacts on project costs, benefits for construction workers as well as impacts on the broader community.

Given uncertainties, the Commission's analysis considers two scenarios; one where BPICs are applied more flexibly (low scenario) and one where they are applied less flexibly (high scenario).

The analysis estimates that BPICs are likely to increase project costs by between 10 and 25 per cent and impose a net economic cost of between \$5.7 billion and \$20.6 billion (in NPV terms) on the community (Table 6.1).²⁷

These project cost estimates appear to be generally consistent with the estimates provided by stakeholders as part of initial consultation. However, the Commission invites further feedback on the modelling.

²⁷ These elevated project cost estimates were benchmarked against internal to government project cost estimates, following the introduction of BPICs.

Table 6.1 Estimated net impacts, Queensland, \$ million, NPV

	Low scenario	High scenario
Construction workers	5,506	11,104
Taxpayers	-8,177	-19,856
Community	-725	-2,901
Landlords	1,416	4,863
Existing homeowners	476	2,069
Renters and first home buyers	-2,760	-10,727
Businesses	-1,435	-5,140
Total	-5,698	-20,588

Source: QPC.

The main beneficiaries of the policy were identified as:

- *Construction workers*, with the benefit mainly accruing through higher wages (estimated benefits of between \$5.5 billion and \$11.1 billion)
- *Landlords and existing homeowners*, with benefits accruing from higher rents and house prices because of reduced dwelling stock²⁸ (estimated benefits of between \$1.9 billion and \$6.9 billion).

Those adversely impacted by the policy were identified as:

- *Taxpayers*, from higher project costs and deadweight losses (estimated costs of between \$8.2 billion and \$19.9 billion)
- *Community*, through infrastructure delays (estimated costs of between \$725 million and \$2.9 billion)
- *Renters and first home buyers*, through higher rents and house prices (estimated costs of between \$2.8 billion and \$10.7 billion)
- *Businesses*, through reduced business investment (estimated costs of between \$1.4 billion and \$5.1 billion).

The analysis suggests that BPICs are likely to have material unintended consequences, with implications for housing affordability as BPICs are likely to draw some workers away from housing construction and encourage the roll-out of BPICs-like conditions on multi-unit dwellings. The analysis estimates that BPICs may cause up to 26,500 fewer homes to be constructed between 2024-25 to 2029-30 and result in rents being up to 8.3 per cent higher than they otherwise would be.

While a primary rationale of BPICs is the improvement in safety outcomes for construction workers, the Commission has not been provided with evidence of safety benefits. However, the analysis finds that even if it is assumed that BPICs do improve safety outcomes, the potential benefits accruing from increased safety would make up less than 0.2 per cent of the total benefits accruing to construction workers, with most of the benefits arising from higher wages for construction workers.

While there are significant uncertainties in the modelling, the key results hold under a wide range of plausible assumptions. Under all assumptions tested, the application of BPICs to the forward capital program would have significant negative impacts on the community, including by worsening housing affordability.

An appendix to this report is provided with detailed model methodology, results and assumptions.

²⁸ BPICs are estimated to reduce the number of houses that would otherwise be constructed (see Appendix C).

During consultation, the Queensland Unions (sub. 59) provided the Commission with analysis that suggested wage rates on BPICs sites were no higher than on non-BPICs sites. While this analysis differs from our modelling, in that it does not consider a counterfactual with no BPICs (i.e. it does not consider that the implementation of BPICs is likely to have influenced wages rates on non-BPICs sites), the Commission also modelled an alternative scenario where wage rates are no higher on BPICs sites.

This analysis shows that even if wages were assumed to be unaltered by BPICs, significant net economic costs would still be imposed on the community (see Table 6.2). These net costs are only slightly lower than the core modelled scenarios (\$18.4 billion versus \$20.6 billion for the high scenarios). These results are in line with evidence provided by stakeholders that a key driver of costs from BPICs are from productivity losses rather than wage rates.

Table 6.2 Revised estimated net impacts, no wage differences, Queensland, \$ million, NPV

	Low scenario	High scenario
Construction workers	1,207	3,939
Taxpayers	-2,588	-10,542
Community	-725	-2,901
Landlords	1,416	4,863
Existing homeowners	476	2,069
Renters and first home buyers	-2,760	-10,727
Businesses	-1,435	-5,140
Total	-4,409	-18,438

Source: QPC.

There appears to be a case for permanently removing BPICs from Government procurement policy

Given the apparent large and negative impacts that BPICs have on the broader community, there seems to be a strong case for their permanent removal from Queensland Government procurement policy.

A preliminary review suggests that most of the workplace health and safety obligations in BPICs are either covered already in existing legislation and codes of practice or in relevant awards.

For example, the *Work Health and Safety Act 2011* requires that any person conducting a business or undertaking (including construction businesses) have a duty to ensure the health and safety of workers. Under the Act, workers also have a say on health and safety matters in the workplace through formal mechanisms — these were recently significantly strengthened under the *Work Health and Safety and Other Legislation Amendment Act 2024*. There are also other provisions in the *Work Health and Safety Act 2011* that should provide incentives for worker safety, including industrial manslaughter provisions.

Similarly, the Building and Construction General Award provides provisions for work during inclement weather, including that workers are not required to commence or continue work when it is unsafe to do so.

Where the BPICs are more prescriptive than in the award or relevant legislation, it is not clear that these prescriptive elements have provided any additional safety benefits. For example, the Construction BPICs specify that where temperatures exceed 35 degrees or 29 degrees and 75 per cent humidity, there should be an orderly cessation of work. However, less prescriptive awards and legislation also make it clear that work should not be undertaken during hot weather, where it is unsafe to do so.

Those additional conditions in BPICs appear to provide few safety benefits but impose large costs on project proponents. As such, BPICs appear to be an inefficient mechanism to achieve health and safety outcomes.

Other provisions in BPICs, such as provisions for additional rostered days off (with full site closure), do not appear to have any relevance for workplace health and safety outcomes, and there appears to be little rationale for their inclusion in government policies.

Similarly, there appears to be limited rationale for government to include provisions for higher than industry wage rates in its procurement policies. Rather, these should be commercial decisions that reflect market conditions.

There may be benefits from government or industry action on some objectives currently covered by BPICs, for example, the BPICs' objectives in relation to mental health, or encouraging greater workforce diversity to make the construction industry more appealing for new entrants. Where this is the case, these objectives are likely more effectively and efficiently addressed through other levers rather than BPICs.

6.2 Options for proceeding

Based on the potentially high costs and limited evidence of public benefits, the Commission's preliminary view is that BPICs should be permanently removed.

However, as noted by many stakeholders, BPICs-like provisions are now embedded in EBAs until mid-2027 for most Tier 1 contractors and subcontractors who undertake work on government projects. Further, industry stakeholders told us that, without further action there may be few incentives for firms to negotiate more productivity-favourable conditions in future EBAs.

On this basis, the removal of BPICs alone is unlikely to provide the necessary reset required to shift the construction industry to an environment conducive to productivity growth.

There appears to be a consensus on the need for government, industry and unions to develop mechanisms for reviving site productivity without compromising safety outcomes.

One option put forward by several stakeholders is for a negotiated set of revised industry conditions to incentivise better outcomes on government projects and that would also form the basis for future EBA negotiations.

Some stakeholder submissions suggested a new set of procurement requirements for large infrastructure projects could include provisions aimed at ensuring any future workplace agreements:

- do not include unnecessary productivity limiting clauses
- restrict the pass through of EBA conditions to subcontractors
- include standardised core clauses to reduce administrative burden
- include right of entry provisions that prevent the abuse of power by either employers or worker representatives
- maintain equal opportunity hiring policies
- provide clear guidelines for managing contentious workplace health and safety issues, such as work during wet and hot weather events, processes for proportionate responses to workplace health and safety incidents, and requirements for site shutdowns.

Stakeholders suggested any new policies should be negotiated between unions, industry and government.

Some stakeholders also argued the establishment of an independent arbitrator or watchdog to provide a pathway for resolving disputes is needed to help reset the industry and remove poor behaviours that prevent competition for government projects.

The Commission would like to hear from stakeholders on what options could provide the necessary reset, whether a policy could improve productivity and if so, how it could be drafted and implemented, and what support mechanisms might be required.

6.3 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 4 - BEST PRACTICE INDUSTRY CONDITIONS

Best Practice Industry Conditions (BPICs) should be permanently removed from the Queensland Government's procurement policy.



REFORM DIRECTION 3 - OPTIONS FOR A BROADER INDUSTRY RESET

Removing BPICs alone is unlikely to be sufficient to shift construction productivity to a growth path or improve behaviours on government construction sites.

Given that BPIC-like conditions now seem to be embedded in industry practice, including in enterprise bargaining agreements that are not due to be re-negotiated until mid-2027, it is likely that a broader industry reset is required.

Evidence from stakeholders suggests that to improve matters, competition will need to be encouraged, on large government projects. This will require that firms have the confidence to enter the Queensland market, or for existing firms to expand capacity.

Stakeholders have suggested several options for improving confidence and allowing a more competitive market:

- a revised set of policies for large construction projects that provide for higher productivity, for example by excluding firms that allow pass through of enterprise bargaining conditions to sub-contractors and/or provisions that reduce flexibility, competition or enable unnecessary or disproportionate productivity reducing practices
- guidance on managing contentious workplace health and safety issues, such as work during wet and hot weather events, processes for proportionate responses to workplace health and safety incidents, and requirements for site shutdowns
- the establishment of an independent arbiter to negotiate disagreements and/or a watchdog to reduce illegal or anti-competitive conduct on work sites.



REQUEST FOR INFORMATION - BEST PRACTICE INDUSTRY CONDITIONS

The Commission would like to:

- understand whether there is any evidence that workplace and safety outcomes on BPICs sites are better than non-BPIC sites or that BPICs have led to industry-wide improvements in workplace health and safety
- encourage stakeholders to provide quantitative evidence on impacts, costs and benefits of BPICs to further inform the Commission's analysis.

The Commission would like to gather stakeholder feedback on:

- options for improving workplace practices on large construction sites
- options for re-setting industry practices more broadly
- what government could do to create conditions to encourage greater competition for large construction projects, including to encourage growth of existing Tier 2 construction firms
- whether there are likely to be any unintended consequences from the various reform options put forward in submissions to the Inquiry.

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7.0

Contracting for efficiency

Stakeholders have raised concerns that contracting arrangements are outdated, cumbersome and are preventing innovation. Stakeholders also noted that contractual arrangements typically contain excessively rigid specifications that include both means and methods, rather than focussing on the outputs required. If true, this is likely to prevent innovation and unnecessarily increase construction costs.

7.1 Current risk allocations may be suboptimal

Stakeholders have raised concerns that contractual arrangements with the Queensland Government do not allocate risk in a way that is efficient.

Some standard government contract clauses are placing too much risk on contractors, which cannot be adequately priced up front by the contractor. These practices drive a 'race to the bottom' resulting in insufficient contingency, cash flow and profit. (Master Builders Queensland 2025b, p. 6 as referred to in sub. 43, p. 11)

Risks should be allocated to the contractual party best able to manage them and should align with the incentives of each contractual party. That is, risks should be credibly allocated to those who can mitigate them for least cost and for those that cannot be mitigated, to the party best able to absorb the specified risk (PC 2014). In practice, however, the allocation of risk is often more complex.

Governments allocate risk using different public infrastructure delivery models, with the most appropriate contracting arrangement dependent on the type, size, level of uncertainty and cost of the project scope, as well as the risk appetite and capability of the procuring agency. Ensuring project risks are allocated efficiently across stakeholders is also essential for ensuring that public infrastructure projects provide the greatest net benefit to the community (PC 2014).

Where risks are inappropriately allocated, this is likely to result in increased project costs. For example, when contractors are required to take on risk that they are unable to manage or price (due to a lack of reliable information, or because the risk is controlled by government), the contractor will either withdraw their bid or factor this risk premium into their bid price, resulting in an increase in project costs.

Where contractors 'over-price' risk, this will result in the procuring agency 'overpaying' for the project; while in instances where contractors 'under-price' risk, if the risk eventuates, the contractor may end up in a dispute with the client for some level of compensation, resulting in the procuring agency potentially 'overpaying' for the project.

It is important to note that while reducing the level of risks borne by contractors may reduce the tender price, it may not necessarily reduce the overall project costs. For example, where procuring agencies lack project management and/or construction expertise, the allocation of these risks to government is likely to result in increased project costs. It could be argued that in these instances, government may not be best placed to take on these risks (PC 2014).

There are also likely to be significant issues for construction productivity where the misallocation of risk results in inefficient outcomes, either because contractors are disincentivised to use more efficient or innovative construction methods, or because it distorts firm behaviours.

For example, stakeholders have mentioned that contractual arrangements often mean head contractors pass risks onto subcontractors who have limited ability to manage or mitigate them, which has contributed to a declining participation in public infrastructure projects by efficient subcontractors.

According to the Australian Constructors Association (sub. 39, p. 18) this re-allocation of risk has contributed to the fragmented nature of the construction supply chain and the dominance of smaller firms, with each player seeking to minimise their exposure to risk.

Similarly, the Australian Constructors Association (sub. 39, p. 18) identifies the allocation of pricing risk to contractors in an uncertain project environment as being one of the primary drivers of low margins and high number of insolvencies in the sector as well as the lack of investment in innovation in the industry.

Most stakeholder concerns have been raised in the context of fixed price contracts, where contractors are required to provide a fixed price at the time of tender, despite there often being high levels of uncertainty around key elements of the project (including those controlled by government), which limits the tenderer's ability to accurately price the project.

More broadly, stakeholders have raised concerns with the lack of collaboration and information sharing between parties as a key driver of perceived unfair risk allocations.

The lack of collaboration through procurement and into delivery has proven problematic... Risk allocation is best managed between the parties collaboratively so that each party understands the drivers and challenges of the other and how to best manage the relevant risks and work together to minimise the occurrence and the costs of managing the risks. This does not mean that all risks are shared, rather that a collaborative conversation is held between all parties. This can be done for all contract types, regardless of whether they are collaborative contracts such as alliances and ECI's all the way through to construct only contracts. (Queensland Major Contractors Association, sub. 66, p. 26)

The overriding goal of contracting must shift from a focus on transferring all risks to the contractor at the outset - particularly unquantifiable risks - to establishing the rules by which the parties will jointly manage these risks as they inevitably arise throughout delivery... While no contract can account for all the unexpected events that will complicate delivery, contracts can incorporate mechanisms to encourage clients and contractors to work together to resolve issues fairly and reasonably and to avoid disputes. (Australian Constructors Association, sub. 39, p. 19)

Stakeholders suggested that one potential option for improving collaboration and the management of risk is the increased use of digital models, such as Building Information Modelling (BIM), throughout the procurement process, with calls for government to transition away from a 'digital by exception' to 'digital by default' approach to procurement.

Queensland Major Contractors Association, for example, states that:

Enabling and allowing the greater use of BIM and other solutions as part of the procurement and delivery process will result in far more efficiency and productivity as the need for paper based design drawings is reduced, and all parties can review and approve designs in live time. (Queensland Major Contractors Association, sub. 66, pp. 27-28)

Consult Australia (sub. 28, p. 10) notes that while Queensland has had a coordinated whole-of-government approach to BIM since 2018, adoption has been slow and the opportunities surrounding the use of digital technologies are yet to be fully leveraged.

The Commission is interested to hear from stakeholders about the extent to which an increased use of digital technologies is likely to improve collaboration and the perceived allocation of risk between parties. The Commission is also interested to understand what the key barriers to increased use of digital technologies (within the procurement process) are and what policies and practices are likely to increase adoption.

7.2 Standard contracts may reduce compliance burdens

Stakeholders have raised concerns about the increased use of non-standard contracts (including standard contract forms with significant variations) across Queensland Government projects.

A significant challenge to the productivity of the construction sector is the variation in contract forms not only between jurisdictions, but within jurisdictions and even within a delivery agency. (Australian Constructors Association, sub. 39, p. 20)

There is now an increasing tendency to use heavily modified standard forms or revert to drafting bespoke contracts for individual projects. This has eroded the efficiency gains from standard forms and created more inefficiencies and disputes arising from their interpretation. (Queensland Major Contractors Association, sub. 66, p. 27)

Many stakeholders have raised concerns that this deviation from standard form contracts has resulted in an increase in complexity of contracts, and higher tendering costs, with special consultants and lawyers often required to review and interpret contracts on behalf of contractors during each tendering process, as well as manage disputes arising from differing interpretations of the non-standard contract.

Stakeholders have recommended the Queensland Government develop a suite of standard and common contracts that can be applied with minimal variation, citing that a return to standard forms could save substantial time and costs. Where variations are required, stakeholders suggest this should occur in rare circumstances and used where strictly necessary and by agreement with bidders. According to the Australian Constructors Association (sub. 39, p. 20), up until recently, this used to be standard practice in the Queensland Department of Transport and Main Roads.

While the use of standardised contracts can provide efficiency gains for stakeholders by reducing the time and cost required to review, interpret and manage contractual obligations, there are likely to be instances where a standard contract does not provide the flexibility or specific requirements needed to effectively deliver a project. However, there appears to be merit in minimising contract variations, with variations only occurring when necessary.

The Commission would like to better understand whether the use of standard contracts can provide greater consistency across Queensland Government agencies and greater certainty for industry, which elements lend themselves best to standardisation, and whether moves to use standardised contracts would create any unnecessary risk.

7.3 Risk aversion can be a barrier to innovation

Several stakeholders have raised concerns that a culture of risk aversion within the Queensland Government prevents the use of more innovative solutions to infrastructure provision and construction.

While there is an inherent balance between being overly risk averse and accepting excessive risk, several stakeholders raised that procuring agencies are currently erring on the side of being too risk averse, and this is a barrier to innovation (for example, BuildSkills Australia, sub. 24, p. 17; Queensland Major Contractors Association, sub. 66, p. 37).

Industry bodies mentioned that while some procuring agencies initially welcome innovative approaches or technologies, they inevitably reject them due to risk aversion. According to Consult Australia (sub. 28, p. 9), the Queensland Government rarely considers the use of innovative technologies, even where they can be demonstrated to have been used successfully in other jurisdictions or countries.

QMCA used the Rockhampton Ring Road as an example project where cost-saving approaches used interstate were declined in Queensland:

Through the project development phase, the client and their engineers were challenged over the design with different approaches and technical solutions that have been accepted interstate that would have saved significant costs and improved the likely time for delivery, but these suggestions were declined. (Queensland Major Contractors Association, sub. 66, p. 26)

Stakeholders raised that government risk aversion is enabled through overly prescriptive tender documents. While some level of prescriptiveness in tender documents is necessary to ensure projects are delivered to a minimum standard, there are concerns prescribed specifications are used mainly to make it easier for procuring officers to make comparisons between competing tenders:

Assessment panels often appear to want innovation avoided, to facilitate direct comparison of tenders, potentially due to risk aversion, avoidance of ownership, or incompetence. (Queensland Major Contractors Association, sub. 66, p. 26)

Stakeholders suggested government procurement should make greater use of performance specifications, as they allow contractors to propose innovative approaches to deliver projects without compromising quality:

Prescriptive specifications are seen as undermining productivity, ensuring uniformity but hindering innovation and leading to outdated methods. They can blow out costs and have unintended consequences. An alternative approach is to use performance specifications, which define how the final asset must perform (e.g., bridge capacity, start/end points, design life). This allows contractors to compete on the best solution to meet the brief, rather than just the price of a fixed product. (Queensland Major Contractors Association, sub. 66, p. 27)

While there may be benefits from adopting a less prescriptive approach to government procurement of infrastructure, there are also significant impediments that need to be considered.

For example, if government wishes to introduce more innovation by using less prescriptive approaches, procuring agencies would need to:

- Ensure they have sufficient expertise (and time) to understand and assess the proposed solution, including any assessment of risk;
- Have clear guidance on what is acceptable risk, and sufficient incentives for decision makers to make assessments and decisions on risk.

Stakeholders voiced concerns that concepts included in unsuccessful bids were then used by procuring agencies in future projects and when projects are retendered. This may be contributing to the industry's poor uptake of innovative solutions as tenderers are deterred from incorporating innovative approaches in bids.

Some stakeholders suggested procurement policy should actively seek innovative proposals in bids. While there may be some benefit in this approach, care needs to be taken that procurement does not seek innovation for its own sake, as this could reallocate risk to government, who may not be the best party to manage it. A procuring model that is focussed on maximising value for money, has appropriate guidance on risk, and is backed by sufficient technical expertise in procuring agencies, should allow contractors and subcontractors to utilise innovative, lower cost solutions, without explicitly requesting their usage.

Given the potential for improved outcomes and lower costs, there seems to be benefit in exploring options, such as performance-based contracting, for increasing innovation in infrastructure provision. However, this may require a significant investment in capability building and a commitment by government to appropriately delegate risk.

7.4 Early contractor engagement may help improve project outcomes

Stakeholders suggested that, under current procurement processes, procuring agencies were not collaborating with contractors early enough in the project development process (for example, Consult Australia, sub. 28, pp. 8-9; Health Infrastructure Queensland, sub. 25, p. 2). According to BuildSkills Australia (sub. 24, p. 17), early contractor involvement may help to improve constructability, reduce rework, and facilitate the adoption of innovative techniques.

An early contractor involvement procurement model is considered particularly beneficial on projects that include difficult-to-price risks. Working collaboratively at this stage of a project's development can enable both the client and contractor to appropriately allocate risk and reduce costs (Infrastructure Australia 2012). This sentiment was also echoed by stakeholders:

Engaging with contractors at the planning stage will also allow for better identification and assessment of risk. This allows early discussion about appropriate risk allocation. (Australian Constructors Association, sub. 39, p. 13)

While early contractor involvement can take an array of forms, it is most commonly used in the form of a two-stage contract, with the contractor engaged at the initial scoping stages of the project (Infrastructure Australia 2012; PC 2014).

Initial tendering under this contract form involves tenderers competing on their fees to develop the project design, not based on their estimate of delivering the project. The winning contractor then works collaboratively with their design consultants and the client to revise the project brief and refine the project design.

Based on the finalised project brief and design, the contractor will make an offer to the client to subsequently build the project. At this point, the client has the option to either accept this offer, or to decline it and re-tender for another contractor to construct the project based on the project brief and design delivered in the first stage.

The Queensland Government, through the Queensland Government Building Policy Guideline (Queensland Government 2023a), previously required major projects to be procured using a two-stage contract.

While two-stage contracting can help to bring contractor involvement early in the design phase (with the expectation it will help to increase innovation) it is not suitable for use in every circumstance and can be difficult to implement in practice.

For example, the use of two-stage contracts was found to be problematic through the Queensland Government's Hospital Capacity Expansion Program because of the prevailing market conditions, including capacity constraints, subcontractor registration, and BPICs requirements (Klok Advisory 2025).

The Queensland Government has subsequently removed any requirement for major projects to use two-stage contracts and has allowed other contract types to be used for all projects.

Alliance contracting is another alternative contract type that involves early contractor engagement by essentially turning a project into a joint venture. Alliance contracts are often considered most useful in situations where the client has limited experience assessing specific project risk (PC 2014).

Alliance models require even greater collaboration between the client and contractor than two-stage contracts. For this reason, the tendering process often requires key personnel from the client-side and tenderer-side to engage in workshops and role playing scenarios to examine how effectively they work together. Subsequently, alliance partners are often selected on non-price considerations (PC 2014).

Although dated, the New Perth-Bunbury Highway (NPBH) was an example of a seemingly successful project delivered under an alliance contract model. This contract model was selected because it offered greater flexibility in achieving value for money and was considered the best approach to manage the project risks (Infrastructure Australia 2012).

An additional benefit of the particular alliance used for the NPBH was that it included a subcontractor that was able to ensure a supply of raw materials at a time where there was strong competition from major resource projects (Infrastructure Australia 2012). The Queensland Major Contractors Association (sub. 66, p. 20) raised the value in the early engagement of delivery partners that play a critical role in the supply chain.

While the use of alliance contracting models may be appropriate for some projects, this will not be the case for all. It does not seem to be used often in Australia, although stakeholders did suggest that this should change (for example, see BuildSkills Australia, sub. 24, p. 17).

Early contractor engagement may also occur through a less formal relationship, where the client seeks input from multiple contractors during the project development phase. The Staples Review of DTMR's Queensland Transport and Roads Investment Program (Staples 2025) recommended that early market engagement during the planning phase should be embedded into major projects to help assess market capacity and test delivery timeframes and packaging approaches.

The Queensland Major Contractors Association made a similar recommendation while noting the lack of contractor engagement at the early project concept development stage:

QMCA believes there is generally a lack of construction knowledge incorporated in the concept stage, and this actively hinders productivity in later stages. It should be recognised that contractors can provide solutions and pragmatic delivery ideas that can assist with not restricting productivity during delivery... On large programs and projects establish an early-stage market sounding process that engages one or more contractors to help test concepts and ideas around what is practical to be built. This will help deliver more efficient and well thought out solutions leading to more efficient allocation of resources during the design and construction phases. (Queensland Major Contractors Association, sub. 66, p. 20)

The Commission is seeking further stakeholder feedback on the pros and cons of early contractor engagement models, including examples where they have been used successfully, what agency capabilities are required, the key barriers to their uptake, and how incentives can be arranged to maximise success.

7.5 Delays in the tendering process inefficiently tie up capacity

Stakeholders raised concerns with the length of time between when tender bids are submitted and when the tender is awarded. A lengthy tender decision process creates two problems. These relate to the tender's validity period, and the need for prospective contractors to put resources on hold while awaiting a decision.

First, the tender will include quotes for construction materials that may only be valid for a certain period. While tenders often include 'tender validity periods', this period can still be long enough for volatile materials to significantly rise in price, with the tenderer responsible for this risk. Further, once the tender validity period does expire, it is unclear whether tenderers can submit another tender with updated prices, or if their only recourse is to withdraw their tender.

Second, as prospective contractors are required to quarantine staff in case they are the successful bidder, delays in awarding contracts can increase opportunity costs for businesses:

The procurement process for large projects appears needlessly long, potentially taking up to 18 months... Even after tenders are submitted, the decision period can take many months, sometimes longer than the time spent preparing the tender, leaving bid teams and proposed delivery teams on hold. The process involves a contractor team not much smaller than the construction team itself. (Queensland Major Contractors Association, sub. 66, p. 25).

According to the Australian Constructors Association (sub. 39, p. 14), Queensland has recently been poor at awarding tenders before the validity period expires:

In a recent independent survey of ACA members, undertaken by Oxford Economics, Queensland performed below expectations against measures assessing the extent to which contracts are awarded within the original tender validity period. This was consistent with broader national trends. Possibly this trend has some relationship to the volume of documentation that bidders must provide and the time needed for tender evaluation boards to then review and evaluate what has been submitted.

As flagged, reducing the amount of documentation that tenderers must submit may enable procuring agencies to award tenders more quickly. Further suggested remedies by stakeholders included shortening tender validity periods to below 90 days and including key performance indicators for departments to minimise the time taken to award tenders.

The Commission is interested in further stakeholder feedback on the consequences of, and possible solutions to, the effects of a delayed and lengthy tender decision process.

7.6 Unreliable information about site risks leads to duplication of effort

Procuring agencies often undertake preliminary investigations to gather information on site-specific project risks, such as geotechnical, environmental and utilities assessments, to inform their decisions about a project's viability. This information is then distributed to tenderers.

However, tenderers are often contractually precluded from relying on this information. This means each tenderer must either replicate the process of gathering this information, or price in the risk that the information is inaccurate.

The Australian Constructors Association (sub. 39, p. 15) and Queensland Major Contractors Association (sub. 66, p. 23) indicated that time and money are wasted through duplication. Given tenderers will seek to recoup the costs of these investigations regardless of whether they are the successful tenderer, the client will inevitably pay for these investigations through higher bid prices (including for future projects).

Further, due to compressed tender timeframes, these tenderer investigations are typically not sufficiently detailed to appropriately assess the likely risks involved with any given project. This can lead to bids incorporating risk premiums that overestimate the true value of the risk (PC 2014).

Staples (2025) recommended allocating adequate funding to complete these assessments during the business case phase of a project, as this enables more robust planning and reduces risk during procurement delivery. This supports stakeholder claims that the client is best placed to undertake thorough investigations in advance of the tender process, and that allowing tenderers to rely on information provided would reduce bid costs.

7.7 Contracting issues are exacerbated for small and regional firms

Stakeholders have raised concerns that compliance costs imposed by current contracting arrangements disproportionately impact smaller, less resourced firms:

Queensland Government building contracts now seem to require onerous reporting requirements to meet state government policy objectives (e.g. training policies) which small contractors do not have the resources to meet. Government construction and procurement contracts need to be standardised (at both state and local government level) and simplified for small value work. (Project Legal, sub. 60, p. 5)

As discussed above, stakeholders have also raised concerns that subcontractors are often required to manage and absorb risks passed down to them from head contractors, despite often not having sufficient mechanisms to cover the costs of these risks if they eventuate. For example, subcontractors may be required to absorb unexpected material and labour cost escalations due to market volatility or changes to project scope, both of which are likely to be out of their control. According to stakeholders, this is further exacerbated by the fact that subcontractors generally work off smaller margins than larger firms.

Stakeholders have noted concerns about instances of procurement behaviours perpetuated by contractors that systematically disadvantage small to medium enterprises (SMEs), such as bid shopping - where a head contractor discloses one subcontractor's bid to another to secure a lower price. They say this results in subcontractors either withdrawing their bids or increasing their bid price to offset risk.

Stakeholders have also told the Commission that project bundling can disproportionately impact SMEs. While there are likely to be efficiency gains through the government bundling projects together, often the trade-off is reduced competition, whereby the bundling of multiple projects may prevent smaller firms from tendering for work.

7.8 Where to from here?

Stakeholders have raised concerns that Queensland Government contracting arrangements are outdated, cumbersome and are preventing innovation. Stakeholders told us that contractual arrangements typically contain excessively rigid specifications that include both means and methods, rather than focussing on the outputs required. If true, this is likely to prevent innovation and is likely to unnecessarily increase construction costs.

While the Commission is still assessing submissions and is seeking further information from stakeholders, initial stakeholder suggestions indicate there are opportunities to:

- make greater use of digital technologies to increase efficiency, encourage better information sharing and reduce risk
- improve contractual arrangements to encourage more innovation such as through greater use of collaborative contracting, less focus on rigid specifications (and more on outputs) and greater use of performance incentives
- simplify contractual processes through greater use of standardised contracts
- improve the way risk is allocated, including for unexpected events
- 'right-size' projects to encourage scope and scale efficiencies and encourage greater competition — this might involve bundling similar projects in some cases (for example, where it may be possible to encourage economies of scale or scope) and breaking up large contracts in other cases (for example, where this would encourage competition from smaller, innovative firms).

These issues have been raised in previous reviews and, at least to some extent, the Queensland Government already has policies covering many of them. For example, the Queensland Government has guidance material on two-stage design and construct contracts, which is intended to facilitate more collaborative contracting.

Despite this, stakeholders have advised the Commission that these policies are not being enacted in practice. It is not clear why this is the case, and the Commission is seeking further evidence from stakeholders on what could be done to improve contracting arrangements, including for example, if there are better incentive arrangements or capabilities that need to be established within contracting agencies.

7.9 Reform directions



REFORM DIRECTION 4 – IMPROVING TENDERING AND CONTRACTING

The Commission is considering options for improving the way the Queensland Government tenders and contracts for public infrastructure projects, to reduce costs, foster greater competition, better manage and allocate risk, and encourage innovation.

Options include:

- addressing barriers to 'digital by default' approaches that would increase efficiency, facilitate information sharing and collaboration, and reduce risk
- making greater use of collaborative contracting arrangements to encourage innovation
- developing guidance around appropriate risk/profit sharing arrangements in Government contracts, including on the use of performance incentives
- adopting standard contracts to reduce administration costs
- better 'sizing' of tenders to suit circumstances — this could involve bundling of similar projects to encourage cost savings through economies of scope and scale, and/or breaking up large projects into smaller packages to allow smaller, innovative firms to tender for components of builds.

The Commission notes that these initiatives, at least in part, are already government policy. For example, the Queensland Government has guidance material which is intended to facilitate more collaborative contracting.

It is possible that, to facilitate better outcomes, agency capabilities and incentives need to be changed.



REQUEST FOR INFORMATION – IMPROVING TENDERING AND CONTRACTING

The Commission is seeking information on:

- the key barriers to increased adoption of digital technologies, such as Building Information Modelling, and the policies or practices that would allow the opportunities for digital technologies to be fully leveraged
- the benefits and costs of collaborative contracting arrangements, and the key barriers to greater adoption of collaborative contracting (including early contractor engagement)
- how risk can be more appropriately allocated in government contracts
- the benefits and costs of adopting standardised contracts
- the extent to which there are likely to be benefits from greater bundling of projects, and the extent to which this might prevent competition by preventing smaller firms from tendering for work
- whether government procurement agencies have the capacity to undertake the types of changes noted in submissions, and what additional capabilities (public and private) are required and how these could be best achieved
- examples of successful approaches that have been used to incentivise improved risk-allocation by contracting agencies
- the pros and cons of replacing prescriptive specifications with more performance-based specifications.

Part B: Land use regulation

Key points

- Land use regulation seeks to reduce negative impacts arising from development, protect amenity, and coordinate the location and construction of infrastructure and public goods. By doing so, it constrains what gets built and where it is located.
- However, there is also an emerging international literature which suggests land use regulation has become an impediment to construction productivity. At the same time productivity estimates suggest housing construction productivity has performed worse than other parts of the construction industry.
- There is evidence that Queensland's land use regulation, and planning regulation in particular, is unnecessarily constraining construction productivity.
 - Inconsistencies between planning and building regulations have created overlap and duplication, with confusion over roles and responsibilities. This has resulted in a plethora of requirements in planning schemes that are of questionable benefit, with significant differences between local planning schemes and the Queensland Development Code. These inconsistencies undermine building quality, increase the risk of costly defects and impede scale, innovation and competition.
 - Planning approval processes often result in long delays, uncertainty and create inefficient back and forth processes. This causes idling of labour and capital and increases financing and administrative costs. There is also a lack of publicly available information or other accountability mechanisms to incentivise local government performance.
 - Land use regulation constrains density, the supply of housing and leads to inefficient infrastructure use. For example, almost 70 per cent of residential land in Brisbane within 1,000 metres of a train station is effectively zoned as low density.
- Because of this, development and housing construction costs are significantly higher than they should be, with many developments becoming unfeasible, particularly affordable forms of housing.
- While some reforms have been undertaken by government, more will be needed to increase land supply and deliver the housing outcomes desired by the community.
- To reduce the cost of construction, the Queensland Government should consider:
 - removing inconsistencies and ambiguities between planning and building regulation that have allowed regulatory creep in local planning schemes
 - increasing the consistency of local planning schemes across the state, by requiring regulation to be consistent with the Queensland Development Code
 - allowing greater flexibility in the way local building regulations (such as height restrictions and green space provisions) are applied to allow some negotiation of outcomes between neighbours and developers.
- To provide a more streamlined approvals system, the Queensland Government should consider:
 - introducing an alternative development assessment pathway for significant housing developments
 - modifying the roles for building certifiers and local government regulators to provide a more unified and consistent approvals system for smaller developments
 - simplifying approval requirements by developing consistent siting and design standards for houses and smaller attached housing developments
- The Queensland Government should also increase the supply of development rights in identified, well located areas, by increasing the allowable densities in those areas.
- Finally, regulators need to be held more accountable, including through the publication of data on local government performance outcomes.
- While these reforms are likely to generate large benefits — zoning reforms alone could deliver net benefits ranging from \$18 - \$48 billion — consideration needs to be given to increasing community support for reform, including by ensuring development benefits as many people as possible.

Context

Land use regulation seeks to reduce negative impacts from development, protect amenity, and coordinate the location and construction of infrastructure and public goods.

There is an emerging literature that suggests land use regulation has been a significant impediment to productivity in the residential construction industry (for example see D'Amico et al. 2023). While measurement issues make it difficult to quantify these effects, there are clear mechanisms through which land use regulation can impede productivity. These include:

- restrictions on housing density, such as minimum lot size, height restrictions and floor area ratios which impede the achievement of scale economies
- restrictions that limit the amount of developable land, which in turn, restrict development to locations that are more expensive to build on, either because they require expensive new infrastructure or because they are less suitable for construction
- design conditions which may be unnecessary or inconsistent with building regulation requirements
- regional variations that require different designs, uses of materials and construction processes across locations
- approval processes that cause delays that result in resources being left idle or the inefficient sequencing of activities
- assessment processes that increase uncertainty
- regulations that are unnecessarily complex or difficult to understand, requiring additional labour and specialised professional expertise (such as legal and urban planning)
- regulations that inhibit innovation because they impede competition, scale economies, alternative design choices and alternative construction or manufacturing methods.

The terms of reference direct the commission to give consideration of housing affordability, and productivity estimates in Chapter 2 suggest housing construction productivity performs much worse than other sub-industries.

Land use regulation is likely to have a disproportionate impact on community welfare because it affects residential housing supply. As shown in Figure B.1, Queensland's supply of new housing has been declining since 2016, and consequently has struggled to keep pace with demand. As a result, housing affordability has declined significantly, for example a range of indicators have deteriorated over time, particularly in recent years, including median mortgage payments and rents relative to income (ANZ & CoreLogic 2024).

Figure B.1 Queensland dwelling completions are well short of where they need to be



Sources: QPC; ABS 2025b.

Note: Annual rolling sum.

Looking ahead, Queensland's system of land use regulations needs to ensure there is enough developable land to meet the demands of Queensland's growing population. It also needs to ensure that new housing supply is provided:

- in locations where people want to live and in diverse forms to meet varying preferences
- in a way that supports construction industry productivity and efficiently utilises infrastructure.

While Queensland has already embarked on a series of reforms to its planning system (Box B.1), these reforms are unlikely to be sufficient to support needed increases in housing supply, including those committed to by the Queensland Government.

Box B.1 Recent housing policies in Australia and Queensland

In 2022, Australian, state, territory and local governments, institutional investors and the construction industry agreed to a National Housing Accord (the Accord). Under the Accord, National Cabinet agreed to 1.2 million new well-located homes over five years from mid-2024, with the Australian Government providing \$3.5 billion in payments to state, territory and local governments to support the delivery of state-level targets (Australian Government n.d.).

National Cabinet has also endorsed a National Planning Reform Blueprint which outlines zoning, land release, increasing density, streamlining approval processes, adequate resourcing of planning staff and transparent and predictable consultation.

Planning Regulation amendments enacted in 2022 allow any person to live in a secondary dwelling (previously restricted to family members), provide greater certainty for social and affordable housing projects and create a new requirement for planning approval for detached housing in medium and high-density zones.

In 2024, the Queensland Government released the 'Homes for Queenslanders' plan', which included a target of one million more homes by 2046. The Queensland Government recently revised the target to one million new dwellings across Queensland by 2044, and introduced planning reforms, including:

- The *Housing Availability and Affordability Act 2024* provides the Planning Minister with powers to acquire land or create easements to deliver critical infrastructure and a state assessment pathway for developments that include a certain percentage of affordable housing.
- Revised housing targets in regional plans, to encourage more density and diversity, including for South East Queensland (SEQ), Far North Queensland and Wide Bay Burnett. Targets for SEQ were to be reported through the Land Supply and Development Monitoring report, but have not been publicly released in recent years.
- The Incentivise Infill Fund which provides \$350 million in incentive payments to support increased density in established areas.

In 2025 the Queensland Government announced the \$2 billion Residential Activation Fund to fast track the development of essential infrastructure to unlock new homes across Queensland.

Sources: Australian Government n.d.; Crisafulli 2025.

The system of land use regulation in Queensland is complex (Box B.2), and it is beyond the scope of this inquiry to review every element of the system. Rather the Commission has focused on the following three areas, where evidence, including stakeholder feedback, suggests there are potentially large gains to construction productivity and benefits to the broader community:

- **Regulatory requirements** — Queensland's land use regulation can be complex, restrictive, inconsistent across local governments, inconsistent between regulatory instruments and impose costly and unnecessary requirements. This can result in additional compliance costs and reduced efficiency.
- **Planning approval processes** — Planning approval processes can cause long delays in construction, detracting from construction productivity. Moreover, there is little accountability for regulator performance, particularly at the local government level.
- **Zoning of developable land** — Zoning regulation restricts the development of greenfield sites and availability of land for higher density dwellings. This impedes economies of scale in construction and more intensive use of infrastructure.

While several stakeholders noted concerns about environmental approvals, these are only briefly addressed in this part. This is largely because environmental regulation under the *Environmental Protection and Biodiversity Conservation Act 1999*, is administered by the Australian Government. As such there are only limited options for the Queensland Government to enact reform.

Box B.2 The land use regulatory system in Queensland

Queensland's land use regulations consist of Acts, Regulations, policies and plans, with responsibilities for delivery and operation shared between the state and local governments. One of the most significant regulatory environments for construction productivity are those associated with the planning system.

The main legislative instrument, the *Planning Act 2016* (the Planning Act):

- guides land use planning for future development throughout Queensland,
- sets out whether, and how, development may occur, and
- prescribes the process for resolving disputes and offences.

The Planning Regulation 2017 supports the Planning Act through a range of statutory instruments to ensure consistency in plan making and development assessment across the state. These instruments are:

- Minister's Guidelines and Rules for plan making including planning scheme policies, temporary local planning instruments, Local Government Infrastructure Plans and local government and ministerial infrastructure designations
- Development Assessment Rules which guide how assessments must be lodged, assessed and decided
- State Development and Assessment Provisions which identify the state's interests in development assessment, supported by a state-wide development assessment mapping system and assessment benchmarks.

The Queensland Government outlines the State's interests through the State Planning Policy and prepares 'regional plans' that 'recognise diversity and identify the regional dimension of state interests that are important and specific to a Queensland region' (Queensland Government 2022a):

- The State Planning Policy outlines 17 state interests under five broad themes: liveable communities and housing, economic growth, environment and heritage, safety and resilience to hazards, and infrastructure. Local governments are required to apply the State Planning Policy in their plan making and development assessment. The planning minister is responsible for approving state and local planning schemes and infrastructure plans.
- Regional plans are long-term strategic documents that guide land use regulations, infrastructure priorities and economic development across regions and set objectives such as locations and types of new housing.

Developers and construction firms make planning approval applications to the relevant planning authority. In most instances this is the local government. However, in some areas the Queensland Government through Economic Development Queensland is the planning authority and for some types of projects such as social housing may elect to apply through State Assessment and Referral Agency (SARA). Planning authorities set local planning schemes which lay out allowable land uses. Developers may apply to vary land use against existing codes, in which case a more intensive planning approval process will occur.

Where a development impacts a state interest, such as heritage, state transport corridors or the clearing of vegetation, a developer may also need to apply for approval from SARA, which undertakes whole-of-government state assessment against the State Development and Assessment Provisions.

Sources: QPC 2025a; OQPC 2025b; Queensland Government 2017; DSDIP 2022.

8.0

Design of planning regulation

8.1 Planning regulation imposes significant costs

The Planning Act

The purpose of the *Planning Act 2016* (the Planning Act) is to "establish an efficient, effective, transparent, integrated, coordinated, and accountable system of land use planning (**planning**), development assessment and related matters" to facilitate the balancing of environmental values, economic development and social wellbeing. The social well-being purpose includes:

- creating and maintaining well-serviced, liveable and affordable development
- conserving or enhancing places of special significance
- providing for integrated networks of public spaces, and
- addressing impacts of climate change through sustainable development, such as sustainable urban design.

The Planning Act establishes that activities should provide (amongst other things):

- opportunities for the community to be involved in decision making, and
- housing choice, diversity and affordability.

When assessed against its purpose, it appears that the Planning Act (and the planning systems around it) could be improved to better meet the Act's stated purpose:

- While the planning system provides an opportunity for some stakeholder feedback during the development of local plans, in practice, it provides few opportunities for communities to be involved in decision making, other than to oppose development.
- Housing affordability has declined across the market, and it is becoming increasingly difficult for people to find suitable homes close to work, transport and amenities.
- Across SEQ, most development is occurring on the urban fringe imposing significant additional infrastructure costs and environmental costs, including higher transport emissions and habitat loss.
- As will be discussed below, the planning system is complex, difficult to navigate, inefficient and lacks transparency and accountability.

Planning regulation is unnecessarily complex

In addition to the Planning Act, there is the Planning Regulation 2017, the *Planning and Environment Court Act 2016*, Planning and Environment Court Rules 2018, *Regional Planning Interests Act 2014* and the Regional Planning Interests Regulation 2014, as well as the State Planning Policy, regional plans, Minister's Rules and Guidelines, Development Assessment Rules, local planning schemes and a myriad of other plans, instruments, and policies (Box B.2).

Moreover, each of the 78 local councils in Queensland has its own planning regulations in the form of local planning schemes. Some appear to be very complex and difficult for non-experts and even many experts to navigate — the planning scheme of Brisbane City Council (2023) alone is 2,526 pages. The Moreton Bay planning scheme (Moreton Bay Regional Council 2015) is even longer at 3,732 pages and features a range of bespoke zoning categories.

Professional experts expressed that it was difficult to maintain sufficient knowledge of planning schemes, with a building certifier commenting that (Liz Woppard, comment 7):

It simply isn't possible to be up with all the nuances of each Planning scheme, amendments and Temporary Local Planning Instruments, so I often have to contact Council with a query.

This complexity means even small developers face significant costs in understanding requirements and often need to use skilled practitioners such as urban planners and lawyers to make applications, contest disputes and comply with regulations and decisions. Complexity also raises costs where it increases uncertainty about regulatory outcomes in advance of business decisions or increases the likelihood that mistakes will be made attempting to comply with regulatory conditions. Unnecessary regulatory complexity is also likely to create barriers to entry and reduces competition.

Much of this complexity seems to reflect inconsistencies between the Planning Act and the Building Act

Several stakeholders have noted there are significant inconsistencies between the *Building Act 1975* (the Building Act) and the Planning Act, that create overlap and duplication, making it unclear who is responsible for setting and interpreting standards for building design.

The interface between Queensland's planning and building frameworks is a source of delay and confusion, contributing to inefficiencies and uncertainty that ultimately affect housing delivery and construction productivity. (Planning Institute of Australia, sub. 13, p. 3)

There is no definitive delineation between the matters regulated under the Planning Act 2016 and the Building Act 1975, which has resulted in duplication and, in some cases, conflicting requirements. This can create legal and practical impossibilities for proponents and assessment managers seeking to comply with both regimes ... Critical terms such as "building work" are defined differently across the two frameworks, creating interpretive uncertainty. The absence of a conflict resolution hierarchy between the Acts further exacerbates this issue. (Master Builders Queensland, sub. 43, p. 22)

The current framework is riddled with confusion requiring complex and headache inducing zig zag reading between 2 legislative branches which contain multiple conflicting and similar definitions and numerous other subordinate documents which differ from region to region and this is only to determine the Type of Development, Category of Development and who the assessment manager/s be for that development proposal. (Erin Dunn, sub. 64, p. 1)

Statutory building surveying roles are made more complex by requiring that all necessary planning applications are obtained and consistent with the proposed building works. The Legislation seeks to separate jurisdiction between building and planning matters through Planning Act Section 8. However, planning and building have vastly different requirements, and it can be said that the national decline of building regulatory systems is in part due to State and Territory decisions to place regulatory control with planning departments. (Australian Institute of Building Surveyors, sub. 49, p. 6-7)

The Queensland Development Code (QDC) provides design and siting standards for building in Queensland, which mostly reflect the National Construction Code (NCC) and bring Queensland specific building codes into a single document. However, local planning schemes may vary state design and siting standards in the QDC, with most councils choosing to apply their own variations.

While the QDC and the draft housing provisions provide consistent assessment benchmarks for housing across the state, the current legislation allows each local government to vary these benchmarks locally. (Project BA, sub. 48, p. 3)

The outworking of this, is that there is a plethora of requirements in planning schemes which significantly increase construction costs.

Local planning requirements are often unnecessarily prescriptive, with unclear benefits

Unlike state regulations, requirements introduced in local government planning schemes are not required to undergo an impact assessment process to consider the benefits and costs for a range of options and expose the analysis to public scrutiny. As a result, it is difficult to assess the efficacy of requirements in local planning schemes.

Stakeholders pointed to a wide variety of restrictions introduced into local planning schemes. For example:

Council policies on height limits, lot minimums and character protections in residential zoning all severely limit the developable land to a handful of large sites, particularly in the inner city where transport access is barely relevant for access to employment. In fact, character restrictions apply to nearly 13% of all of Brisbane's residential zoned land, and the majority of residential lots in the highly desirable neighbourhoods within 5 kilometres of the CBD.

Combined with Brisbane City Council's reactionary 2017 "townhouse ban", Council's decisions have put a squeeze on innovative mid-sized firms who would in a functioning market be developing luxury mid-rise apartments in highly-desirable areas. (Greater Brisbane, sub. 11, p. 2)

local governments should not create blanket overlays to capture majority of (or every) site for the regulation of certain aspects of development. For example, the Brisbane City Council's Dwelling house character overlay, Sunshine Coast Regional Council's Height of buildings and structures overlay. In both these examples, the overlays were created to circumnavigate legislative provisions intended to simplify or cut red tape (Project BA, sub 48, p. 16)

Apart from stakeholder views, there is considerable evidence to suggest that many additional regulatory requirements in local and state planning schemes (including Priority Development Areas) are problematic. For example:

- **Minimum parking regulations** that impose unnecessary costs on households. Recent research surveying apartment residents in Sydney, Melbourne and Perth found parking is often misallocated, with around 20 per cent of apartments oversupplied and 14 per cent undersupplied (De Gruyter et al. 2023). As each parking space is worth up to \$100,000, the price of unused parking was estimated to cost residents more than \$6 billion (Zheng 2023). De Gruyter et al. (2023) noted this was an inefficient use of space and exacerbated housing affordability issues.
- While **heritage regulations** are important to protect buildings of historic and cultural significance, they can be complex and legalistic and provide an inefficient mechanism to protect heritage values. Because private owners typically do not capture the wider community benefits of conservation, this typically creates disincentives for owners to fully maintain heritage properties, with many falling into disrepair (PC 2006). Protections can also risk workplace health and safety and broader public health, by delaying or impeding maintenance and repair and preventing the timely removal of derelict buildings and hazardous materials.
- **Character zoning** is unique to Brisbane and requires the retention of pre-1947 homes, and imposes a range of other conditions, including limiting development to two storeys, requirements that additional buildings must be behind or beside an existing dwelling and limited to no more than one dwelling per 300m² and must reflect the existing character of the area (BCC 2023). These requirements impose significant additional costs with unclear benefits.
- **Mandatory inclusionary zoning** requires developers to include a proportion of properties in a development that are below market rate. The Australian Productivity Commission (2022) found that mandatory inclusionary zoning can add additional costs, potentially reducing supply and worsening affordability.

- **Height and other density restrictions** that attempt to maintain community character can result in a significant loss of greenspace and result in a net loss of community amenity. Research has found planning restrictions designed to protect Brisbane's backyard and character have not prevented a loss of greenspace (Gallagher et al. 2020a) or preserved heritage buildings (Gallagher et al. 2023) but may have encouraged urban sprawl (Gallagher et al. 2020b).

Roles and responsibilities are unclear, creating yet more cost

Apart from the additional (and varying) local government requirements, conflicts between the building and planning acts create confusion about the roles and responsibilities of different actors in the system. As noted by the Housing Industry Association (HIA) (sub. 32, p. 7):

There are a significant number of 'grey' areas in both planning and building legislation which are applied by councils, planning consultants and building certifiers differently.

Stakeholders told us this causes confusion and can result in inefficient staging of approvals.

Planning matters are addressed in isolation, with no regard for building compliance issues. By the time the proposal reaches a Building Certifier for assessment under the Building Act, substantial investment may already have been made in architectural design, engineering, and surveying—only to discover fundamental non-compliances, such as insufficient fire separation due to boundary proximity or inadequate stormwater management stemming from incompatible roof drainage design. These disconnects highlight the inefficiencies and risks caused by complex assessment pathways. (Erin Dunn, sub. 64, pp. 1-2)

Members are reporting that they are utilising 80% of their time during the construction authorisation assessment stage in resolving planning matters, leaving limited time to carry out their key role in assessing building design compliance. This leads to decisions conditioning compliance, and leaving it up to trades to sort out how compliance is to be achieved during construction, rather than it being demonstrated in the design phase. (Australian Institute of Building Surveyors sub. 49, p. 7)

This confusion increases the chances of costly defects, undermines building design and increases the costs of development. As noted by Project BA (sub. 48, p. 4):

This ability to create local government housing provisions becomes complicated for the entire construction sector, where they are not experienced with the specific nuances with that area. The outcome of this is:

- *a burden on those in the design team in understanding site constraints, modifying building plans, and back and forth with non-compliances that were missed initially.*
- *a burden on certification teams to understand site constraints and required approvals for non-compliances, back and forth with local governments about local processes in development pathways for identified non-compliances, back and forth with design teams to remedy any breaches.*
- *Degradation of well-designed building layouts which have been optimized for functionality, efficiency, materials and construction methodologies.*

As a result, people tell us they are ready to leave the market altogether:

The uncertainty means I would never do another development in Brisbane despite my extensive experience in the building industry over more than 40 years. (John Tozer, sub. 18, p. 1)

Current legislation allows significant variation across local governments, increasing compliance costs, and limiting scale and innovation

The current regulatory framework has allowed the creation of significant variation from state and national standards, with no uniformity across local governments. As noted by the Australian Institute of Building Surveyors (sub. 49, p. 4):

The legislative arrangements in Queensland related to the establishment of technical infrastructure means that local government is able to choose if it will adopt State overlays and in so doing creates further complexity regarding the technical infrastructure that is applicable on a council by council basis. There is also an ability for local government to vary elements of the Queensland Development Codes that are applicable within each council area, effectively creating a fourth tier of technical infrastructure to be observed in any development activity.

While some variation may be beneficial as a response to local conditions, unnecessary variation in regulation across the state diminishes standardisation, increases compliance costs and limits opportunities for scale economies and innovation (including modular construction methods).

As many builders or developers work across multiple local government areas, it often discourages these businesses developing streamlined or more efficient systems as they need to remain tailored for each council. (HIA, sub. 32, p. 11)

Moreover, there are substantial regulatory variations between different state jurisdictions around infrastructure projects, including those that are linked to housing delivery. This creates additional complications for contractors that work across more than one local government area or different levels of government. When a contractor must learn a whole new set of rules, regulations, and specifications to be able to expand into a jurisdiction that might be literally just across the street – it becomes significantly more difficult for the business to grow beyond their original local government area. (Civil Contractors Federation, pers. comm.)

Zoning types also vary across local government areas. While local governments may use the same zones in most instances, each council determines which uses are allowed in each zone, reducing actual standardisation (PC 2021, p. 12). Local governments also introduce bespoke zoning. For example, while Logan City Council has 15 zoning types used in its plan, Brisbane City Council has 75 (BCC 2023; Logan City Council 2025).

Environmental regulations are inconsistently applied

Environmental regulations were also raised by stakeholders. While issues were raised about environmental approvals, particularly interplays between the *Environment Protection and Diversity Conservation Act 1999* (EPBC Act), which is administered by the Australian Government, and state and local government regulation, it is beyond the scope of this inquiry to consider the design of this regulation. Nevertheless, issues with environmental approvals are discussed in the next section.

There are, however, matters within the Queensland Government's sphere of control.

For example, several stakeholders raised concerns about a lack of consistency across the state regarding the designation and implementation of environmental overlays — particularly for flooding and bushfire risk. For example, the HIA (sub. 32, p. 8) notes:

There is no need for regional issues such as bushfire, flooding and environmental management to have unique requirements in all 77 council planning schemes.

There is a general lack of accountability

While there is a lack of data on outcomes from the planning system (this is discussed more in the next chapter), concerns have been raised about a lack of accountability right across the system.

I'll have to ring Council and badger them several times, so it can take up to a month for a simple query to be answered ... each call to Council involves an average of 30min wait before a customer service officer answers, then another 5mins for the details of the query to be relayed. Then I wait days or weeks for a response from the planning team. Meanwhile the builder sits back and waits for me to process their application. (Liz Woollard, Building Certifier, comment 7)

These processes are inconsistent across jurisdictions, and often dependent on the involvement from a host of local, state and federal government agencies and utilities. Coordination is poor, and in growth corridors, resolving agreements to address infrastructure needs can vastly elongate the process, well beyond any statutory or reasonable timeframes. (Stockland, sub. 29, p. 2)

Confusion over who the responsible assessment manager is—whether it be local government or a private building certifier—has created process bottlenecks and undermined accountability. (Master Builders Queensland, sub. 43, p. 22)

8.2 Options to improve regulatory design

Review the Planning Act and Building Act to remove inconsistencies

As noted earlier, several stakeholders have noted there are inconsistencies between the Planning Act and the Building Act that make the current regulatory regime confusing, difficult to navigate and provides a de facto mechanism for local governments to regulate building activity.

Addressing these loopholes would clarify where the Planning Act provides opportunities for planning regulators, such as local government, to regulate building matters and where it should not. The Commission's preliminary view is that the Planning Act should provide strict limits on what building matters can be regulated through Planning legislation.

This is consistent with the position of Project BA (sub. 48, p. 16) who suggests amendments are required to clarify what is "a provision about building work" as referred to in section 8 of the Planning Act. Project BA contends that this amendment should clearly define what can and cannot be regulated by local government instruments, including for example:

- Removal of rights to regulate building matters, such as bushfire or flood hazard building matters, that are covered by the NCC and/or QDC
- Removal of rights to create blanket overlays, such as blanket character overlays or blanket height overlays
- Other matters unrelated to the general use of the dwelling.

Stakeholders advocated for an independent review of the interface between the Planning Act and the Building Act, with the objective of resolving areas of friction, removing regulatory overlap and reducing unnecessary or inefficient regulation made through government planning schemes.

Most stakeholders thought this review should be conducted by a suitably qualified, independent body with legal and planning expertise.

Introduce more consistency in the way regulations are applied across local governments

Having all local governments comply with a single, well-designed QDC could standardise regulation across the State, reduce construction and compliance costs, increase innovation and boost construction productivity. However, it requires a careful balancing of two characteristics of good regulation: consistency (to reduce compliance costs) and suitability to local conditions (to tailor regulation to circumstances).

Local variation in regulation may be warranted if the risk of a harm differs across regions — for example, due to climatic differences such as the frequency and intensity of cyclones. These variations should be consistent with good design principles including that regulation should be proportionate to risk and avoid being unnecessarily prescriptive.

The QDC should consider the benefits and costs of variations from a state-wide perspective (rather than merely local benefits), including their impact on construction productivity and housing affordability. Including these variations in the QDC itself, rather than at the discretion of individual local governments, would help ensure that they are well designed, deliver state-wide net benefits and allow them to be standardised across regions facing similar conditions.

The Queensland Law Society (sub. 63, p. 5) suggests that guidelines or standard provisions could be used to streamline or limit provisions that could be adopted under a planning scheme or local law.

Currently, there is very little consistency across planning schemes and their provisions are often difficult to interpret and apply. Therefore, we recommend introducing guidelines, examples or standard provisions that clearly demonstrate how alternative provisions and other provisions that may be adopted under a planning scheme, local law or resolution are to be drafted and operate.

Standardisation of zoning types across the state should also be considered. As well as increasing regulatory consistency across local governments, this would allow construction firms to develop standardised dwelling designs and construction methods suited for zoning categories across the state — this should help achieve increased scale and allow greater innovation in building, which in turn, will help lift productivity in the Queensland building industry and lower development costs.

Require local governments to demonstrate net benefit for non-standard regulation

If local governments still need to retain discretion to include local variations in their planning schemes beyond what is incorporated in the QDC, local governments could be required to demonstrate that the variation would generate a net benefit to the broader community. A regulatory impact assessment should consider the state- or region-wide benefits and costs of the proposed variation. The proposal should undergo a public process and require the approval of the State Government before it is instituted.

8.3 Infrastructure charging

While local governments impose infrastructure charges on developers, the appropriate level of charging is a contentious issue. Both local governments (Local Government Association of Queensland, sub. 14, p. 2) and construction industry stakeholders have raised infrastructure charges as an issue that impacts construction productivity and housing development. For example, the HIA (sub. 32, p. 10) argues:

Pressure on public funds has now resulted in a user-pays model which means infrastructure costs are embedded in the price of a house and land package.

If infrastructure charges are too low, this may act as a disincentive for local governments to allow development and provide infrastructure. Conversely, if they are too high, they may be a disincentive for developers.²⁹

The Henry tax review argued that poorly targeted infrastructure charges can impose a range of unintended distortions on housing markets, saying ‘simple flat prices that do not well approximate actual avoidable costs can reduce housing supply’ (Henry et al. 2010, p. 426). For example, higher density developments may face higher prices for infrastructure than the actual marginal cost attributable to the development.

Concerns about when and how infrastructure charges are levied are also common. For example, stakeholders have raised concerns that project viability may be impacted by the timing of charges or whether infrastructure contributed during the development process are counted as credits against future charges.

The Australian Productivity Commission (2004, p. 177) has provided some best practice principles for ensuring infrastructure charges are efficient and equitable and do not dissuade new housing construction:

- necessary — with the need for the services concerned being clearly demonstrated
- efficient — justified on a whole-of-life cost basis and consistent with maintaining financial disciplines on service providers by precluding over-recovery of costs
- equitable — with a clear nexus between benefits and costs and only implemented after industry and public input.

Implementing these principles into a fair and efficient charging regime is not a simple task, as there is a range of competing interests. Other jurisdictions have required independent reviews to assess these views and determine how infrastructure charging should occur. For example, the then New South Wales (NSW) Productivity Commission (2020) completed an 8-month review before handing down its final recommendations on infrastructure charging.

There appears to be a strong case for conducting a similar review in Queensland. Submissions to this inquiry have called for reform or an independent review of infrastructure charging (for example see HIA, sub. 32, p. 10; Local Government Association of Queensland sub. 14, p. 2).

²⁹ First best policy would focus on ensuring that infrastructure charges reflect the cost of provision as this will help ensure efficient allocation of development. Second best policy might acknowledge that land use policy restricts development rights, and infrastructure incentive payments may be required to incentivise local governments.

8.4 Recommendations



PRELIMINARY RECOMMENDATION 5 - DESIGN OF PLANNING REGULATION

To reduce uncertainty and unnecessary regulatory impost on building design, improve productivity and allow greater innovation, the Queensland Government should:

- commission an independent review to remove inconsistencies between the Planning Act and the Building Act (and associated regulations) to provide clarity regarding local government powers to regulate building matters and ensure that planning matters are implemented consistently with the Building Act
- ensure the requirements in local government planning schemes are consistent with the Queensland Development Code, including any variations due to climatic or other conditions
- require that any variations from the Queensland Development Code (the Code) in local and state government planning schemes have demonstrated net benefits to the community — consideration should be given to introducing a requirement for a formal regulatory assessment for any variations from the Code
- amend the Planning Act to standardise zoning types across all local plans.
- continue to progress standardised siting and design requirements for detached housing, secondary dwellings, and smaller townhouse and apartment buildings
- ensure that state and local government overlays are consistently applied across planning schemes.



REQUEST FOR INFORMATION - DESIGN OF PLANNING REGULATION

The Commission would like to test its understanding of planning regulation, including:

- our understanding and framing of the issues with planning regulation, including the way it interacts with building regulation
- stakeholders' experience of complying with planning regulations, including how regulatory differences across Queensland impede construction productivity and innovation
- stakeholders' experience of interacting with regulators, i.e. how well regulators have performed and what factors contribute to better performance
- examples of where regulations have been applied flexibly to achieve better outcomes and conversely where an outcome was worse due to inflexibility.

The Commission is also seeking stakeholder views on the reform directions outlined above, including:

- if there are other reforms that would help to reduce regulatory complexity or inconsistency
- the extent to which developers and residents could be provided the flexibility to negotiate variations to existing regulation to reach mutual agreement on development in a neighbourhood, and what frameworks need to be established to make this work
- what other mechanisms could help to better align regulatory outcomes with community preferences
- any unintended consequences, implementation issues or other issues that should be considered.

**PRELIMINARY RECOMMENDATION 6 - INFRASTRUCTURE CHARGING**

The Queensland Government should commission an independent review of the infrastructure charging regime to ensure it provides:

- an efficient level of funding to support the necessary infrastructure to support development
- price signals that ensure that future development considers the efficient use and provision of infrastructure assets.

The review should consult widely, including with local governments and industry stakeholders.



9.0

Approval processes

9.1 Approval processes appear problematic

Development approval processes can reduce construction productivity where they create uncertainty, have high transaction costs, require expensive or unnecessary modifications to building design or cause excessive delays that result in the idling of labour and capital.

In its recent research paper, the Australian Productivity Commission found that:

... working through the, often extensive, development and construction approval process can mean that the timeline for major housing development projects, such as new housing estates and apartment complexes, can stretch to ten or more years. Often only a small part is time spent building. Even after approvals are granted, delays can continue as projects seek construction certificates and wait for essential infrastructure connections. Because construction is highly sequential, delays and disruptions can create 'cascading failures', which push up costs. (PC 2025a, p.4)

Similarly, the National Housing Finance and Investment Corporation (2022) described the development process as often being long and cumbersome.

While there is little publicly available data on approval times, stakeholders told us that approval processes were unnecessarily long, cumbersome to navigate, inherently uncertain and lacked accountability. While many of the case studies provided to the Commission were confidential, John Tozer (sub. 18, p. 2) provides a useful example where confusing back and forth approval processes, created excessive delays and resulted in significantly higher project costs:

... Council changes its mind yet again and now wants and approves all Council trees being removed from verge and insists on construction of footpath at road level. Which is essentially exactly the same as was approved when subdivision commenced in April 2022, which they refused to allow us to construct for more than two years. Possibly the first time in history a Developer has proposed to save some Council trees but Council has insisted the Developer knocks them all down ... Delays have cost Owners hundreds of thousands of dollars in extra construction and financing costs as well as approximately an extra \$100,000 each in costs to 2 buyers of Lots, from Builders raising their quotes, by waiting up to 18 months extra for Council to make up its mind about the verge and issue Plan Sealing.

Similar sentiments were provided by other developers. For example, Camalee Investments (sub. 12, p. 1) contends that approval processes have become so convoluted it is impossible to construct housing that is affordable:

Here are the minimum number of different entities and hurdles we need to coordinate / engage / jump over to get approvals & complete from the initial design to completion of the 6 townhouses. These are all separate steps that generally require independent approvals before you can proceed to the next step and any one of these steps can bring the whole project to a stop. Some approvals take 3 weeks, some take 6 to 9 months and that's per line item, some can go concurrently but most need one step done before the next can start. They all lead to increased uncertainty in delivering a project in a reasonable timeframe.

Approval processes seem particularly problematic for multi-dwelling developments. Developers have asserted that townhouses in Brisbane require more than 30 approvals from council and statutory bodies while houses require three (Ludlow 2023). Townhouse approval processes appear to be much more complex than detached houses and take much longer. The Housing Industry Association (HIA) (sub. 32, p. 5) submitted that:

... in 2014 Brisbane's new planning scheme introduced 22 additional requirements for townhouses and apartments.

There is also some evidence that local government objections to development are often inconsistent with planning regulation. For example, most (56 per cent) planning matters that proceed to court involve a developer appealing a council refusal (DSDILGP 2021). Most appeals are successful³⁰, and the development is allowed. The proportion of planning applications that result in appeals varies significantly across councils.³¹ This suggests that there is significant variation in the approval processes across councils, with many not operating as well as they should.³²

These inconsistencies in the interpretation of planning legislation at the local government level can result in significant delays. For example:

Project BA was required to engage in an almost 2 year Court proceeding to confirm and enforce a process that was already prescribed by sections 54(3) and 60(4) of the Planning Act. (Project BA, sub. 48, p. 8)

Even in priority development areas, where approvals are supposed to be streamlined, approval processes can cause excessive delays. For example, a 2019 Moreton Bay application for a higher density mixed use development next to a train station on a vacant site faced approval delays, because of a state assessment that it would cause traffic issues on a state road, despite council support and approval and being in a Priority Development Area, the site now hosts 'a forest of weeds', a dilapidated building and 'unsightly' fencing and neighbours are concerned about vandals (Callinan 2024).

Poor planning performance does not appear to be universal. For example, SARA, which is involved in assessing development applications that affect a state interest, appears to perform well. It adopts annual key performance indicators that include time to issue information requests and make assessments, proportion of decisions appealed and levels of customer satisfaction (with 79 per cent of customers satisfied with overall performance and 75 per cent with the pre-lodgement process in 2021-22) (Queensland Government 2022b).

Similar local government information is generally not publicly available in Queensland. However, the Commission understand that Queensland has the longest statutory timeframes for approval and many stakeholders provided examples of long delays from extended local government approval timeframes.

Research has tended to show that local authorities tend to be more restrictive than higher level governments and are more responsive to obstructive stakeholders (Glaeser & Gyourko 2018; Hilber & Rober-Nicoud 2013). The Organisation for Economic Co-operation and Development (OECD) research estimated that Australia has the most decentralised land use regulatory system across 25 developed countries (Cavalleri et al. 2019). Within Australia, Queensland appears to have a relatively more decentralised planning system than other Australian states and territories.

³⁰ 55 per cent of all appealed developments are allowed to proceed and 7 per cent are partially allowed.

³¹ The proportion of planning applications that result in appeals varies significantly across councils from about 0 per cent in Fraser Coast, Lockyer Valley and Mackay to 4 per cent in Redland and Brisbane and 5 per cent in Noosa

³² A high rate of appeals, with a high rate of success, would imply that local government regulators are not applying or interpreting regulations in line with their intent. It is likely that in those councils with high rates of appeals, the cost and uncertainty associated with approval processes would discourage applicants.

Issues are not constrained to the residential market

Stakeholders in non-residential markets also pointed to barriers to, inconsistency in, uncertainty of and high costs of approval processes.

For example, Cement Concrete & Aggregates Australia states that state and local government planning frameworks are disconnected and unaligned, with local government assessment and appeals processes being highly uncertain and involving long delays. They estimate that current approvals for quarries take between 1 to 14 years and cost between \$800,000 and \$8,000,000:

... over the recent period, six million tonnes of quarry production within KRA's has been denied with DA assessment processes extending beyond five years and costing Applicants and Councils many millions of dollars. This has resulted in a reduction in confidence from the quarrying industry to invest in new and expanded quarries in Queensland. (Cement Concrete & Aggregates Australia, sub. 5, p. 10)

Infrequent complex approvals for projects also impose high costs on councils. A local council may also not be best placed to assess some projects of state interest, that provide wider benefits but impose costs locally.

Previous reviews have also observed planning problems impeding other industries. For example, inquiries reviewing the retail industry, have identified planning processes as impeding competition, including development assessment and approvals and appeals within the process (Harper et al. 2015; ACCC 2008, 2025; PC 2011a).

Stakeholders told us that community projects were also often subject to lengthy and complex approval processes. Local and state government approvals are often difficult to navigate for other parts of governments and these costs can be particularly adverse for smaller projects.

We are seeking more evidence about problems in relation to non-residential markets, which industries are most impacted and how impediments materialise.

Environmental approvals

Stakeholders also raised concerns that the Federal Government imposes duplicative environmental protections adding red tape costs and significant additional time in the total approval process. For example:

Coordination between these separate areas of environmental legislation and different regulators is poor. It is not uncommon to secure local and state government approval for vegetation clearing only to be subject to a 2 – 4 year process with the Federal Government to determine if vegetation clearing is supported under the EPBC Act. (HIA, sub. 32, pp. 10-11)

Stakeholders also recommended changes, for example the Queensland Renewable Energy Council (sub. 68, p. 3) recommended:

that the inquiry prioritise identification of bottlenecks within environmental approvals, land access negotiations, and post-approval compliance obligations that disproportionately affect major infrastructure.

The duplication of Commonwealth, State and local government environmental regulations and approvals is complex. Some stakeholders recommended that the Commonwealth vacate this area. While this would remove the layer of duplication at least temporarily, it may give rise to further regulatory fragmentation between jurisdictions.

While it is beyond the scope of this inquiry to review environmental regulation and the interplay between federal and state legislation, the Commission is seeking stakeholder suggestions for relatively simple, effective options to help streamline environmental approvals.

9.2 Options for improving approval processes

Amending the Planning Regulation to reduce procedural complexity

Addressing the inconsistencies between the Planning Act and the Building Act, including clarifying the powers of local government to regulate building matters (as discussed in the previous section) will help reduce procedural complexity.

However, stakeholders have noted that other actions are required to improve matters.

Currently, there appears to be some confusion as to when the private certifier assessing the application applies the performance criteria (if an acceptable solution is not met) and when referral to a local government is required. (Queensland Law Society, sub. 63, p. 6)

Some stakeholders have suggested that the role of building certifiers could be clarified such that they effectively operate as gateways for approval processes. For example, Erin Dunn (sub. 64, p. 2) suggests that all development applications involving building work should be first submitted to a private building certifier as the initial gateway, with the certifier effectively coordinating the approval process.

This view is supported by the Australian Institute of Building Surveyors (sub. 49, p. 5) who suggest that building certifiers should be the prescribed assessment manager for residential houses:

For assessable development (developments that require an authorisation before construction can commence) involving a dwelling house (residence) and/or ancillary outbuildings (sheds, carports, garages etc.) on residential land, regulations should be amended so that the appointed building certifier should be the prescribed assessment manager. In this case, the local government role should be limited to being a referral agency for any proposed non-compliance/s with town planning instruments.

They note this would simplify the development process because this would mean that only a single development application would be required, and it would clarify roles and responsibilities (certifier as the prescribed assessment manager, councils as a referral agency) and provide a mechanism for preventing duplication and allow faster turnaround times.

Any move to redefine the role of the building certifier as the prescribed assessment manager is likely to require amendment to the Planning Act.

The New Zealand Government recently enabled the establishment of a private building approval company, Building Consent Approvals (BCA), to speed up approvals. The company is focusing on simpler approvals but aims to turn around low-risk developments much faster than local governments. BCA was required to go through a registration process with the Ministry of Business, Innovation and Employment, and will need to follow the same regulations as council authorities (NZ Ministry of Business, Innovation & Employment 2025; RNZ 2025).

The Commission is seeking stakeholder feedback on proposals to employ private operators, such as building certifiers in approval processes, including the extent to which it might address stakeholder concerns about slow and convoluted approval processes, and any likely unintended consequences of the proposal if it was adopted.

Provide an alternative development assessment pathway for significant developments

While reforms to Planning Regulations discussed above would help to reduce procedural complexity for smaller developments, other reforms may be necessary for more significant projects. This could include greater use of state powers to facilitate development by enacting a simpler, streamlined pathway for significant residential and other developments.

The Planning Minister currently has discretionary power to declare any project a State Facilitated Development, allowing the Department Chief Executive to undertake development assessment. However, a residential development applicant may only lodge a request to be assessed under this alternative pathway where there is an affordable housing component.

Affordable housing requirements typically impact development feasibility by shifting the burden of subsidised housing onto the private sector (see Box 9.1). As a result, the requirement for affordable housing has limited the uptake of state-facilitated development — few (11) residential projects have entered State Facilitated Development assessment in the 12 months the new pathway has operated (DSDMIP 2025).

Any new alternative development assessment pathway should aim to facilitate as much housing as possible and so should not include any unnecessary conditions on development, including requirements for affordable housing. As noted earlier (and in Box 9.1 below), the evidence suggests the use of mandated housing affordability provisions is likely to result in fewer houses being built, reducing overall housing affordability.

Box 9.1 Affordable housing provisions

Affordable housing provision is not free. Where it is imposed mandatorily, the Australia Productivity Commission (2022) says it can add costs, reduce supply and worsen affordability.

Voluntary affordable housing provisions — whether through streamlined development assessment pathways or additional development rights — rely on windfall gains from avoiding regulatory costs or receiving scarce rights. Reducing these regulatory barriers for some projects (but not most) may not depress housing supply and affordability broadly. However, they also are unlikely to make a large impact on the overall housing market.

The number of affordable housing units that are likely to be built from affordable housing mandates is generally small because the internal economics of developments can support only so many affordable units and the number of projects in any year is not that high.

Several states have affordable housing provisions in their planning systems. One analysis found that 2500 affordable dwellings had been developed through the NSW Government's inclusionary zoning regime between 2009-10 and 2020-21. South Australia delivered 5,485 affordable homes between 2005–15 through an inclusionary planning target applying to new residential areas.

Li and Guo (2021) found that when the affordable housing requirement across London was expanded from projects with 15 or more units to those with 10 or more units, there was a decline in new developments of 10-14 units, and an increase in developments with 9 or fewer units (that is, where possible developers will divert their resources).

International evidence suggests inclusionary zoning can act as a de facto development tax and increase prices and/or lower the overall supply of dwellings, worsening overall affordability.

Affordable housing provisions in planning are likely, at best, to modestly benefit some lower income households and at worst, if poorly designed, constrain housing supply with attendant consequences for affordability.

Sources: Metcalf 2018, p. 20; Gurran et al. 2018; Gurran et al. 2021; Li & Guo 2021; Hamilton 2021; Mukhija et al. 2015; Rowley et al. 2022, p. 57; Schuetz et al. 2011.

Providing an alternative streamlined planning pathway may lead to more efficient and timely processing of planning applications by removing roadblocks, allowing greater expertise and resourcing to be utilised, and applying a state mandate to support new housing where it is needed.

In designing a new development pathway, consideration needs to be given to both what thresholds (if any) should apply before an alternative process can be enacted, and which body should be given responsibility for processing development applications under this centralised process.

One option for enacting an alternative assessment pathway is to provide additional responsibilities to a state government body such as SARA. SARA already provides an end-to-end service for developments that trigger a 'state interest' threshold. It has a good reputation – the Property Council of Australia (2017, p. 8,15) has referred to it as a model for state referral services and the Australian Productivity Commission (2025a, p. 6) recently suggested that it provides a starting point for other states to look to when implementing reforms that establish coordination bodies.

Alternatively, consideration could be given to using an independent assessment pathway. For example, Western Australia allows developers to opt into a process whereby dwelling developments can be determined by an independent 'development assessment panel' (WA Government 2024a). These panels comprise two local government members and three specialist, subject matter expert members appointed by government. The panels provide a streamlined approval process for multiple home developments over \$2 million.

The Commission is seeking stakeholders' views on the criteria for assessing whether a housing development is sufficiently significant to qualify for an alternative development assessment pathway, and the format of the proposed body for streamlining development assessments.

Remove approval requirements for simple or standardised designs

Development approvals are not required in Queensland where a proposed development falls into an accepted development category. These proposals are low risk and compatible with planning intentions in an area. Each local government sets their own rules for what are accepted developments.

In Brisbane, for example, houses and granny flats mostly do not require development assessment, unless there are other overlays such as character matters requiring further assessment. Multiple dwelling proposals generally require assessment — either code assessment (where the application meets local scheme assessment benchmarks and does not require public consultation) or impact assessment (where they do not meet relevant benchmarks and public consultation occurs).

Stakeholders indicated that there is often a lack of clarity over the correct planning processes and which developments are impact assessable. This often results in drawn out approvals and legal disputes.

The local government contended that the wrong type of application had been lodged, ... as the site was within a Mixed Use Zone, the proposal was categorised by the local planning scheme as material change of use ... requiring impact assessment. ... The matter was not determined by the Court because the local government (despite having in-house counsel), sought external legal advice and ultimately agreed [with the procedural position] Project BA contended. (Project BA, Sub. 48, p. 10)

The HIA (sub. 32, p. 12) also pointed to procedural delays that do not have clear rationale:

Many council plumbing departments will refuse to issue a plumbing approval for a new house until an allotment has been registered. As there is often a long delay between planning approval, infrastructure construction and final title registration, this means that builders can be unnecessarily waiting months for lots to be registered with the titles office prior to commencing construction.

To address these issues, some jurisdictions have introduced pre-approval processes or explicitly removed the need for approval. For example:

- The Victorian Government has exempted small second dwellings from requiring a planning permit in most residential and rural zones if specified requirements are met. It has also removed the need for a planning permit for a single dwelling on a lot of 300 square metres or more (Victorian Government 2025).
- NSW is developing a Housing Pattern Book of designs and guidelines to support the construction of housing including terrace houses, dual occupancy homes, low-rise and mid-rise apartments (NSW Government n.d.). The proposed Distinctly Queensland Design Series takes a similar approach (Queensland Government 2024b).

- The Tasmanian Government recently announced that plumbing services are 'deemed to comply' if they meet specified requirements and constitute a low level of risk (Tasmanian Government 2025).

There seems to be a strong case for implementing similar processes in Queensland for activities that are deemed low risk. This would have the advantage of simplifying the process for proponents and also reducing burden on local government planning departments.

The Queensland Government has committed to the development of a Queensland Housing Code, which would provide standardised siting and design standards for single detached dwellings (houses on single blocks). While this initiative will simplify planning and approval processes, consideration should be given to whether this could be extended to include smaller multi-unit developments.

The Commission is interested in stakeholders' views on other pre-approval processes or opportunities for removing approval for standard processes or designs and in what circumstances this would be most appropriate.

Reviewing the Building and Planning Acts to ensure statutory timeframes are adequate

Stakeholders said that timeframes for building and planning approvals are not always adequate and can at times conflict with each other. Approvals lapsing due to time limits on statutory timeframes can result in the need to reapply for approvals and further project delays:

The building act prescribes a demolition/removal condition which prescribes that works must substantially commence within 2 months or the application lapses. In many cases, this creates a significant burden in the re-issue of development permits, as other permits such as road traffic permits, after hours works permits, etc are also required, can't be lodged until after a building approval for the works is obtained, and generally take more than 2 months to process, leading the building approval lapsing. (Project BA, sub. 48, p. 18)

Stakeholders also explained that timeframes can unexpectedly increase for a range of reasons:

The timeframes for design and approval of developments are often also drawn out because of the complexity of technical infrastructure. Those involved in design will make best endeavours to determine what is required and design accordingly, only to find that something has been missed forcing redesign of elements to address deficiencies arising from that process. The processing of applications is also often protracted beyond expected timeframes because of unforeseen referral processes and also because of issues that arise therein which were not anticipated because of the difficulty in understanding what is required up front. (Australian Institute of Building Surveyors, sub. 49, p. 5)

As such, there appears to be a need to review statutory timeframes to ensure they are adequate and do not result in approvals conflicting or unnecessarily lapsing.

Use technology to improve planning processes

Technology can also be used to facilitate improved performance. For example, stakeholders have said there is the potential to:

- use a single digital statewide portal for providing planning information and making planning applications
- use artificial intelligence to speed up the development assessment process and provide concierge services.

Stakeholders provided some examples of the potential for technologies to improve the efficiency, accuracy and transparency of planning processes (for example, Association of Consulting Architects, sub. 15, p. 3) and greater use of electronic forms (Project BA, sub. 48, p. 17).

Several stakeholders also noted support for the creation of a planning portal to allow the lodgement of all development applications through a central mechanism (Australian Institute of Building Surveyors, sub. 49, p. 13; HIA, sub. 32, p. 12; Project BA, sub. 48, p. 17).

The NSW Government has established a planning portal under their planning act, which hosts a range of digital planning services, mapping tools and reporting tools to assist everyone involved in a proposed development.

NSW is also conducting trials in several councils to trial technologies to improve the quality and accuracy of information when a development application is lodged, by, for example, identifying errors — this is part of a broader investment to introduce artificial intelligence into the planning system. As result, the NSW Government extracts data from their online planning portal to produce council performance data (NSW Government 2025a).

The Commission is seeking further information on how designs (particularly for apartments and townhouses) or services could be given pre-approval or the need for approval removed.

Improve information on process timeframes and outcomes

Currently, there is no process for holistically monitoring or reporting development approval or assessment timeframes and outcomes in Queensland. The absence of performance information on planning and development approvals is likely to reduce accountability and weaken incentives for improvement, particularly for local governments.

Improving the availability of information on the performance of local governments in managing their planning and development obligations would:

- provide greater visibility of local government performance, strengthening incentives to improve regulatory performance
- provide guidance to builders and developers on the regulatory effectiveness and efficiency of local governments
- allow the setting of performance benchmarks.

In NSW, a Council League Table is publicly available with monthly details on several key planning performance metrics for each local government council. Metrics are also compared against benchmarks detailed in a Statement of Expectations Order issued each year (NSW Government 2025b).

Improving the public availability of local government data on planning performance appear meritorious, given the potential benefits and the present lack of such data. However, data collection, compilation and dissemination come at a cost that needs to be compared with the benefits.

The costs of data collection could be minimised if (as is the case of NSW) development approvals were lodged through a central planning portal, rather than with local governments.

The Commission is seeking stakeholder views on what performance information would be useful to collect and make public, and whether the benefits are likely to exceed the costs.

9.3 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 7 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To streamline high priority development assessments, the Queensland Government should provide a streamlined alternative development assessment pathway for significant developments, including for housing. This alternative development assessment pathway should:

- use independent planning professionals
- have objectives consistent with maximising the welfare of Queenslanders
- should have clear guidelines on the definition of a significant development but should not be subject to any other requirements.



REFORM DIRECTION 5 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

There is a strong case for amending the Planning Regulation to reduce procedural complexity and make the approval process more accountable.

Stakeholders have suggested that this could be achieved by enhancing the role of building certifiers (or other suitable third parties) to manage the approval process. This could include changing requirements so that only a single development application is required for assessable developments and a third party becoming the prescribed assessment manager, with local government's role changing to a referral agency.



PRELIMINARY RECOMMENDATION 8 - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To improve approval processes, the Queensland Government should:

- review the Building Act and Planning Act to ensure statutory timeframes are adequate to allow for staged approval processes
- require local governments to publish their performance information, including approval outcomes, time taken to approve developments and outcomes from planning disputes taken to court
- require a suitable entity to consolidate and publish this local government performance information
- consider developing, in collaboration with local governments, a 'service guarantee' to ensure approval processes occur in an efficient and timely manner
- investigate digital planning and permitting technologies to improve the efficiency, accuracy and transparency of the approval process.



REQUEST FOR INFORMATION - PLANNING AND DEVELOPMENT APPROVAL PROCESSES

To assist the Commission to better understand how planning and development approval processes can be improved, we are seeking further evidence on where development approvals work well and where they do not, as well as examples that have been used successfully in other jurisdictions.

The Commission is seeking evidence and views on:

- on what types of development and what criteria should be set for assessing whether a development is sufficiently significant to qualify for an alternative development assessment pathway, and which body should be responsible for coordinating and making assessments
- whether there are opportunities to engage third parties such as building certifiers to take more of a role in the planning and building approval process, including whether this would help to streamline approvals and whether it would introduce unintended consequences, and how these could be mitigated
- what performance information would be useful to collect and make public
- the merit of a 'service guarantee' and what form it might take
- possible housing designs or services where pre-approval could be given or the need for approval could be removed
- whether and how technology could be used to help improve approval processes.

10.0

Zoning and land supply

10.1 Restrictive zoning regulation limits density and supply

As noted in earlier sections, research suggests that restrictions on the supply of developable land tend to restrict productivity growth in the construction industry:

- In New Zealand, stronger productivity growth followed the introduction of planning reforms to increase developable land in Auckland and Canterbury (Maltman 2024).
- US researchers (D'Amico et al. 2023) argue that land use and zoning regulations work to restrict the size of housing developments, disincentivise larger firms and reduce incentives to innovate.

In urban settings, productivity is most likely to be supported by increasing the supply of land for housing, particularly at greater densities since it allows:

- greater scale economies in construction — there are efficiencies in the construction of apartment buildings and housing estates
- more intensive use of infrastructure — this reduces the cost of new housing and increases the value of existing infrastructure and newly constructed infrastructure. SGS Economics & Planning (2016) identified a clear inverse relationship between housing density and infrastructure costs.

Apart from the productivity enhancing effects of more efficient land use, higher density is likely to improve affordability and has also been shown to provide a range of other benefits, including reduced congestion, improved liveability and better health and environmental outcomes (Box 10.1).

Improvements to productivity would come through a reduction in transport times between homes and workplaces and an increase in 'agglomeration benefits' (i.e. self-reinforcing growth where more jobs attract more workers; productive firms attract other productive firms; specialist firms, industries and professionals congregate). More flexible residential planning that allows for greater density would also be highly likely to significantly reduce costs for building new homes. (Menzies Research Centre, sub. 35, p. 5)

It is not clear that the current patterns of urban land use (which are strongly influenced by land use regulation) reflect community preferences. While there is limited Queensland data about the types of housing many people would prefer to live in, numerous studies have shown that planned and actual housing supply often does not match people's preferences. While housing is disproportionately provided as detached houses on the city fringe, Australian studies show people would prefer to live in more central locations and taking into account budget constraints, at greater densities (Daley et al. 2018; Kelly et al. 2011; Newton et al. 2022; Curtin Business School & Hames Sharley 2013; Infrastructure Victoria 2023).

Land located close to services and amenities is in short supply. Well-located apartments and townhouses could be part of the solution and greater density by building up is something we need to start embracing. (Real Estate Institute of Queensland, sub. 67, p.4)

Box 10.1 Benefits of density

Economic growth and employment

- Empirical studies have linked increased density to increases in productivity and innovation, and a lower cost of goods and services (Ahlfeldt & Pietrostefani 2019a). Higher density is also associated with higher growth and wages (Nygaard et al. 2021, Ahlfeldt & Pietrostefani 2019a, Hsieh & Moretti 2019).
- The Harper Review (Harper et al. 2015), ACCC (2008) and the National Productivity Commission (2011a) found planning and zoning may act as a barrier to competition by limiting the number, size, operating model and mix of businesses.
- Urban planning that allows improved market access has been associated with an increase in regional GDP (OECD 2020) and similarly, proximity to work and family networks has been shown to influence labour force participation rates (Koutsogeorgopoulou, 2011, Compton & Pollak 2014).
- Policies or regulation that cause house price growth relative to the broader economy, can result in capital misallocation, by crowding out investment in more productive activities (Maclellan et al 2021).

Transport and infrastructure

- Travel times at the urban fringes of Australian cities is a major issue with outer suburbs having the highest prevalence of lengthy commutes (BITRE 2016). Fewer than 10 per cent of jobs in most SEQ outer suburbs are within a one-hour public transport journey (Kelly & Mares 2013).
- Australian Housing and Urban Research Institute research noted housing growth in outer suburbs and jobs growth in central locations has resulted in increasing distances between homes and places of work (Van den Nouwelant et al. 2016).
- SGS Economics and Planning (2016) found consistent and strong evidence that building new infrastructure in greenfield areas is much more costly than adapting infrastructure in established areas. Hamilton & Kellett (2017) compared estimated infrastructure costs of three development types in Adelaide finding greenfield development cost government almost 13 times more than the infill development. The NSW Productivity Commission (2023) made similar findings for Sydney.
- Planning influences the carbon intensity of the transport system with the sector accounting for 19 per cent of Australian carbon emissions (Department of Climate Change, Energy, the Environment and Water 2023, p. 15).

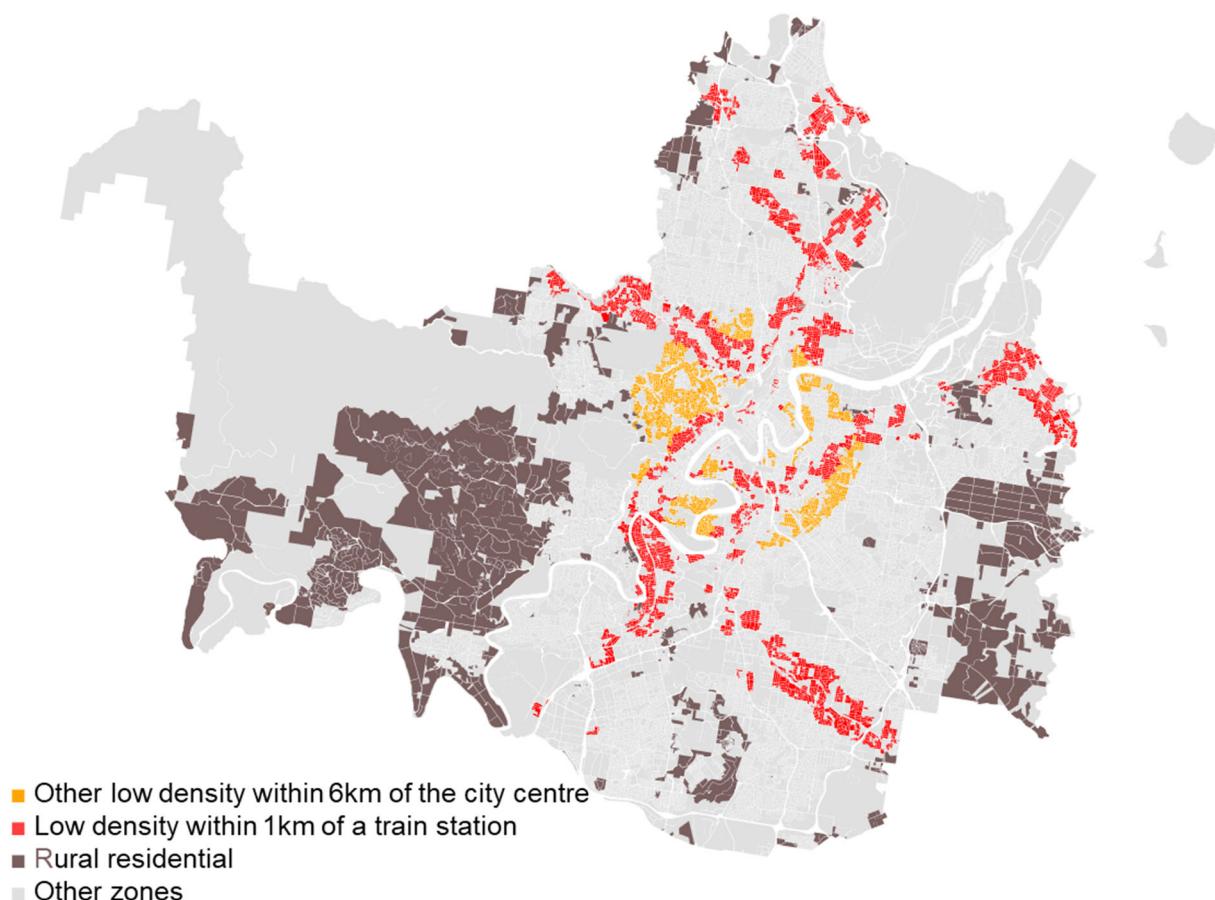
Amenity

- Tulip and Lanigan (2021) studied the effects of high-rise development on neighbourhood character in Sydney and Melbourne and found that while neighbourhood character did change, the impact was not a deterioration overall (from the perspective of most local households).
- Haarhoff et al. (2016) emphasised the connection between density and liveability, finding that the quality of the local environment significantly influences urban residents' housing satisfaction and overall perception of liveability. In the context of transit-oriented development, higher density, multi-unit housing, and walkable access to local centres are key interdependent factors contributing to the experience of liveability.
- Research suggests increased density is associated with positive amenity for local residents, including greater variety of cuisines and lower prices (Ahlfeldt & Pietrostefani 2019) and a more active lifestyle with better health outcomes (Zapata-Diomedes et al. 2019).
- In Brisbane, over 90 per cent of inner urban and suburban dwellings (92 per cent) are located within 500 metres of urban greenspace, compared to 53 per cent in fringe suburbs (Hsu et al. 2022).
- Gallagher et al. (2020a, 2020b and 2023) found planning restrictions designed to protect Brisbane's character have not prevented a loss of greenspace or preserved heritage buildings but have encouraged urban sprawl.

Across the state, many locations close to jobs and infrastructure have restrictive zoning limiting density.

As can be seen in the map below, even in the Brisbane City Council area, there is a lack of opportunities for density. Most of the areas that are most suitable for higher densities — areas surrounding the high-capacity commuter rail network, and the inner city — are protected from higher density. This is largely the result of restrictive zoning, including the low density residential and character zoning that exists across much of inner and middle Brisbane.

Figure 10.1 Zoning in Brisbane City Council



Source: QPC analysis of Train Station and Brisbane City Council Zoning data.

Note: Character 1 and 2 which allows low density housing is included with low density. The environmental zone which allows very low-density residential development, and rural zoning is included with rural residential. The grey 'other' zone incorporates a wide variety of land use, including, high density, low density residential, commercial, industrial, civil and greenspace.

Zoning data in SEQ show that:

- Medium or higher density development is permitted on only a small proportion of land — Brisbane and Gold Coast with the highest proportions of medium or higher density zoned land, have only 10 and 23 per cent of land zoned as medium density or higher, respectively.
- In most areas near activity centres and surrounding high-capacity train stations, zoning rules restrict development to separate houses, often on large lots, preventing development of apartments and townhouses. Of residential land in Brisbane within 1,000 metres of a train station, 69 per cent is zoned low density or has character protections preventing density.

- Outside of Brisbane, much of the land surrounding train stations is only permitted to be used for rural and rural residential purposes. For example, almost 80 per cent and almost 50 per cent of land within 1,000 metres of the train stations for Noosa and Sunshine Coast, respectively, is zoned as rural or rural residential.
- At least a third and up to three-quarters of residential areas in each local government area (except for Moreton Bay) is preserved through rural residential zoning for extremely low-density residential development.

Stakeholders told us that even where land is zoned for higher density it is often in locations where there is little demand for that type of housing.

Most council planning schemes continue to assume apartments will be built in locations not desirable to the market. Some examples include land adjacent to Capalaba Shopping Centre (Redland City Council) and land adjacent to the Park Ridge Shopping Centre and Mount Lindesay Highway (Logan City Council)

Planning schemes for regional parts of Queensland (Cairns, Townsville and Gympie) also zone properties for apartment construction despite apartments never being built at a considerable scale in these locations. (Housing Industry Association, sub. 32, p. 6)

This means that planning schemes need to reflect market realities. Newly released land or land upzoned for higher densities needs to be construction ready if it is to be developed. That is, land needs to be in locations where people want to live, allow for forms of housing people want to live in and can afford, and have infrastructure already connected or have a feasible pathway for connecting to new infrastructure. The more tightly controlled land releases (or upzoning) are the more consideration that needs to be given to market sounding.³³

10.2 Reform is likely to deliver large benefits

Given the benefits of higher density, current restrictions on the use of land in SEQ is likely to impose significant costs on the community.

To demonstrate the potential benefits of planning reforms, the Commission has developed a stylised cost-benefit analysis (CBA). The CBA considers the effect of increasing development rights in SEQ. The analysis does not consider other supply constraints and assumes increased development rights translates into more housing supply and greater density in higher demand locations. This analysis draws on evidence from the outcomes of planning reforms undertaken in other jurisdictions.

As such, the modelling is not intended to provide a forecast or projection of future dwelling supply. Rather it provides an estimate of the *potential* benefits that could be achieved through planning reforms that increase development rights.

The results suggest that reforms which result in greater housing supply and densities in desirable locations have the potential to deliver very large benefits to the Queensland community:

- **Targeted zoning reforms** in well located areas, including around transport networks in SEQ is projected to deliver up to 330,000 additional dwellings, reduce dwelling price growth by up to 64 per cent (relative to the base case) and deliver net benefits up to \$48 billion.
- **Dispersed zoning reforms** to provide more development opportunities both in infill areas and on the urban fringe, are projected to deliver more dwellings (up to 330,000), reduce dwelling price growth by up to 56 per cent (relative to the base case) and net benefits of up to \$18 billion.

³³ For example, broad upzoning, as occurred in Auckland, allows the market to determine where development should occur.

The analysis also demonstrates that regulations that restrict development rights and prevent housing construction primarily benefit existing property owners at the expense of new home buyers and renters (typically younger and less wealthy cohorts). The modelling shows that binding planning constraints that prevent housing are likely to result in transfers of more than \$200 billion from existing property owners to new home buyers for both scenarios, compared with the base case.

The costs and benefits of the two reform options are presented in the table below. It shows that planning reforms that result in higher density (the targeted zoning reforms) are likely to have larger benefits. This is mainly due to more efficient use of infrastructure and lower transport costs (including commute times).

The modelling allows for some loss of amenity, due to overshadowing, but does not consider many other effects (including benefits) from higher density, such as improved access to services and social networks.

Table 10.1 Costs and benefits of reform options in SEQ compared to base case (\$ million)

	Targeted zoning reforms in well located areas	Dispersed zoning reforms
Consumer surplus	13,960	11,715
Infrastructure	27,246	6,393
Productivity	1,057	267
Environment	36	2
Transport	5,846	505
Health	1,312	118
Loss of amenity	-1,364	-691
Implementation costs	-8	-8
Total (net present value)	48,086	18,303

Source: QPC.

More detail on this analysis is provided in Appendix D.

10.3 Reforms to facilitate greater supply of development rights

To improve housing affordability, the planning system needs to increase the supply of development rights, including by increasing land availability and zoned densities in established areas. Given the limits on the availability of undeveloped land with infrastructure connections, increasing densities will be key for increasing the supply of development rights in SEQ.

The evidence suggests that increasing the supply of development rights will also allow the housing construction industry to increase its productivity, particularly if other reforms discussed in this interim report are adopted. Zoning reforms are also likely to increase productivity in other parts of the economy by allowing agglomeration effects and increasing the efficiency through which infrastructure is used.

Zoning reforms are also needed to align planned growth to stated targets. For example, *ShapingSEQ*, which outlines the Queensland Government's long-term plan for urban growth, envisages upwards of 60 per cent of all new housing to be consolidated in existing urban areas, requiring more apartments, units and townhouses (Queensland Government 2023b). However, over the last five years only 35 per cent of new approved dwellings were attached dwellings (apartments, units and townhouses) (ABS 2025c).

There are significant impediments in Queensland to increasing the supply of development rights, particularly where this involves increased density. Local governments are delegated control of most of the levers that influence both the nature of development and where it occurs. However, because the costs of development are likely to be concentrated locally (with impacts on existing residents, networks and infrastructure) and the benefits are dispersed (improved affordability, reduced general infrastructure costs and improved productivity), local governments, generally, do not have strong incentives to increase development opportunities.

There are several options that could be considered to increase development rights through zoning reform.

Using State Government powers to increase the supply of development rights

Most successful international and domestic reform efforts have focused on national or state governments taking greater responsibility for land use regulations, including plan making and assessing development applications.

For example, after years of declining affordability, the New Zealand Government undertook a series of ambitious reforms to increase housing supply (Box 10.2). These reforms included the national government directly involving itself in plan making and setting regulations constraining how local governments can use zoning and have been associated with significant increases in housing supply and improved affordability.

Other Australian state governments are also becoming more involved in planning decisions. The NSW Government, for example, has introduced reforms that 'upzone' land close to transport hubs to allow higher densities, and provide additional planning capacity for 138,000 new homes (NSW Government 2023, 2024b). Some stakeholders advocated for the Queensland Government to liberalise planning, for example:

Recent movements by the Victorian and NSW Governments — and especially the very recent announcement by the ACT Government — of broad-based upzoning makes the entire market more tractable, accessible and open. (Greater Brisbane, sub. 11, p. 1)

The Victorian, South Australian and Western Australian governments have or are proposing to become more involved in development assessment. In March 2024, the Western Australian Government implemented reforms to allow housing projects of over \$2 million and all social housing projects to opt in to being assessed by the State's Development Assessment Panels. South Australia introduced a single planning system, replacing local governments in plan making and development assessment.

The Queensland Government has a relatively hands-off approach to planning, delegating significant powers to local governments. However, the State retains significant powers to control the planning system and could play a greater role.

For example, the Queensland Government has previously used Priority Development Areas and Temporary Local Planning Instruments (TLIP) to take control of local plan making and assessment, including the Bowen Hills Priority Development Area and the Kurilpa TLIP, which suspends the Brisbane City Council's planning scheme to allow greater density. It has also opened a streamlined assessment pathway for social housing across the state.

Given the inherent impediments to reform facing local governments, the state could take a significantly stronger role in planning and zoning to increase the supply of development rights, particularly in areas where increases in density are likely to provide significant benefit.

As an initial step, the State Government could identify well located areas near activity centres and surrounding transport hubs in SEQ and regional cities where housing densities could be increased. To achieve change, the State Government could increase the allowable densities in these areas by amending local planning schemes or setting rules for locations that local governments must implement in their planning schemes.

Like New Zealand, prior to implementing change, the Queensland Government should ensure the community is fully engaged by clearly communicating the need for change and consulting with local government and affected communities to minimise any negative impacts. Options are discussed more in following sections.

Box 10.2 Case study 1 – Reform in New Zealand

In response to their own housing crisis, the New Zealand Government implemented a series of ambitious planning reforms that appear to have been successful in improving both construction productivity and housing affordability.

Housing affordability pressures in New Zealand encouraged bipartisan consensus on the need for more housing. In 2011–12 the New Zealand Productivity Commission completed a housing affordability inquiry, laying the groundwork for reform.

In the wake of the Christchurch earthquakes, which destroyed housing and left large areas that could not be rebuilt due to land liquefaction, the New Zealand Government used its emergency powers to require local government to rezone surrounding farmland and upzone existing urban areas to allow greater density.

Having demonstrated increasing supply assists affordability, policy changes began in New Zealand's largest city with the Housing Accords and *Special Housing Areas Act 2013* and the agreement of the Auckland Housing Accord between the New Zealand Government and Auckland Council. Further reforms were undertaken, culminating in the Auckland Unitary Plan (AUP) which increased allowable densities for around 75 per cent of Auckland's residential land in 2016, effectively tripling the city's dwelling capacity. The AUP provides a simpler set of regulations that are more permissive of higher density development.

Housing reform extended nationwide following the election of a new government in 2017. In 2020 the New Zealand Government introduced the National Policy Statement on Urban Developments, which requires density of at least six storeys in all major cities within a walkable catchment of rapid transit stops and removed most minimum car parking rates across the country.

The Medium Density Residential Standards followed in 2021, requiring major cities to permit at least three storeys in all low, medium and high-density residential zones, and medium density development standards allowing prescribed development without a resource consent.

These reforms have been associated with significant increases in housing supply and improved affordability:

- The Christchurch response had the immediate effect of creating 30 years of additional dwelling capacity, and the city went from experiencing higher housing price growth than all of New Zealand prior to the earthquake, to lower housing price growth after the reforms.
- Following the reforms in Auckland, the number of attached dwellings consented per year in upzoned areas increased from under 1,000 in 2016 to nearly 10,000 by 2021. It is estimated that housing supply increased by 27,000 dwellings relative to the counterfactual trend, equivalent to over 5 per cent of the housing stock over five years. Six years after the reforms were fully implemented, researchers estimate the reforms reduced rents in Auckland for three-bedroom dwellings by between 22 and 35 per cent.

There is also some evidence that the New Zealand reforms have been associated with increased productivity growth:

- Following years of stagnant productivity growth, construction productivity began to rise after the reforms — this occurred across all productivity metrics, including labour, multifactor and capital productivity
- Unlike Australia, productivity gains primarily occurred in the building and construction services sectors.

Sources: West & Garlick 2023; Greenaway-McGrevey & Phillips 2022, p. 6; Greenaway-McGrevey 2023b, 2023a; Greenaway-McGrevey & Jones 2023; Maltman 2024.

Make local governments more accountable for achieving housing targets

In some areas it may not be appropriate or necessary for the State Government to override or amend local planning schemes to achieve improved outcomes. In these cases, a complementary approach would be to design better local land and housing supply targets and hold local governments publicly accountable for delivering on those targets.

The NSW Productivity Commission (2021) recommended that housing targets be:

- transparent and evidence-based
- sufficiently forward-looking to ensure timely services provision and allow for community engagement
- flexible enough to evolve with the economy and societal trends
- supported by strong governance that monitors progress and mitigates risks and uncertainties as they arise.

The NSW Government has designed and set new housing targets for local governments, requiring councils to allow more new housing developments, including in well located areas. They released 5-year Local Government Area (LGA) housing completion targets for 43 LGAs, and one target for regional NSW. Reforms have also addressed barriers to the timely issuing of development approvals, including financial incentives for councils to help achieve housing completion targets and improve planning performance.

Given Queensland urban councils are geographically large, targets set at the local government level may not be specific enough to achieve optimal outcomes. For example, LGA level targets may not achieve efficient use of infrastructure or deliver the right mix of density to maximise community benefits. This may mean targets would need to be more granular, to ensure housing is delivered where people want to live.

Current monitoring of performance (in SEQ) occurs through the Growth Monitoring Program. The most recent published report (2021) estimates that many councils are not meeting land supply and planning approvals targets (DSDMIP 2022). However, some of the measures may not be providing useful measures of supply relative to demand and the data is not provided in a timely manner to the public.³⁴

Public reporting of performance can be an important accountability mechanism and can help to incentivise improved outcomes. Local governments could be required to annually publish outcomes, including the increase in zoning supply and development rights in well located areas, and new land and housing delivered. This could also include whether targets have been met, and, where they have not been met, the reason. The Queensland Government could consolidate and publish this performance information on a regular basis.

While Queensland currently reports on land supply targets through the Land Supply and Development Monitoring (LSDM) program, stakeholders have expressed concerns about the suitability of this reporting as a true accountability measure. Several stakeholders have called for independence of the Growth Monitoring Authority to better report on housing supply targets (Planning Institute of Australia, sub. 13, p. 5).

It is not clear that setting targets alone would create sufficient incentives for local governments to increase land supply for development.

In Queensland, more strategic direction from the State Government is needed to support Local Government implementation - particularly through detailed planning guidelines and practical tools, not just numerical supply targets. (Real Estate Institute of Queensland, sub. 67, p. 11)

³⁴ For example, the years of approved supply benchmarks shift over time relative to historical approvals, rather than a measure of demand. The years of approved supply measure is calculated by dividing the total number of uncompleted dwelling approvals for the LGA as at the reporting period by the average dwelling building approvals of the previous four years. Noosa for example has experienced tightening planning approval supply and worsening housing affordability but improving performance against benchmarks.

To strengthen incentives, the Queensland Government could consider providing financial payments (or penalties) to local governments for adopting positive housing reforms or achieve housing supply targets. The advantage of this approach is that it sets outcomes and provides incentives but allows local governments and communities to decide how to achieve them.

A similar approach has been adopted under the National Housing Accord, with a \$3 billion New Home Bonus program providing performance-based funding to incentivise states and territories to achieve more than their share of the one million well-located homes target (Australian Government n.d.). The NSW Government will also be providing incentives to local governments to meet housing targets and improve performance through their Faster Assessments program. The program includes \$200 million of financial incentives for councils to help achieve housing targets and improve planning performance. Guidelines have yet to be released (NSW Government 2025c).

The Queensland Government has made financial incentives available through a \$2 billion Residential Activation Fund. As noted earlier, this approach may not be the most efficient form of incentive if it discourages efficient infrastructure use. However, this approach may better align existing infrastructure funding with housing targets, incentivising local governments to allow more development in well located areas and alleviate financial pressures on faster growing councils.

The Commission is seeking stakeholder views on whether and how new housing targets should be set, whether there may be significant costs or risks with the public reporting of local government performance, how effective financial incentives and penalties may be in improving performance, and whether local governments currently face financial disincentives to allowing more housing.

Provide mechanisms to allow residents to opt-out of zoning types

A third complementary reform option is to provide some flexibility for existing residents to determine local zoning at a small geographic level. This may help alleviate residents' concerns about change by allowing residents to agree to development that best matches their preferences.

Under traditional arrangements, resident groups who seek to avoid negative impacts from development are left with few options but to lobby against development. This often leads to broad prohibitions against some types of development, particularly those of greater density, even in areas where residents are not necessarily opposed and would benefit from it. There are examples from overseas jurisdictions where existing residents are incentivised to determine allowable development and increase densities. For example:

- Israel allows residents to bypass normal planning restrictions on building size where outcomes can be negotiated between developers and existing residents (Box 10.3).
- Houston, in the U.S. has a system that allows residents to opt-in or opt-out of zoning restrictions on a small areas basis (Box 10.4).

While the approaches above are materially different from the current approach to development approvals in Queensland, they enable negotiations to occur between residents and developers to achieve mutually beneficial outcomes.

Designing a reform for Queensland circumstances would require significant policy work and initial piloting to determine if it is workable. For example, determining the appropriately sized geographic areas for local decision-making and the level of resident support required for opting out of the zoning system would be a challenging issue.

The Commission is seeking stakeholders' views on how an approach enabling more local community control over land use could be developed in a Queensland context. For example, views on the geographic level at which decisions would be best made and on how consensus could be reached at a local level would be helpful.

Box 10.3 Case study 2 – Israel’s negotiation-based zoning option

Israel has a more centralised planning system than most developed countries, with local governments issuing building permits in line with state regulations and plans (known as TAMAs).

Faced with rapid population growth, limited space, a housing stock needing renewal and a very slow planning process, Israel implemented a series of reforms that allowed residents to directly negotiate with developers.

TAMA 38 was introduced in 2008, allowing owners of existing apartments to negotiate with developers to increase building size without going through normal zoning and planning processes.

Under TAMA 38, developers are offered by-right development for buildings constructed before 1980, providing they can get the agreement of three-quarters of existing owners. For existing owners, the developer provides compensation, either in the form of a cash payment or an upgraded new dwelling. Municipalities maintain some control over allowable building heights, but these controls are limited.

While the priority of the scheme is to replace dangerous older dwelling stock, the scheme now delivers a third of new Israeli homes — accounting for 37 per cent of Israel’s housing construction and half of Tel Aviv’s new construction.

Source: Alster 2024.

Box 10.4 Case study 3 – Local control in Houston

Rather than a system of zoning regulation, the US city of Houston has a code of ordinances that set a range of minimum features such as lot size, setbacks and minimum car-parking requirements. This is combined with private deed restrictions that restrict how land may be used, including effective density limits.

Historically, Houston has remained affordable since low regulatory barriers have made building houses relatively easy. However, the density limits enacted through the city ordinances, combined with a permissive attitude to building outwards led a rapid urban sprawl.

In recognition of the costs associated with this sprawl, in 1988 Houston City Council implemented reforms giving landowners automatic permission (subject to some conditions) to build on smaller lots, allowing subdivision and townhouses.

This was implemented alongside mechanisms for residents to opt out of allowing this type of development in their area. The mechanism to opt out is relatively simple, requiring a petition with a simple majority of property owners or no dissents in an area.

This system allows small sections of the community to opt out of densification where most residents are strongly opposed and to opt in where owners foresee benefits. The net result of a relatively permissive land use system and the ability of residents to opt in and out of restrictions has led to most of the city becoming open for higher density development.

Some of Houston’s neighbourhoods have been totally transformed and the city is now mid-ranked among American cities on the Foot Traffic Ahead walkability ranking. In the 1990s it was the only major city in the US without a rail system but now has three light rail lines operating and plans for two more.

Sources: Burn-Murdoch 2024; Martin 2023; Fulton 2020.

10.4 Recommendations



PRELIMINARY RECOMMENDATION 9 - ZONING REGULATIONS AND LAND SUPPLY

To increase the supply of housing and improve housing construction productivity and affordability, the Queensland Government should introduce measures to ease zoning restrictions in well-located areas. To do this it should:

- identify well located areas near activity centres and surrounding transport hubs in South East Queensland and regional cities where housing densities could be increased
- institute a rigorous process that includes open consultation on how and where greater densities should be achieved to improve housing affordability and maximise net benefits to the broader community
- increase the allowable densities in appropriate areas by amending local planning schemes or setting rules for locations that local governments must implement in their planning schemes.



PRELIMINARY RECOMMENDATION 10 - ZONING REGULATIONS AND LAND SUPPLY

To ensure that local governments have sufficient incentives to deliver new housing supply in well-located areas, the Queensland Government should set annual targets for the supply of construction-ready land and for the construction of new housing for each local government area and hold local governments accountable for meeting these targets.

To enact this, the Queensland Government should:

- set targets that include desired outcomes for low, medium and high-density housing, and include short- and long-term targets to zoned supply, development rights, approvals and new land and dwelling supply
- require local governments to report against these targets in their annual reports, including whether targets have been met, and, where they have not been met, the reason
- require reporting on development and building approval outcomes, including acceptance/refusal, time taken to complete approvals and outcomes for cases brought to the planning court
- improve monitoring and reporting on the implementation and performance of housing supply targets across Queensland
- regularly consolidate local and state planning performance information and publish this in a public report
- consider applying financial incentives and/or penalties to local governments to incentivise them to meet any new land and housing targets.



REQUEST FOR INFORMATION - ZONING REGULATIONS AND LAND SUPPLY

To assist in further developing recommendations in relation to zoning reform, the Commission is seeking stakeholder views on:

- the adequacy of current reporting on land supply
- where zoning reforms should be targeted, particularly those aimed at increasing density, and whether there should be exceptions or exemptions within regions targeted for zoning reform
- how consultation on zoning reforms should be conducted
- whether and how land and housing targets should be set for individual local governments
- whether there are likely to be significant costs with the public reporting of local government performance in achieving any targets
- whether monitoring and reporting of land supply targets should be undertaken by an independent body
- the efficacy of any financial incentives or penalties for improving performance, and how they could be applied
- other factors the Commission needs to consider.

The Commission is also interested in whether it is possible to enable more local control over land use, and what arrangements might align local and broader community interests.

The Commission would like to encourage stakeholders to provide quantitative evidence on the impacts, costs and benefits of planning reforms to further inform the Commission's analysis.

11.0

Incentivising change

11.1 Community support is important to support policy reform

The successful implementation of reforms to increase the supply of developable land, particularly those that involve increases in density in desirable locations, will depend largely on whether the community accepts and supports them. However, determining and garnering that support can be difficult, and successful reform efforts are usually preceded by significant engagement effort.

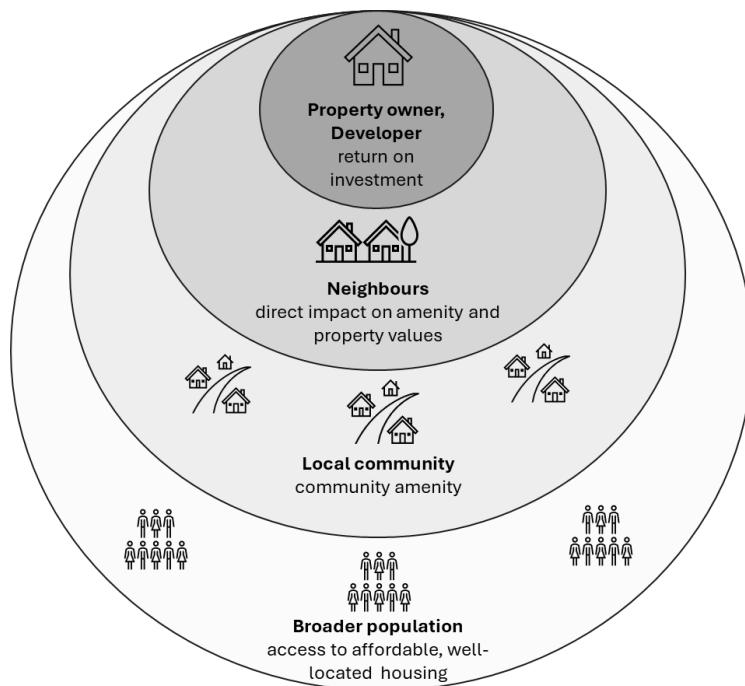
As noted in the previous chapter, New Zealand reforms to increase density in Auckland were preceded by significant efforts to promote the benefits of reform. As a result, a broad coalition of groups came to support reforms, including younger cohorts, environmentalists, social housing providers, developers, builders and urbanists. The use of independent rigorous analysis was also used to build bipartisan support and inform community perceptions.

Recent reforms to increase density in NSW and New Zealand have followed inquiries by both jurisdictions' productivity commissions. These inquiries presented the public and decisions makers with a broad range of evidence and ensured the benefits such as improved local amenity, and lower environmental costs and commuting times were acknowledged, not just the costs (NSW Productivity Commission 2024, pp. 22-32).

Key challenges

A key issue making reform challenging is that the benefits tend to be dispersed across the broader community while the costs are often concentrated locally. This means that different parties have different incentives when it comes to supporting or opposing individual developments (Figure 11.1). For example, immediate neighbours of a proposed development are likely to have stronger incentives to oppose development since they face significant real or perceived costs, including disruption during construction, local congestion and other loss of amenity. However, the broader community is less likely to express support for individual developments since the benefits (such as increased affordability, reduced congestion, and greater access to shops and eateries), are more dispersed.

Figure 11.1 Members of the community have varying incentives to support new housing developments



Source: QPC.

This means that broad support for increased density across the broader community is often countered by opposition at the local level, where existing residents commonly oppose developments located close to them.

Exacerbating these issues is a tendency for existing residents to over-estimate the costs of higher density and under-estimate the benefits. Despite these concerns, studies show increasing density tends to be associated with increased amenity (Ahlfeldt and Pietrostefani 2019b) and high-rise developments tend not to impact dwelling values nearby (Tulip and Lanigan 2021), despite community perceptions.

Improve information on the benefits of reform

The evidence suggests opposition to increased density largely stems from public perceptions around two phenomena — that new supply will reduce incumbent residents' amenity and/or house values and scepticism that increased supply would help to improve affordability (Susan McKinnon Foundation 2023; Nall et al. 2022; Garvin 2023).

These perceptions can lead to strong opposition to new housing, which, in turn, can increase pressure on policy makers to implement more restrictive zoning regulation, additional character and heritage preservation and other impediments to increases in density (such as more complex and costly development assessment criteria).

Political scientists and legal scholars have recently found that economic illiteracy is also a contributing factor in why people oppose new housing (Nall et al. 2022):

Using data from two nationally representative surveys of urban and suburban residents, we posit a further cause of the housing shortage: public misunderstanding of housing markets. Through vignettes describing a 10% shock to regional housing supply, we find that only about 30–40% of respondents believe that additional supply would reduce prices and rents. ... It also appears to be specific to housing: respondents generally gave correct answers to questions about supply shocks in other markets.

The findings have been duplicated in Australia, with one third of surveyed Australians believing that more housing would result in higher rather than lower prices (Garvin 2023). Similarly, only 27 per cent of Australians polled thought building more homes would decrease housing prices (Susan McKinnon Foundation 2023). Often described as 'supply scepticism', this can contribute to people opposing new supply, particularly apartments.

Ensuring that a case for reform is developed and properly communicated will help ensure community discussion is based on rigorous analysis and contributes positively to better policy making and planning decision-making.

At a local level, processes where residents are clearly informed of proposed development, and concerns are seen to be taken seriously, are more likely to be successful because they can avoid the intensification of opposition (Davidson et al. 2013, p.153). Providing more information earlier to clarify the benefits and costs of a proposed development can help reduce the development and entrenchment of community opposition arising from initial uncertainty.

Ensure community views and preferences are properly represented

Community engagement is an important part of the decision-making process. As such, it needs to be conducted carefully to ensure that it is representative of community views.

Traditional consultation processes tend to give voice to strong local opponents of development dominating the debate at the expense of those indifferent to or likely to benefit. This can occur as traditional consultation processes often suffer from self-selection bias.

For example, existing residents may have strong incentives to oppose change if they perceive change as problematic (including the disruption likely to occur during development) and so are likely to engage consultation processes. However, those most likely to benefit from development (i.e. those affected by housing shortages) are more dispersed, and unlikely to vocally support local initiatives. For example, a housing development in a local street is likely to be vocally opposed by existing residents if they perceive it will have negative consequences for them, but unlikely to equally be vocally supported by those seeking a home (Duranton & Puga 2020).

As most traditional consultation processes rely on an 'opt in' style of submissions and community meetings, they allow some incumbent home owning residents to have a disproportionate say in the consultation process often at the expense of other residents, those renting and those currently residing outside the area who would like to live there.

There is evidence to suggest that opposition to increased density in Australia in a person's local area is strongly correlated with age, with the youngest demographics most favourable and older least. According to the Susan McKinnon Foundation (2023), renters and people under 55 are more likely to think providing more housing is more important than preserving local character.

Citizen panels are one form of consultation that has been adopted in many international jurisdictions to ensure that community consultation is representative (see Box 11.1).

They involve the careful selection of members of the public, including members of groups which are traditionally more difficult to engage, to ensure consultation is representative of the entire community. To facilitate participation, panel attractive models of engagement are often used, simplifying the process and minimising costs to participants.

Box 11.1 Citizen panels in Lower Hutt, New Zealand

From 2016 to 2023, Lower Hutt, a regional council within the greater Wellington area, implemented a reformed planning system which delivered medium- and high-density housing in residential areas of the city. This was achieved by enabling medium densities, mixed use, a wider range of housing styles and sizes and reducing parking requirements.

Prior to reform, the region had low projected population growth, poor economic outcomes, a struggling retail sector and poverty on the outskirts of the city. However, there had been a modest uptick in population growth as undersupply of housing in Wellington City led to out-migration. This placed pressure on rental affordability and drove higher house prices in Lower Hutt. These issues were complicated by Lower Hutt's topology. Situated within a valley and constrained by steep hills, mountains and the sea, outward development was constrained, leaving increased density as the only realistic option to increase housing supply.

A unique feature of this reform process in Lower Hutt was the engagement of a 'citizens panel', a representative body designed to complement the voluntary submissions made to the local government. This mechanism helped provide decision makers with a more representative view of the population's perceptions about higher density. The panel showed that 69 per cent of the community supported rezoning for medium-density, compared to only 44 per cent using the traditional submissions process. This allowed decision makers to be confident that the decisions they made to increase density were supported by the community.

Source: Maltman & Greenaway-McGrevy 2024.

Another option for building consensus for change includes the use of independent hearing panels. In New Zealand these panels consist of independent experts who undertake open public consultation and recommend changes to local planning schemes to government.

While independent hearing panels have been used with mixed success in New Zealand cities, when implemented properly, these panels have been able to successfully engage the community on change.

To better support reform effort and ensure more informed consultation, existing guidance (DSDILGP 2017) could be reviewed, updated and provided to state and local government planning regulators on best practice consultation. Similar guides from other jurisdictions (for example, WA Government 2024b) could be drawn upon.

To assist final development of recommendations, the Commission is seeking stakeholders' views on regulators' current approaches to community consultation and engagement, how they could be improved, and what could be included in guidance on these issues.

Better aligning regulatory outcomes to community preferences

A further option to better minimise the negative impacts of development is to allow opportunities for developers to negotiate with affected members of the community to develop non-standard, but mutually beneficial solutions. This could for example, include options to better negotiate trade-offs between greenspace and building height.

The data suggests that the NIMBY/YIMBY debate is not really about economic or cultural ideology, race, or class – it is about veto players and incentives. If incentives are closely tied to the decision about whether to upzone, and homeowners can make the choice for themselves, then developers can offer strong-enough incentives for new development to make homeowners the most powerful political engine in support of densification (Alster 2024).

The achievement of mutually beneficial outcomes would support construction productivity by allowing developers an opportunity to build to a more efficient scale, design or method, while simultaneously benefiting the affected community.

Clear limits on negotiable conditions would need to be developed, to ensure negotiated outcomes do not produce adverse outcomes (such as run-off that creates problems for those who are not immediate neighbours), and so that costly or protracted negotiations can be easily avoided. Further, community members may need some assistance in reaching a negotiated outcome with a developer, possibly with mechanisms to help ensure outcomes are beneficial to the community.

While local governments may already allow for some relaxation of regulations in certain circumstances, there could be opportunities to extend their prevalence, so they become a more standard feature to complement the application of planning regulations.

However, some consideration needs to be given to the design of any policies designed to enable negotiated outcomes so that:

- there is sufficient regulatory flexibility to incentivise negotiation — parties are unlikely to participate in negotiations if there is no possibility of an allowable negotiated outcome (such as removing a height restriction in return for more greenspace) and the benefits generated are worth the expense of entering a negotiation
- parties have the capacity to undertake a negotiation — including that all parties have access to information, understand their obligations and are capable of consenting to an agreement
- agreed outcomes are enforceable.

To assist further development of recommendations, the Commission is seeking stakeholders' views on how the benefits of development could be better shared with the community, and the mechanisms for doing so, including facilitating direct negotiation between developers and residents.

11.2 Reform directions



REFORM DIRECTION 6 - COMMUNITY SUPPORT FOR HOUSING DEVELOPMENT AND REFORM

The Commission is considering how governments can better assess and build community support for housing development and reform. Options include:

- building the case for development and reform
- engaging earlier and better with the community on proposed developments
- enacting provisions to enable more local involvement in the way development occurs
- improving consultation approaches so community views are better understood and represented
- sharing the benefits of development with the community by enhancing local neighbourhoods and enacting reforms to allow greater negotiation between developers and residents on the conditions of development.



REQUEST FOR INFORMATION - COMMUNITY SUPPORT FOR HOUSING DEVELOPMENT AND REFORM

To assist in further developing the reform direction, the Commission is seeking further information and evidence on:

- community views and preferences on housing development and the need for reform and mechanisms that can be used to ensure consultation mechanisms are representative of broader community views
- how outcomes can be shaped so that communities are more accepting of change, including of higher densities
- whether there are practical measures that can be taken to allow more local involvement in shaping how development, including those aimed at increasing density, occurs in neighbourhoods
- whether there are options that would enable or facilitate more direct negotiations between developers and neighbours (for example trading off height restrictions for greenspace) without compromising development costs or timeframes
- how the benefits of development can be shared with the community.

PART C: Regulation of building activities

Key points

- Where regulations have a strong rationale and are well designed and administered to address an underlying problem, then the benefits of regulation should outweigh any costs that arise. However, preliminary evidence suggests that several regulations affecting the construction industry are not effective or efficient, and are likely to be reducing productivity.
- Building regulations are becoming more complex with increased risk they are impeding productivity. Reduced levels of attention are being paid to the costs of new regulation, with regulatory best practice not being followed or undermined. Implementation of recent amendments to the National Construction Code (NCC) has also been varied between the states and territories.
- Financial regulations, including the requirement for project trust accounts, have been implemented despite not undergoing an impact assessment and consultation process with stakeholders as required under best practice regulatory processes. As a result, they seem to be imposing significant administrative and financial burdens, without clear evidence they are the right solution to address the problem of insolvencies and non-payment of contractors in the industry.
- Increasing attention should be given to the ways building regulations are affecting innovation, as regional differences and current inspection methods are ill-suited to the adoption of modern methods of construction (MMC).
- Workplace health and safety regulations appear to have become more burdensome, but there is limited evidence they have increased safety outcomes. There is also evidence that workplace health and safety provisions on some sites have been deliberately misused to achieve aims unrelated to safety.
- The Commission's preliminary view is that there are opportunities to improve construction productivity in Queensland, through:
 - 'opting-out' of any changes to the NCC, including recent energy efficiency and accessibility standards, if they have not been through a full regulatory assessment demonstrating their imposition would provide benefits larger than their costs
 - progressing, through the Revitalising National Competition Policy process, initiatives to remove regulatory barriers to innovation, including MMC
 - removing financial regulations related to minimum financial requirements
 - undertaking regulatory impact analysis of project trust account requirements to assess whether the framework is operating as intended and delivering a net benefit to Queensland
 - considering options to reduce regulatory burdens associated with workplace health and safety and preventing their misuse.
- The Commission would like to test these findings and preliminary recommendations with stakeholders and is seeking further evidence and case studies of how regulation affects construction productivity.

Context

Several regulatory issues have been identified by stakeholders during the inquiry. The Commission has prioritised these according to those most likely to result in meaningful productivity improvements in the construction industry.

This part covers matters relating to the regulation of building activity, and considers four main issues:

- **Regulation of building design** — regulations designed to influence the design and quality of buildings. These include the use of building and plumbing codes to set desired standards of construction as well as provisions for the certification of buildings against these standards.
- **Financial regulation** — regulations administered by the Queensland Building and Construction Commission (QBCC) intended to ensure the financial integrity of the building and construction industry in Queensland, protect consumers, and reduce the risk of insolvencies and disputes. These include financial reporting requirements and the need for certain contractors to establish project trust accounts.
- **Matters affecting modern methods of construction (MMC)** — current regulatory settings may impact on new and innovative construction methods and products.
- **Workplace health and safety regulation** — regulations designed to minimise the risk of accidents and injuries. These include both rules around safe work practices, hazard identification and training, as well as associated administrative and reporting requirements.

Regulations affecting land use (including planning policies and restrictions) and the labour market (such as occupational licensing) are canvassed in other parts of this interim report.

Consistent with the terms of reference, this part will primarily focus on regulation within the control of the Queensland Government. However, where there are identified critical issues that fall within the scope of local government or Australian Government policy, the inquiry will seek to provide options to inform engagement on these matters.

Much of the material covered in this part is highly technical in nature. For example, the National Construction Code (NCC), which is Australia's primary set of technical design and construction provisions for buildings, and forms the basis for Queensland's building code, is over 2,000 pages and includes hundreds of technical requirements for residential and commercial buildings (PC 2025a). The Commission will not be commenting on the technical elements of these regulatory requirements.

Nevertheless, the Commission is seeking opportunities to improve the operation of regulation where there:

- is a strong case for removing regulation, where it is unlikely to compromise worker or consumer safety
- seem to be opportunities to improve the way regulations are implemented and enforced or
- is a compelling case that needs to be investigated in more detail.

Not all matters that were raised during the Commission's initial round of consultation have been considered in this part. We will continue to review submissions and assess reform options as we develop the final report.

Stakeholders are encouraged to make submissions to raise further matters relating to the regulation of building activities, where these are likely to have a significant effect on construction productivity.



12.0

Building design and codes

12.1 Regulation of building design

Poorly designed or constructed buildings can pose significant risks including structural failures, fire hazards, and health issues. Structural failures, such as the one seen in the Opal Tower in Sydney in 2018, and fire hazards, like the 2014 Lacrosse Tower fire in Melbourne, highlight the serious consequences of these risks.

The potential impacts associated with unsafe and poorly designed buildings include physical harm to occupants, financial losses for owners and insurers, and likely broader impacts on the community in the event of a major incident. Given the extensive number of buildings in Australia, their high economic value, and the substantial costs of repair or reconstruction, even a small percentage of buildings being unsafe or poorly designed would represent a significant problem.

In an ideal world, all stakeholders would have complete and accurate information about building safety, and the full costs and benefits of construction decisions would be borne by the relevant parties. This would incentivise the construction of safe buildings, as consumers would likely demand high safety standards and builders would bear the full costs of any safety failures.

However, there are two key issues that mean markets may not always deliver buildings to the standards expected by the community without some form of regulation:

- **Information asymmetries** — purchasers of construction services often lack the necessary information to accurately assess the safety and quality of work (particularly for more complex structural features). This can either lead to poor decision-making or require consumers to conduct expensive and time-consuming searches.
- **Externalities** — the costs of building failures, such as injuries, deaths, or property damage, are often borne by individuals other than the purchaser and so may not be factored into the decision-making process. Typical externalities include environmental pollution, the use of hazardous materials (e.g. asbestos) and negative safety outcomes.

The use of building codes

Building codes and standards are a key regulatory response to these market failures. Modern building codes date back to the *Metropolitan Buildings Act 1944* (UK) and have been used to establish minimum standards for the design, construction, and maintenance of buildings, in areas such as structural and fire safety, health and sanitation, and light and ventilation. Effective enforcement of these standards can:

- reduce information asymmetry by setting a baseline of safety and quality that consumers can expect
- mitigate the risk of building failures and potential hazards that could lead to harm or economic loss.

Building codes can also provide a clear standard against which liability can be assessed, helping ensure that builders bear the full costs of any issues that arise due to their work.

12.2 The regulatory framework in Queensland

As shown in Figure 12.1 there is a range of Queensland legislation that establishes the standards and processes for building and construction activities, with responsibilities shared between the state government (which determines relevant requirements in legislation) and local government (which has responsibility for local standards and development assessment). This includes:

- the *Building Act 1975* (the Building Act) and *Plumbing and Drainage Act 2018* (the Plumbing Act) and their subordinate instruments, which regulate building and plumbing standards. These legislative instruments also give legal effect to:

- the National Construction Code (NCC) which establishes minimum standards for the design, construction, and maintenance of buildings, in areas such as structural safety, fire safety, health and sanitation, and light and ventilation. Since 2011 the NCC has provided a largely uniform set of technical provisions for new building work and new plumbing and drainage installations across Australia.
- both the Queensland Development Code (QDC) and the Queensland Plumbing and Wastewater Code (QPWC), which cover Queensland specific matters which are outside the scope or vary elements of the NCC. If there is an inconsistency between the NCC and these codes, the requirements in these codes prevail.
- the *Queensland Building and Construction Commission Act 1991* (the QBCC Act) establishes the QBCC as the regulatory body for the Queensland building industry.
- the *Planning Act 2016*, and associated Regulation and policies, set out the process for development assessment, which are primarily undertaken by local government (see Part B: Land use regulation for more information).
- Queensland legislative instruments and the NCC also reference other documents such as Australian³⁵ and international standards that must be complied with.

Figure 12.1 Queensland's building regulatory framework

Building and Plumbing regulations	Regulator	Assessment
Building Act 1975 Regulates building standards, building certification, building products and some licensing functions (such as building certifiers and pool safety inspectors).	Queensland Building and Construction Commission Act 1991 Provides for the QBCC to oversee: <ul style="list-style-type: none"> • the licensing of contractors and many constructing trades, • resolve building service disputes, • provide insurance to protect consumers, • the carrying out of investigations into defective building work and breaches of the legislation. 	Planning Act 2016 and associated Regulation and policies Assessment of development applications against the relevant planning scheme and state planning policies to ensure that development is appropriate for its location and consistent with the desired future character of the area.
Building Regulation 2021 Defines categories of building work, assessment criteria of development applications and building certification processes.		
Building Fire Safety Regulation 2008 Provides framework for maintenance of fire safety installations and equipment.		
National Construction Code (Volumes 1 and 2)	National Construction Code (Volume 3)	
Queensland Development Code	Queensland Plumbing and Wastewater Code	
Australian and International standards		

Source: QPC.

Building certifiers manage the building approval and inspection process and help ensure that all aspects of the building work meet relevant codes and standards. Failure to comply with building and plumbing codes can result in penalties and fines and orders to rectify non-compliant work.

³⁵ Standards Australia (n.d.) notes that standards are "documents that set out specifications, procedures and guidelines that aim to ensure products, services, and systems are safe, consistent, and reliable."

12.3 Building codes have become more complex and costly

It is generally accepted that building codes have improved the quality and safety of houses and other buildings, including in the areas of health and sanitation, fire safety and disaster mitigation (Henderson & Ginger 2008; Nwadike & Wilkinson 2021; Vaughan & Turner 2013).

However, determining the specific impact of building codes, such as the NCC, on the safety and quality of Australian structures can be challenging. This is because any observed improvements in safety and quality may also be due to advancements in construction techniques, materials, and technology, commercial reputation as well as heightened public awareness and demand for safer buildings (CIE 2012).

Despite the existence of stringent building codes, there is still the potential for defects and casualties from unsafe buildings if codes become excessively complex (making compliance difficult and lead to unintentional violations) or there is ineffective compliance (for example because builders or consumers lose confidence in the standards) and enforcement.

The Australian Productivity Commission has noted that the NCC is 'sound in principle' and that when it is 'implemented consistently across all jurisdictions, [it] encourages scale, efficiency and transferability' (PC 2025a). The introduction of Australia's single national, performance-based building and plumbing code has been estimated to have delivered significant economic benefits (\$1.1 billion annually) through nationally consistent requirements, improved productivity, increased flexibility and the ability to use new and innovative materials (CIE 2012).

However, many industry stakeholders have expressed concerns about an increase in complexity and cost associated with compliance with the NCC and that NCC 2022 has caused a 'significant burden' to builders (Liu 2025). This is a view shared by the Australian Productivity Commission, with their chair, Danielle Wood, recently stating:

We think there should be a good look at the NCC which is one source of regulatory burden where we think there's scope to improve. (Grattan 2025)

Box 12.1 How changes are made to the NCC

The Australian Building and Construction Board (ABCB) is the standards writing body responsible for the development of the NCC and is a joint initiative of the Australian, state and territory governments, together with the building and plumbing industries. The NCC is currently updated every three years.³⁶

Under clause 6.1(b) of the ABCB's Intergovernmental Agreement, the ABCB's objectives are, amongst other things, to ensure that in determining any change to the NCC and the level of the requirements:

- the proposals are effective and proportional to the issues being addressed such that the NCC will generate benefits to society greater than the costs (that is, they generate a net benefit)
- there is no regulatory or non-regulatory alternative that would generate higher net benefits (that is, net benefits are maximised).

Source: ABCB (2020).

³⁶ The duration between NCC changes increased from one year to three years commencing in NCC 2016 "to give builders more continuity for project specific requirements (Dolezal 2023)".

Building codes have moved beyond ‘minimum’ standards and are leading to higher construction costs

The goal of the NCC, since its first edition in 2011, has been to:

enable the achievement of nationally consistent, minimum necessary standards of relevant health, safety (including structural safety and safety from fire), amenity and sustainability objectives efficiently. (ABCB 2011)

However, building codes appear to have moved beyond providing *minimum* safety and quality standards to also, in the view of industry, driving ‘market best practice’ and other societal goals (Master Builders Queensland, sub. 43, p. 17; Housing Industry Association, sub. 32, pp. 18-21). In addition, many changes to the NCC have been adopted despite them not being the option estimated to have the highest net benefit — and in some cases have been adopted despite analysis showing they would result in significant net costs to the community (see Box 12.2 overleaf).

The evidence suggests that recent changes, including additions to NCC 2022 related to ‘liveable housing’ and energy efficiency requirements, have increased construction costs for builders, who are likely to pass them on to consumers in the form of higher prices (Lia 2022). While these changes are also likely to provide some benefits, such as improved accessibility and energy performance, regulatory impact analysis undertaken showed these benefits were unlikely to justify the costs they impose.

Submissions to this inquiry reflected different stakeholder views on these requirements and their impact, with industry advocating for exemptions or voluntary implementation, while others supported their retention in Queensland’s building codes (Housing Industry Association, sub. 32, pp. 18-21; Master Builders Queensland, sub. 43, pp. 17-21; Australian Network for Universal Housing Design, sub. 3; Australian Glass & Window Association, sub. 33; Melbourne Disability Institute, sub. 22; Q Shelter, sub. 55).

The Commission has not sought to verify the various claims made by stakeholders, noting the Regulatory Impact Statement (RIS) provided opportunities for stakeholder engagement. The independent economic analysis undertaken, which suggested both the energy efficiency and accessibility standards would result in a net cost to the community, was subject to public consultation and assessed as compliant with best practice regulatory principles by the (then) Commonwealth Office of Best Practice Regulation.

There is scope for Queensland to ‘opt out’ of standards that do not have a demonstrated net benefit

As noted, the ABCB Intergovernmental Agreement states that any changes to the NCC should generate a net benefit. Making changes to the NCC, without demonstrated community benefit, can undermine the effectiveness of, and confidence in, the NCC and the amendment process. Ultimately, such a result leads to poorer outcomes for the industry, consumers, and society as a whole.

It is therefore within the purview of the Queensland Government to amend or ‘opt-out’ of any provisions of the NCC via the QDC and QPWC, if they are deemed to not be in the State’s interest. While the ABCB Intergovernmental Agreement commits each jurisdiction to minimise variations to the NCC, it also provides for variations where:

there is a net benefit as evidenced by a Regulatory Impact Assessment conducted in accordance with assessment processes in each jurisdiction. (ABCB 2020, p. 25)

While there is benefit to national harmonisation of building rules, through the NCC, builders are not restricted from adopting stronger efficiency or accessibility standards where they believe there are benefits from doing so.

Box 12.2 Case study: NCC amendments assessed as generating a net cost

NCC 2019

In November 2018, the ABCB prepared a Final Regulatory Impact Statement (RIS) on 'Fire safety in Class 2 and Class 3 residential buildings.' The RIS recommended that fire sprinklers be used as an option to meet NCC performance requirements relating to fire safety, as this would generate the greatest net benefit to the community.

Following consideration of this RIS, the ABCB announced that the 2019 edition of the NCC would instead require that fire sprinkler systems be installed in Class 2 and 3 residential buildings (for example apartments and hostels) up to 25 metres in height that have four or more stories. However, the RIS had noted this option, in most cases, was considered unlikely to provide a net benefit to the community.

NCC 2022

As part of the NCC 2022 development process, the ABCB completed RISs on the impacts of moving from NCC 2019 to NCC 2022 for two key proposals.

Liveable Housing

NCC 2022 introduced minimum accessibility standards for housing. This included design features intended to provide step free access (where possible), more space in bathrooms and wider hallways and doorways.

The RIS prepared to investigate the inclusion of minimum accessibility housing standards in the NCC concluded that all regulatory options tested would impose costs that outweigh benefits. According to the RIS, the regulatory option similar to that ultimately adopted by the ABCB, would result in:

- additional compliance costs (including increased construction costs and the opportunity cost of loss of space) of \$3,874 per house, \$4,186 per townhouse and \$5,748 per apartment
- a net cost, nationally, of \$4.1 billion.

The analysis contained in the RIS was assessed as 'compliant' with best practice regulatory principles by the (then) Commonwealth Office of Best Practice Regulation.

These provisions of the NCC are now in force, including Queensland-specific variations via QDC MP 4.5.

Energy Efficiency

NCC 2022 introduced new energy efficiency provisions for residential buildings including an increase in the level of thermal comfort required and the introduction of a whole-of-house 'energy use budget.' The RIS found these provisions could have net social costs of \$547 million nationally.

The analysis contained in the RIS was assessed as 'compliant' with best practice regulatory principles by the (then) Commonwealth Office of Best Practice Regulation.

These provisions of the NCC are now in force, including Queensland-specific variations via QDC MP 4.1.

Sources: ABCB 2018; ACIL Allen 2022; Bicknell 2019; The CIE 2021.

Queensland should continue to advocate for harmonised codes established on good regulatory practice

Given the benefits of having nationally consistent building requirements, Queensland should advocate for an NCC that provides minimum standards for building safety and quality, with any changes informed by good regulatory practice.

Further changes to the NCC are now being contemplated, with the ABCB releasing a public comment draft of 'NCC 2025' in May 2024 (ABCB 2024a). Impact analysis (including in some instances a RIS) has been undertaken on the proposals, with some expected to result in significant costs. For example, it is claimed that the provision for commercial electric vehicle charging is expected to result in a net cost of at least \$1.5 billion (Keating 2024).

The ABCB has stated, in March 2025, that:

we have not yet provided our final advice to Building Ministers and, therefore, no decision has been made about the content, publication or commencement of any future edition (ABCB 2025).

Given the potential impacts on housing affordability, the Queensland Government should ensure that future changes to building codes including for NCC, have been through robust regulatory impact analysis and demonstrate they provide net benefits to the community.

Frequent changes can also result in increased regulatory burdens

Stakeholders have expressed concerns about the cost to purchase Australian Standards, the rate at which building standards and code changes occur and that there is insufficient adjustment time between changes (Housing Industry Association, sub. 32, pp. 18-20; Master Builders Queensland, sub. 43, pp. 19-21). Similarly, stakeholders stated the rapid pace of change was increasing the rate of building defects and rectification works, sometimes simply because a builder was unaware of a new requirement. The Housing Industry Association has also previously claimed that the NCC amendment process can result in uneven building activity, with a spike in building before a NCC change comes into effect, followed by a sharp decline (Suljanovic 2024).

However, some stakeholders consider that regular updates to the NCC are needed to ensure Australia's building stock remains resilient and that lengthening the time between updates could also increase compliance costs for industry and reduce the benefits of a harmonised NCC (Liu 2025; Perinotto 2024; Sweeney 2025). Australian Sustainable Built Environment Council (sub. 58, p. 1) stated:

Continued commitment to a regular NCC review cycle is essential to minimise duplication, support compliance, enable economies of scale and provide industry with certainty.

Providing greater advance notice of changes to the NCC and allowing more time for implementation are likely to benefit industry as it would improve compliance rates and allow businesses to plan and adjust their practices and allocate resources effectively (Coglianese 2015).

The Queensland Government has already committed to 'provide a clear and consistent approach to implementation timeframes for future NCC updates' (Department of Housing and Public Works 2025a). Consideration could also be given to either increasing the NCC amendment cycle (for example, every five years), like that implemented by the Tasmanian Government, or imposing a moratorium on future changes for a set number of years.

While this would provide more certainty for the industry and allow more time for businesses to adapt to changes, this would need to be weighed against the risk of codes becoming outdated, not keeping pace with advances in building technology, changes in societal expectations, or other emerging issues.

12.4 Building certification and planning requirements are causing confusion and inconsistencies

In many cases, residential housing may require assessment against state laws, a local government planning scheme and building assessment requirements (Queensland Law Society, sub. 63, p. 4; Erin Dunn, sub. 64). As noted in Part B on land use regulation, local planning regulations often introduce additional, inconsistent or duplicative requirements to building requirements.

A number of stakeholders noted that the interaction between the *Planning Act 2016* and *Building Act 1975* is causing regulatory overlap, inconsistent application and overreach by local government (Master Builders Queensland, sub. 43, pp. 21-22; Project BA, sub. 48, pp. 2-3; Queensland Law Society, sub. 63, p. 5; Erin Dunn, sub. 64). Stakeholders argued that this has resulted in a number of regulatory 'grey areas' leading to different legislative interpretation, confusion, and ultimately delayed development outcomes (Housing Industry Association, sub. 32, pp. 7-8; Master Builders Queensland, sub. 43, pp. 21-22; Erin Dunn, sub. 64).

These matters are discussed in more detail in Part B: Land use regulation.

12.5 Stakeholders have been critical of the QBCC's performance

Many stakeholders told us that they were dissatisfied with the performance of the QBCC and that the regulator has, historically, struggled to effectively and transparently manage its core regulatory functions (Master Builders Queensland, sub. 43, p. 34). According to a survey by Business Chamber Queensland (as reported in their Efficient Regulation Report 2023), 58 per cent of respondents in the construction industry considered the QBCC to impose a high regulatory burden.

Stakeholders suggested that the QBCC has inefficient, duplicative and unclear processes and has been too slow to respond to and resolve issues:

Having an inspection by a QBCC inspector is a crucial step in dispute resolution, yet in our resident's cases it took six months for an inspector to attend the property. (Sandy Bolton MP, sub. 9, p. 2)

Many stakeholders also expressed concern that the QBCC was inconsistent in its advice and enforcement and makes regulatory decisions 'misaligned' with its governing legislation:

Consistent, transparent, and effective enforcement of licensing and technical standards by the QBCC is crucial for maintaining a level playing field and public confidence. However, industry members report challenges in obtaining clear and timely advice and concerns about the consistency of enforcement actions. A more collaborative and educative approach from the QBCC, coupled with robust action against genuinely non-compliant or unlicensed operators, would foster greater industry productivity. (AMCA, NECA & NFIA, sub. 47, p. 6)

Stakeholders also indicated the QBCC had a lack of presence and inspection activity in subsectors and regional areas.

The QBCC has noted a commitment to change

Improving the QBCC's performance appears to be a key focus of the incoming Queensland Government, with the Queensland Minister for Housing and Public Works being instructed (via ministerial charter letter) to:

- ensure the QBCC is customer focussed in its everyday work so that tradesmen and women, along with home owners and builders, are able to access timely information in their dealings with the regulator, and

- where appropriate, identify opportunities to strengthen the independence of the QBCC.

The QBCC has recently commenced a process to improve regulator performance. A new leadership group has been appointed. The Queensland Government has outlined its expectations: an improved focus on consumers and a more accountable, risk-based, and outcomes-driven regulatory approach (Queensland Government 2025d).

The Commission understands the QBCC is aware of the problems raised by stakeholders and the need for change. Also, the QBCC leadership has been consulting across Queensland to understand stakeholder issues and rebuild relationships.

It is too early to assess whether these changes will address performance issues. But beyond these operational changes, the key question is whether the regulatory framework QBCC operates under provides the right incentives to effectively and efficiently deliver its activities.

The Commission is seeking to understand whether there are any elements of the regulatory framework the QBCC operates under that act as barriers or provide poor incentives to improve regulator performance.

One area of opportunity could be in the organisation's overarching governance, which has been described as the 'crucial ingredient' in good regulatory performance (OECD 2021). There are a number of features of good governance, which should have the end goal of better performance and consumer outcomes, including technical rigour, objectivity and predictability (OECD 2021).³⁷

In this light, the QBCC and Queensland Government should evaluate the outstanding recommendations of the 2022 QBCC governance review and, if they are still considered appropriate, prioritise their implementation.³⁸ Notable recommendations where work is continuing, or has yet to commence, includes strengthening and enhancing staffing capability and implementing a 'contemporary and sustainable funding model' (Queensland Government 2024i).

There may be opportunities to improve measures of performance

Clearly articulated objectives and robust outcome-based performance indicators are also important for the governance of regulators.

Unless clear objectives are specified, the regulator may not have sufficient context to establish priorities, processes and boundaries for its work. In addition, clear objectives are needed so others can hold the regulator accountable for its performance. Regulated entities have a particular right to know the reason their activities may be directed or limited. (OECD 2014, p. 31)

The QBCC currently reports quarterly against a range of measures including processing times for licence applications and defects, movement to online forms and proportion of QBCC decisions set aside by the Queensland Civil and Administrative Tribunal. The QBCC also reports annually under the Queensland Government's Regulator Performance Framework.

The Commission is seeking further information from stakeholders on whether the QBCC's current metrics appropriately measure QBCC's performance and if not, what alternative metrics would help to make performance outcomes more transparent and improve industry confidence.

Digital initiatives are progressing

Digital innovation has the potential to be transformative for government service delivery — including the delivery of regulatory services — by reducing regulatory burden and better targeting risks (see earlier discussion in chapter 3).

³⁷ Further discussion on regulator practice is provided in chapter 3.

³⁸ According to the Queensland Government's latest implementation report from December 2024, while the majority of the review's recommendations have been delivered, work is continuing, or yet to commence, on 17 actions.

The 2022 QBCC governance review also had several recommendations and actions aimed at improving responsiveness, information technology systems and digital capability. In response, the QBCC has recently introduced measures such as a customer improvement plan, however, it is too early to tell if these measures have been successful.

Promisingly, the Queensland Government has also recently introduced the legislative changes, as part of its Building Reg Reno (Tranche 3), to enable ‘user-friendly electronic services’ and support digital licensing for QBCC licensees (Queensland Government 2025c).

The Commission is considering if there are other options that would help ensure QBCC is focussed on continual improvement and is interested in any stakeholder views on this matter.

12.6 Additional regulatory issues

Stakeholder submissions also raised some additional regulatory issues related to contract values and the Queensland Home Warranty Scheme. The Commission is interested in further views on these issues.

Threshold for insurable works

In Queensland, individuals and companies must hold a QBCC licence to carry out building work that is valued over \$3,300. In addition, most residential building work (including renovations and repairs) in Queensland valued at more than this value (including materials, labour and GST) must have cover under the Queensland Home Warranty Scheme. The Scheme protects Queensland homeowners if a builder fails to complete the work or the building has structural defects. To fund the Scheme, a builder pays premiums to the QBCC on behalf of the customer.

As the threshold value has been fixed at this value since 2000, stakeholders have raised concerns that it has not kept pace with construction costs or inflation. The current threshold for insurable works is significantly lower than other states. The threshold in South Australia, the Northern Territory, and the ACT is \$12,000, while in New South Wales and Western Australia it is \$20,000 (HIA 2022a).

Housing Industry Association (sub. 32, p. 17) stated that the threshold for insurable works under the Queensland Home Warranty Scheme should be raised to a ‘minimum’ of \$20,000. It has also previously been suggested that the threshold should be indexed annually (MBQ 2022, p. 3).

Anecdotal evidence suggests that insurance claims under \$11,000 occur far less than for higher thresholds (MBQ 2022, p. 3). If the threshold was raised, consumers would still retain protection through the QBCC’s dispute resolution services and the Queensland Civil and Administrative Tribunal (QCAT) which manages disputes up to \$25,000 (Housing Industry Association, sub. 32, p. 17).

The Queensland Government has previously announced it would undertake a review of both licensing and insurance thresholds as part of its Building Reg Reno staged package of reforms (Department of Housing and Public Works 2025a).

The Commission welcomes stakeholder views on this issue.

Deposit caps

In Queensland, a contract for domestic building work valued above the \$3,300 threshold must comply with the form and content requirements for domestic building contracts set out in Schedule 1B of the QBCC Act. The maximum deposit for a Level 1 contract, up to \$19,999, is 10 per cent (with some exceptions). The maximum deposit for a level two contract (\$20,000 or more) is five per cent (QBCC 2021b, p. 3 & 9). The premium for Queensland Home Warranty Scheme also needs to be paid from the deposit by whichever occurs earlier: the commencement of works or ten business days from contract being entered into (QBCC 2021b, p. 6).

These deposit caps have not changed since the inception of the *Domestic Building Contracts Act* in 2000 (Master Builders Queensland, sub. 43, p. 12). Master Builders Queensland argues the 5 per cent deposit cap has not kept pace with pre-construction costs which include design assessment for energy efficiency, site safety plans, a training levy, portable long service leave levy and approval fees. It also argues there are significant challenges for small businesses who encounter cash flow issues and financial stress and can lead to project delays and affect security of payment (Master Builders Queensland, sub. 43, p. 12-13).

Master Builders Queensland has therefore recommended raising the maximum deposit cap for a domestic building contract to ten per cent, to support contractors' ability to fund up-front costs and manage their cash flow (Master Builders Queensland, sub. 43, p. 14). Further, the Housing Industry Association have previously argued that warranty scheme premiums could be paid separately to deposits:

This allows the contractor more money to adequately prepare for starting the building works and to use the full amount of the deposit for its intended purpose (HIA 2022a, p. 12).

The Commission welcomes stakeholder views on this issue.

12.7 Regulatory review

Given the complexity of building regulation and the potential costs of regulatory or policy error, it is not possible for the Commission to conduct an in-depth review of every regulatory standard affecting the building industry. Nevertheless, there have been concerns that the stock of building regulation is affecting the productivity of the industry (for example, see PC 2025).

As noted in Chapter 3, stock reviews are a useful tool for managing the stock of regulation since they allow for a targeted in-depth review of regulatory areas.

The Commission is seeking stakeholder views on areas of regulation, that are significantly impacting productivity, that would benefit from this approach.

12.8 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 11 – IMPACTS ARISING FROM NCC 2022

Unless it is demonstrated through consultation that energy efficiency and accessibility standards made as part of NCC 2022 provide a net benefit to the Queensland community, the Queensland Government should amend the Queensland Development Code to opt-out of these provisions (that is, make them voluntary).



PRELIMINARY RECOMMENDATION 12 – FUTURE REGULATORY CHANGES TO BUILDING CODES

The Queensland Government should:

- only adopt future NCC changes in Queensland codes where these have been through robust regulatory impact analysis to demonstrate they provide net benefits to the community
- only adopt other building code changes where these have been assessed as providing a net benefit under the *Queensland Government Better Regulation Policy*
- advocate for improved regulatory processes at the national level, including for NCC.



REQUEST FOR INFORMATION – IMPACTS ARISING FROM NCC 2022

Changes to the NCC are agreed upon through a process involving public consultation, review by expert committees and assessment of costs and benefits. Only those changes that have a demonstrated net benefit to the community are supposed to be adopted. The Commission would like to understand if stakeholders agree that this is a reasonable process, and if not, what changes should be made.



REFORM DIRECTION 7 – STOCK REVIEW OF BUILDING REGULATIONS AND STANDARDS

Given the accumulation of regulatory burden, there is likely to be value in undertaking a targeted, in-depth review of building regulations and standards, including how they are made, implemented and administered.



REQUEST FOR INFORMATION – STOCK REVIEW OF BUILDING REGULATIONS AND STANDARDS

To finalise any recommendation for a review of the stock of building regulations and standards, including how they are administered, the Commission would like to understand if there are particular areas a review should focus on, and how the review should be conducted.



REFORM DIRECTION 8 – QBCC PERFORMANCE

The QBCC should consider and implement outstanding recommendations of the 2022 QBCC governance review that remain relevant. It should also consider measures to improve performance, including streamlining its licensing processes, improving its responsiveness to stakeholder and customer concerns, ensure it has sufficient presence in regional areas and continue to work to reduce compliance burdens on industry.

While it is beyond the scope of this inquiry to conduct an operational review of the QBCC, consideration should be given to whether the regulatory framework underpinning the QBCC provides the right incentives for ongoing improvements to regulatory performance.



REQUEST FOR INFORMATION – QBCC PERFORMANCE

The QBCC currently reports quarterly against a range of measures including processing times for renewals, licence applications and defects, movement to online forms and proportion of QBCC decisions set aside by the Queensland Civil and Administrative Tribunal. It also reports annually under the Queensland Government's Regulator Performance Framework (RPF).

The Commission would like to understand if the metrics the QBCC reports against appropriately measure its performance, and if not, what other metrics would help to make performance outcomes more transparent.

Are there other options for incentivising improved performance that the Commission should consider?



REQUEST FOR INFORMATION – THRESHOLD FOR INSURABLE WORKS

The Commission is seeking further information on the threshold for insurable works under the Queensland Home Warranty Scheme, including:

- the potential benefits and risks of increasing the threshold (including the impact on insurance claims and dispute resolution provisions)
- whether the threshold should be indexed annually and, if so, the appropriate methodology for indexing.



REQUEST FOR INFORMATION – DEPOSIT CAPS

The Commission is interested in feedback on the current deposit caps for domestic building contracts in Queensland, including:

- potential implications of raising the deposit cap for higher value contracts including any impact on pre-construction costs, cash flow, and project timelines for small businesses?
- whether the premium for the Queensland Home Warranty Scheme should be paid separately from the deposit? What would be the advantages and disadvantages of this approach for builders and consumers?

13.0

Financial regulation

13.1 Financial requirements

Financial requirement regulation aims to mitigate the impacts of insolvencies, defaults and other adverse financial events throughout the construction supply chain. Whether due to misconduct or as a result of unfavourable market conditions outside a business's control, the consequences of financial distress extend beyond those immediately affected to other industry participants and customers. This could involve:

- other contractors failing to receive payment (and possibly themselves entering financial difficulty)
- impacts on workers and apprentices whose employment may be impacted by financial difficulties for their workplace
- end customers not receiving a good or service for which they have already paid.

Accordingly, governments have sought various policy solutions that seek to reduce financial risk in the construction industry. However, most policy instruments impose obligations on a wide range of industry participants, even though only a small fraction of the industry may be responsible for the harm that is being targeted. Consequently, where a problem warranting government intervention is identified, any obligations on industry should be the minimum required to achieve the objective in order to avoid unnecessary costs on businesses and consumers.

This chapter explores two frameworks that distinguish the Queensland construction industry from other jurisdictions, namely minimum financial requirements (MFR) and trust accounts.

Minimum financial requirements

Queensland building and construction contractor licensees are required to provide financial information to the Queensland Building and Construction Commission (QBCC) under the MFR regime. These reporting requirements were reinstated in 2019 following their removal in 2014. Exemptions are in place for some licensees who hold professional indemnity insurance (QBCC 2021d).³⁹

The *Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018* (the MFR Regulation) prescribes financial viability obligations that contractors must meet. Licensees are required to demonstrate their ongoing financial sustainability to the QBCC through annual financial reporting.

The QBCC specifies a contractor's allowable annual turnover (measured by maximum revenue) as:

- a function of working capital (measured by net tangible assets)
- subject to satisfying a current ratio of \$1 in current assets for each \$1 in current liabilities.

These requirements have the potential to impact industry capacity and productivity by limiting the pool of contractors available to complete construction work. As detailed in Box 13.1, there are no comparable financial requirements applied to the building and construction industries in other Australian jurisdictions.

³⁹ The exempt licence classes are building design – low rise, medium rise, and open; builder, project management services; hydraulic services design; site classifier; fire protection – water-based fire system stream—design and electrical electrical—design—fire alarm systems. Nominee supervisor licensees, site supervisor licensees, occupational licensees, building certifiers and pool safety inspectors do not have to meet any MFR obligations.

Box 13.1 Arrangements in other jurisdictions

The Commission is not aware of any comparable requirements in other Australian jurisdictions, nor do minimum financial requirements (MFR) appear to be used in other industries. For instance, under the *Victorian Building Act 1993*, building practitioners are subject to general financial probity requirements (for example, no outstanding judgement debts) but no specific MFR thresholds. Victorian builders must also obtain domestic building insurance for work valued at more than \$16,000, with insurance eligibility subject to a financial assessment process. This implicitly imposes minimum standards on Victorian licensees, but the requirements are not prescriptive in nature as is the case under Queensland regulatory requirements.

Likewise, in New South Wales, licensed builders and tradespeople must obtain home building compensation cover for each home building project over \$20,000. Again, eligibility for cover is subject to providing a profit and loss statement and statement of personal assets and liabilities, but there are no prescribed thresholds that licensees must meet.

Sources: *Building Commission NSW 2025; Victorian Managed Insurance Authority 2025*.

What problem do MFRs try to address?

The underlying problem that MFRs target is the rate and consequences of insolvencies on the construction industry and the broader community. It is difficult to establish a robust counterfactual to inform how Queensland insolvencies would have trended in the absence of these requirements. Nevertheless, it is possible to observe the extent to which Queensland insolvency rates have diverged from those of interstate jurisdictions without MFRs.

Figure 13.1 displays standardised changes in insolvency rates for Queensland, NSW, Victoria and South Australia. Over the last decade, Queensland insolvencies have followed much the same trend as states without comparable MFR obligations. Indeed, there is no significant change in insolvencies corresponding to the repeal of MFR reporting obligations (in 2014) and their reintroduction (in 2019).

Figure 13.1 Standardised changes in insolvency rates by jurisdiction



Source: QPC based on ASIC 2024.

Note: Standardisation involves subtracting the average from each series and dividing by the standard deviation, allowing for magnitudes of changes to be comparable across jurisdictions. The formula for standardising insolvencies for a given state in a given quarter is $(\text{quarterly insolvency} - \text{average quarterly insolvencies}) / \text{standard deviation of insolvencies}$.

The findings are also consistent with a 2022 EY report commissioned by Master Builders Queensland, which found that Queensland's building and construction industry insolvency rates were broadly comparable to those in other Australian jurisdictions that did not have similarly stringent MFR frameworks in place (EY 2022).

Is MFR regulation effective and efficient?

Available evidence indicates that MFR obligations impose material compliance costs without a clear reduction in insolvency rates. For example, the aforementioned 2022 EY report for Master Builders Queensland estimated annual compliance costs of at least \$78 million (EY 2022). These were estimated to be distributed across contractor licensees as follows:

- \$689 per annum for small businesses
- \$3,416 per annum for medium businesses
- \$13,408 per annum for large businesses.

This compliance burden may be elevated for licensees in rural and regional areas, where access to legal, accounting and financial advice may be constrained compared to metropolitan areas.

MFRs could also have the unintended consequence of discouraging business growth (with flow on effects to employment, investment, and efficiency in the industry), as companies remain small to avoid higher reporting costs usually imposed on larger building and construction licensees. Falta and Gallery (2011) analysed data between 2001 and 2006 for small and medium construction licensees regulated by the then Queensland Building Services Authority (QBSA). They found that as many as 32 per cent of licensees were categorising themselves into lower licence classes than would be implied by their financial position. While this analysis pertains to a previous regulatory framework, the underlying principles and efficiency applications remain broadly applicable to the current regulatory arrangements, which potentially reduce industry capacity and productivity by limiting the ability of contractors to take on additional construction work.

Stakeholders noted that because financial requirements are calculated on national revenue, some contractors with national or multijurisdictional operations have needed to establish separate Queensland entities, which has involved additional administration costs (Australian Constructors Association, sub. 39, p. 25). Stakeholders also told us that delayed or unpredictable payments to subcontractors can affect their ability to meet MFR requirements, even if their businesses are otherwise viable (Master Plumbers Association Queensland, sub. 62, p.5).

Recent changes to MFRs in Queensland

In February 2025, the Queensland Government removed the requirement for individual operators in self-certifying licence categories (with annual revenue below \$800,000)⁴⁰ to provide annual reports under the MFR regime. These obligations applied to more than 50,000 operators, equivalent to 97 per cent of all individual licensees. These licensees will still need to meet MFR standards and the QBCC will retain its ability to audit licensees to ensure compliance (Department of Housing and Public Works 2025b).

The removal of these reporting requirements is expected to reduce regulatory burden. It is unclear whether the remaining MFR reporting obligations are well-targeted, considering they now apply predominantly to larger operators. As outlined in Box 13.1, other Australian jurisdictions apply financial requirements via building insurance applications, which has the effect of aligning financial requirements with the scale of the work being undertaken. This could be a potential option for consideration if MFR obligations were reduced or removed.

There appears to be an in-principle case for removing all remaining MFR reporting requirements, unless it can be demonstrated that MFRs deliver net benefits to the Queensland community. The Commission is therefore seeking any further stakeholder views on the costs and benefits associated with the remaining MFR measures in effect and whether there is scope to remove or streamline MFR obligations further.

⁴⁰ SC1 (annual revenue not exceeding \$200,000) and SC2 (annual revenue not exceeding \$800,000)

Trust account requirements

The *Building Industry Fairness (Security of Payment) Act 2017* (the BIF Act) was introduced in Queensland in response to concerns with late payment or non-payment for work done by subcontractors in the building industry. This included the establishment of a framework for trust accounts where money is held in trust for subcontractors. Box 13.2 summarises the arrangements for project trust accounts (PTAs) and retention trust accounts (RTAs) in Queensland.

Box 13.2 Queensland's trust account framework

Project trust accounts (PTAs)

- The project owner or developer pays into the PTA, which is managed by the head contractor.
- The head contractor and all subcontractors are paid from the PTA.
- The head contractor needs a separate PTA for each eligible contract or project.

Retention trust accounts (RTAs)

- Where 'eligible' cash retention amounts are withheld until they are due to be paid.
- Retention amounts offer protection to the contracting party (e.g. correcting defects and faults) and are released upon completion / end of liability period.
- The same RTA can be used across multiple projects.

An RTA is required if the contracting party is one of the following:

- a private sector principal (e.g. owner or developer) who is withholding cash retentions from the head contractor on a contract that requires a PTA
- a head contractor for a project trust contract who is withholding cash retentions from first-tier subcontractors

Because PTA eligibility is one of the requirements for an RTA, the scope of PTA coverage effectively limits the application of RTAs.

Source: QBCC 2021c, 2025.

Phase One of PTAs (previously referred to as Project Bank Accounts) commenced on 1 March 2018 and applied to Queensland Government funded projects valued between \$1 million and \$10 million. Further changes were made to the originally legislated framework in 2020, including more streamlined trust account arrangements. Since then, the regulation has been rolled out to other eligible building and construction contracts (including the private sector) in phases, as shown in Figure 13.2.

Figure 13.2 Project Trust Accounts timeline

On 10 February 2025, the Queensland Government introduced the Building Regulation Renovation (Building Reg Reno). The first tranche of the Building Reg Reno paused the further rollout of trust accounts to private projects below \$10 million.

Source: QBCC 2025.

Further amendments to the BIF Act commenced on 1 July 2024. Key components of the package included:

- Trustees will no longer be required to complete the mandatory retention trust training
- Trustees will no longer be required to engage an auditor to carry out an account review report for trust accounts opened after 1 July 2024.
- Less prescriptive record keeping requirements aligned to standard accounting practice to fast-track software solutions to support compliance.

The threshold for private sector, local government, statutory authorities' and government-owned corporations' contracts was planned to be lowered to \$3 million or more on 1 March 2025, followed by a further reduction to \$1 million or more on 1 October 2025, but these amendments have since been paused due to concerns about the financial vulnerability of the construction industry, and to allow time for industry education as well as the completion of this inquiry (Queensland Government 2025e, pp. 1–2).

What problem do trust accounts aim to address?

When entering into contracts, subcontractors are unlikely to have full visibility of the financial position of vendors or other contractors with whom they transact. This can lead to suboptimal levels of construction activity if parties opt not to enter into contracts because they are unable to ascertain risk. This also constrains productivity if businesses are reluctant to invest due to this uncertainty.

Compounding this, the construction industry is dominated by small businesses with fewer than five people. As a result, the industry is highly fragmented, with projects often divided into discrete tasks undertaken by various small businesses and contractors. This characteristic of the industry can have significant implications for construction productivity if the financial difficulty of one operator causes larger disruptions to a building project.

Slow or non-payment is potentially an underlying driver for insolvency. Analysis of trade receivables data indicates that 5.2 per cent of payments in the construction industry are more than 60 days in arrears, the third-highest proportion of any industry (Pollack 2024). However, this proportion was less than half the 11.9 per cent rate observed for the construction industry in June 2022 (Adams 2022).

Construction industry participants also tend to take a more conservative approach to cash management and can withhold payments or redirect funds to manage reduced profit margins (Australian Government 2025b, p. 5). As a result, subcontractors can be exposed to risks from a head contractor's other projects where they do not hold any interest. There are also inherent timing issues for subcontractors if contract payment milestones are not aligned with the completion of work by subcontractors. Master Plumbers Association Queensland (sub. 62, p. 4) raised concerns about current processes linking subcontractor practical completion to overall project completion, and instead proposed legislating decoupled definitions to avoid delayed payments.

Several stakeholders told us that non-payment of subcontractors remains a significant issue within the construction industry (Master Plumbers Association Queensland, sub. 62, pp. 3-4; Master Electricians Australia, sub. 37, p. 10; AMCA, NECA and NFIA, sub. 47, p. 3). Master Electricians Australia (sub. 37, p. 27) conducted an industry survey, which found that over 60 per cent of respondents had been unpaid in the last 5 years due to contractor insolvency in both the commercial and residential sectors, with 87 per cent owed up to \$100,000. Sixty-five per cent did not receive any of the money owed, and of these, 21 per cent of non-payments were by a residential builder, with most respondents finding the legislative framework difficult to understand.

Is trust account regulation effective and efficient?

Trust accounts aim to improve business confidence by providing processes for securing payment (Building Industry Fairness Reforms Implementation and Evaluation Panel 2019). As stated by Building Trusts (sub. 42, p. 1):

The purpose of trust accounts is to protect subcontractors' funds by ring-fencing payments that are owed to them, ensuring that money intended for subcontractors is not used to prop up other parts of the business.

However, perceptions regarding the efficacy of trust accounts appear to differ across the construction industry. Some industry stakeholders have maintained that insufficient analysis was undertaken on the extension of the regulation to the private sector, and that the changes are having a perverse impact on industry without achieving enhanced security of payment (Housing Industry Association, sub. 32, p. 15; Australian Constructors Association, sub. 39, p. 25; Master Builders Queensland, sub. 43, pp. 35-36). Other stakeholders have expressed concerns about the pause to the trust account rollout, instead advocating for stronger payment protections (Master Electricians Australia, sub. 37, p. 11; AMCA, NECA and NFIA, sub. 47, p. 3; Master Plumbers Association Queensland, sub. 62, p. 4).

Any trust account requirements should facilitate efficient financial management

A framework for enhancing security of payment will be more effective if it aligns as closely as possible with efficient financial management practices. Where regulation causes industry participants to depart from such practices without a commensurate reduction in excessive risk-taking behaviour or financial misconduct, the cost of regulation is likely to exceed any realised benefits. Indeed, a potential unintended consequence of trust accounts is that the constraints on cash flow could increase the likelihood of a head contractor being unable to meet a payment obligation, even though the business's operations are otherwise financially sound Australian Government 2025b, p. 15). This would run contrary to the intent of improving payment outcomes and reducing insolvency risk in the construction industry.

Consequently, there is a need to better understand how businesses and individuals would be likely to operate without trust account requirements (as in other Australian jurisdictions), how trust accounts induce changes in behaviour, and what implications this has for construction productivity.

In essence, the BIF Act has introduced provisions that prohibit head contractors on a building project from using retentions or project funds as part of their cash flow or on other projects. At present, there is a lack of publicly available evidence that illustrates how or whether trust accounts materially impact cash flow and how widespread these challenges are. Most information is anecdotal and does not reveal the scope or scale of impacts.

Trust account requirements impose costs on industry with unclear benefits

The trust account framework has the potential to result in cashflow impacts for head contractors as well as impose associated financing and compliance costs and other requirements such as auditing and training. Contractors are likely to incur material administrative, legal and accounting costs to understand and comply with trust account requirements, and bear holding costs of having large amounts of working capital sitting in trust accounts and not otherwise available to their business.

QBCC data indicates that there were 1,319 active PTAs as at 31 March 2025, with a total building contract value of \$35.2 billion. Of these, 634 PTAs were for private sector contracts with a total contract value of \$24.5 billion (implying an average project value of \$38.7 million). 516 RTAs had also been opened as at 31 March 2025. For head contractors, the main compliance tasks associated with managing trust accounts include:

- opening and closing trust accounts with approved financial institutions
- notifying the QBCC, contracting party and subcontractor beneficiaries when certain events occur (for example, changes to the name and/or financial institution of the account)
- managing deposits into and withdrawals from trust accounts
- record keeping and accounting (including ledgers, monthly reconciliation statements and other documentation)
- training and legal advice to meet regulatory requirements.

The time involved with these tasks is likely to vary across projects, making it difficult to approximate compliance costs across industry. While the analysis below predates the more recent stages of the phased rollout, industry has previously estimated that:

- trust accounting requirements alone could cost \$178,000 per \$3 million project (6 per cent of project costs) (HIA 2019, p. 14).
- construction costs could rise up to 3 per cent for smaller builders (compared to 1.5 per cent for larger builders), due to a lack of economies of scale and administrative resources (Master Builders Queensland 2017a, p. 19).

Deloitte Access Economics (2016) estimated that the introduction of trust accounts would deliver an overall net benefit to the community, even though there would be a significant cost to head contractors of \$1.5 billion over 20 years. However, the analysis relied on the assumption that subcontractors would reduce their pricing to reflect a reduced risk of delayed or non-payment. If no (or lower than modelled) savings eventuate, then the regulation could result in a net cost to the community. At this stage, it is unclear to what extent such savings have been realised. Contract pricing will be determined by a range of market factors, so it may be difficult to attribute a change in pricing to perceptions of reduced risk.

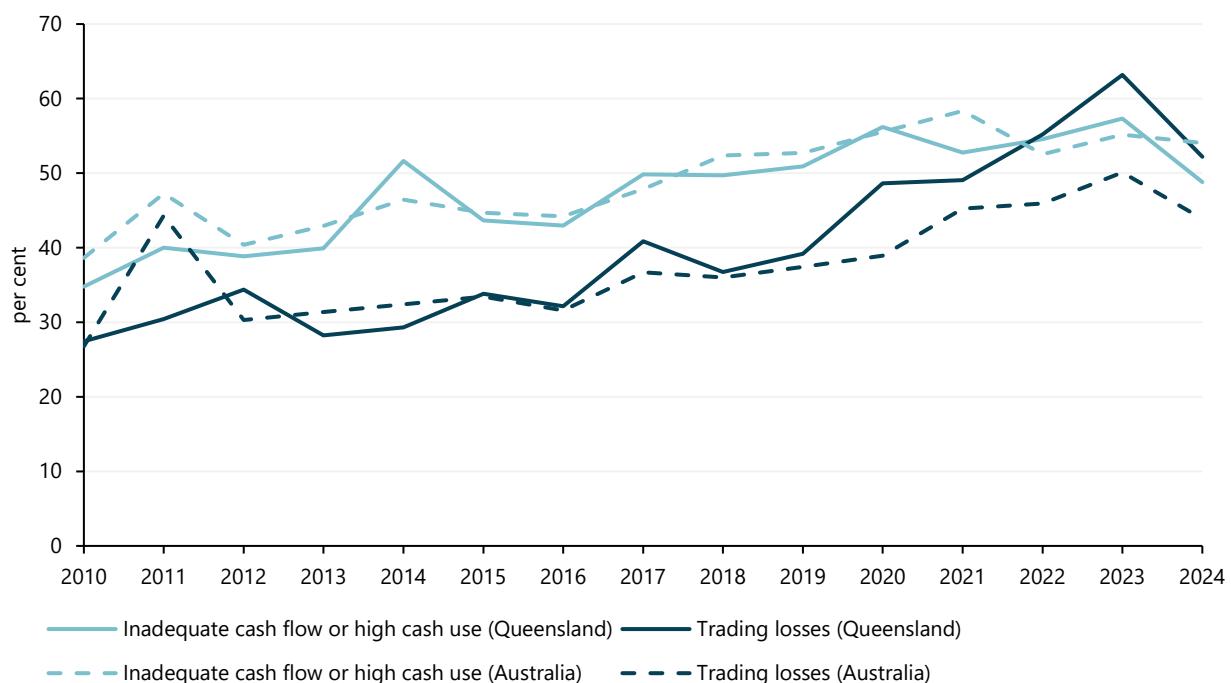
Although not specific to Queensland's legislation, analysis commissioned by the Australian Small Business and Family Enterprise Ombudsman (2018, p. 4) estimated that the cost of running a trust account was only 0.1 per cent of annual revenue for businesses with 20 employees, but this increased to 2 per cent of annual revenue for businesses with between 2 and 10 employees, and 3.5 to 4 per cent of annual revenue for sole traders.

Master Builders Queensland (sub. 43, pp. 35-36) noted a forthcoming report from EY, which has reviewed the performance and efficacy of Queensland's trust account arrangements based on consultation with stakeholders and their experience with the framework. Preliminary results indicate that whilst the framework has increased industry fiscal discipline, there have been increased compliance costs without evidence of increased payment security.

While recent amendments are likely to have reduced the level of administrative burden for builders and subcontractors, concern remains regarding their potential extension to private sector projects—especially the burden faced by builders for smaller projects valued between \$1 million and \$10 million, who may have limited administrative resources to comply with legislation (Housing Industry Association, sub. 32, p. 15). This may act as a barrier to smaller builders working on larger projects (such as small apartment buildings and townhouses), which would have ramifications for housing supply and affordability.

It is unclear to what extent the compliance costs associated with trust accounts have been offset by benefits in the form of reduced insolvencies attributable to cash flow constraints. While there are various factors driving insolvency rates, available data suggest that insolvencies from non-payments may be increasing over time. Figure 13.3 illustrates how nominated causes of insolvency in the Queensland (solid lines) and Australian (dashed lines) construction industry have changed since 2010.

Figure 13.3 Nominated causes of construction industry insolvencies, Queensland and Australia



Source: QPC based on ASIC 2024.

Note: Figures sum to more than 100 per cent because administrators can nominate more than one cause of insolvency.

There has been a consistent increase in the proportion of insolvencies where inadequate cash flow or trading losses are cited as a cause of insolvency at both the state and national level. In 2010, 'inadequate cash flow or high cash use' was cited in 35 per cent of Queensland insolvencies; by 2024 this was cited 49 per cent of the time. Similarly, insolvencies attributed to trading losses have increased from 27 per cent to 52 per cent since 2010 in Queensland. The proportion of Queensland insolvencies in this category was similar to the Australian average between 2010 and 2018, but has steadily exceeded nationwide levels from 2019 onwards.

Although it is not possible to establish any causal relationship between causes of insolvency and the implementation of trust account requirements, the evidence available to the Commission does not suggest that trust accounts have reduced the incidence of insolvencies due to cash flow constraints or trading losses.

Existing alternatives to trust accounts may offer similar protections

It is important to note that trust accounts are not the only tool available for ensuring security of payment. The BIF Act provides a range of other mechanisms for resolving payment disputes that complement, and in some situations substitute for, the trust account framework (QBCC 2021a). These include:

- adjudication – parties in dispute about an amount owned can seek a decision from the Adjudication Registrar (QBCC 2018)
- payment withholding requests – head contractors and subcontractors who have not been paid an adjudicated amount can request payment from a higher party in the contractual chain
- charge over property – a form of security interest that prevents a registered owner from selling or dealing with a property where an outstanding amount is owed and allows the head contractor to sell the property

- subcontractors' charges – secures outstanding money from higher up the contractual chain
- monies owed complaints – notifies the QBCC that a licensee has not paid money that they are liable and due to pay
- Queensland Civil and Administrative Tribunal (QCAT) – a party can commence QCAT proceedings relating to payment disputes even while a monies owed complaint is underway.

These measures are, however, not without cost. For example, stakeholders told us that resolving disputes through QCAT can take multiple years to conclude, with difficulties sourcing independent expert advice and enforcing QCAT orders (Housing Industry Association, sub. 32, p. 16; Master Plumbers Association Queensland, sub. 62, p. 5). The Housing Industry Association (sub. 32, p.16) proposed that Queensland should allow for arbitration clauses in domestic building contracts, citing South Australia as a jurisdiction where this approach has improved timeliness of case resolutions.

These alternative mechanisms may only indirectly increase the likelihood that sufficient funds are on hand to meet obligations to subcontractors (for example, through the ability to liquidate assets). However, they may achieve similar objectives in terms of securing payment to subcontractors without the need for trust accounts.

Furthermore, whereas trust accounts requirements apply to all eligible operators, the above mechanisms may create sufficient incentives for parties to efficiently manage risk without placing further regulatory burden on all industry participants (Australian Constructors Association 2023b).

Master Builders Queensland (sub. 43, p. 32) suggested that improved education could help parties manage the risk of non-payment by increasing awareness of rights, responsibilities, and protections available under the security of payment framework.

Technological constraints remain a barrier to implementation

Stakeholders have previously reported a lack of compatible software available for meeting reporting requirements (Master Builders Queensland 2024b). Notwithstanding the financial implications associated with establishing trust accounts, these added technological limitations imposed additional costs on contractors that diminish the intended benefits of the framework. To address these constraints, the Department of Housing and Public Works (DHPW) has liaised with more than 30 digital software providers to support the development of software tools to meet record keeping requirements (QBCC 2024c).

It was expected software would progressively become available in the market from September 2024, with the majority of common software platforms having solutions by early 2025. However, DHPW cited ongoing software availability issues as one of the reasons for pausing the expansion of trust accounts to projects below \$10 million (Queensland Government 2025e, p. 2). Several trust account software providers submitted that these pressures are easing with the increasing availability of technology offerings (Myna Australia, sub. 8, p. 1; Building Trusts, sub. 42, p. 3; integratedPRIVATE, sub. 52, p. 4).

Any future rollout of trust account obligations would benefit from implementation and monitoring strategies to avoid similar issues arising with technology platforms. Implementation and monitoring planning is a key component of regulatory impact analysis.

The trust account framework requires proportional regulatory impact analysis

All Australian states and territories apply security of payment regulations to the building and construction industry in some form, but Queensland is the only jurisdiction that applies project trust accounts to private sector projects.⁴¹ Despite this, the trust account framework has undergone limited regulatory impact analysis over the last decade, which amplifies the potential for unintended consequences that could affect industry confidence and deter investment in Queensland.

Stakeholders have emphasised to us that security of payment problems persist in Queensland. Current regulatory settings do not appear to have adequately addressed the power imbalances inherent in the building and construction supply chain. Based on the evidence currently available to the Commission, it remains untested whether trust accounts generate benefits that exceed the additional administrative costs for licensees and contractors, or whether there are alternatives that could potentially deliver a greater net benefit to the Queensland community.

Some stakeholders have proposed other options for ensuring security of payment, such as the holding of retention money by a central authority, similar to the scheme for rental bonds held by the Residential Tenancies Authority, which could potentially lower compliance costs for head contractors (Master Electricians Australia, sub. 37, p. 11; Master Plumbers Association Queensland, sub. 62, p. 4).

The lack of compatible software for complying with trust account obligations has clearly been a barrier to implementing the regulation in a cost-effective way. Aside from these logistical challenges though, it is still unclear whether the impacts of trust accounts have been sufficiently material to create cash flow constraints, increase construction costs and prevent construction projects from proceeding, as industry stakeholders have stated.

Given this uncertainty, the Commission considers that the trust account requirements should undergo a regulatory impact analysis, in order to ascertain whether the framework is likely to deliver a net benefit to the Queensland community. Any further rollout of trust accounts should remain paused until this is completed.

⁴¹ Trust accounts have been used on government projects in Western Australia, New South Wales and the Northern Territory. In Western Australia, trust requirements for retention monies now apply to construction contracts where the value of works exceeds \$20,000, but there are no equivalent requirements for private sector project trust accounts. In 2020, New South Wales introduced retention trust account requirements for all projects valued over \$20 million, but project trust accounts are not in use. Internationally, Canada, New Zealand, the United States and United Kingdom have security of payment legislation that requires some monies to be held in trust.

13.2 Recommendations



PRELIMINARY RECOMMENDATION 13 – MINIMUM FINANCIAL REQUIREMENTS

Unless it can be demonstrated that Queensland's minimum financial requirements deliver net benefits to the community, the Queensland Government should remove the requirements.



REQUEST FOR INFORMATION – MINIMUM FINANCIAL REQUIREMENTS

The Commission is seeking evidence on:

- stakeholders' experience of complying with minimum financial requirements in Queensland and the time and resources involved
- whether minimum financial requirements remain well-targeted following the recent removal of reporting requirements for the majority of licensees
- whether minimum financial requirements provide benefits not considered by the Commission and whether these benefits justify their retention.



PRELIMINARY RECOMMENDATION 14 – TRUST ACCOUNT FRAMEWORK

To reduce regulatory burden on the construction industry, the pause on further rollout of Queensland's trust account framework should remain in effect until the Queensland Government undertakes commensurate regulatory impact analysis of the framework in line with the Better Regulation Policy.



REQUEST FOR INFORMATION – TRUST ACCOUNT FRAMEWORK

The Commission would like to test its understanding of the costs and benefits associated with trust account obligations in Queensland, in particular:

- stakeholders' experience of complying with trust account obligations in Queensland and the time and resources involved
- how impacts differ across projects of different sizes (for example, contracts valued above/below \$10 million)
- whether stakeholders have observed reductions in contract pricing that could be attributed to the presence of trust accounts and a lower risk of delayed or non-payment
- whether trust account regulation is a significant impediment to undertaking construction projects in Queensland (including case studies or examples)

The Commission is seeking further information on:

- whether trust accounts have been effective in reducing cases of non-payment in the Queensland construction industry
- how trust accounts affect the way stakeholders operate and manage their finances (for example, cash flow)
- the adequacy of existing alternatives available under the security of payment framework
- availability of technological solutions to meet trust account obligations.



14.0

Modern methods of construction

14.1 Modern methods of construction

Productivity can be improved through new methods of construction

Modern methods of construction (MMC) refers to several construction techniques – including offsite fabrication, modular assembly, and prefabrication (prefab). Currently, around 3 to 5 per cent of all building construction in Australia incorporates MMC methods (PC 2024).

MMC takes multiple forms

MMC varies from simple components to fully complete volumetric systems. Components are fabricated off-site in factory-controlled settings enabling them to be standardised and manufactured concurrent with land preparation. MMC also incorporates new technologies such as digital tools, 3D printing, robotics, and artificial intelligence into the design and construction process (PC 2024, p. 81).

Prefabricated and modular construction include:

- 1D prefab - simple linear components that involve some form of prefabrication to ease on-site erection. For example, beams or columns needing to be bolted together (HIA 2022b, p. 4)
- 2D prefab - pre-sized, pre-cut and pre-shaped components that are assembled on sites. This can include structural panels for walls, floors or internal/external cladding systems. 2D prefab is easier to transport and lends itself to customisation
- 3D prefab - pre-assembled modular components that can comprise a small building or pods (i.e., bathrooms, kitchen). 3D prefab typically comes fully finished only needing to be joined together on-site
- Hybrid system - containing elements of more than one system, typically both 3D and 2D systems (Built Offsite 2016, p. 23).

Currently, MMC is mostly used in the provision of health, education and commercial facilities and other infrastructure. Its use for housing in Australia has been limited (prefabAUS n.d., p. 23), with significantly higher use internationally (see Box 14.1).

Box 14.1 Successful international examples of MMC

Internationally, modern methods of construction (MMC) has achieved some success. For example:

- Japan has long been a pioneer in modular housing, with companies like Sekisui Heim leading the market and a government supported system of third-party quality certifications ensuring product excellence.
- Sweden's adoption of MMC is backed by a skilled workforce and robust quality assurance measures, covered by existing building standards. It has enabled the delivery of affordable, high-quality multi-unit housing.
- In Canada, factory-built homes now account for 8-16 per cent of the total single family housing market. The Canadian Standards Association developed three standards specifically related to modular and prefabricated building.

Source: HIA 2022.

Stakeholders suggested MMC has the potential to unlock productivity benefits

Core to the productivity benefits of prefabrication and modular construction is that production takes place through manufacturing processes in controlled factory settings. A controlled factory setting means components are manufactured at one place, off-site, through repetitive processes with the assistance of automation.

This allows for standardised components that can be optimised through a design process known as "Design for Manufacture and Assembly" (DfMA). DfMA, "aligns workflows and embeds constructability from the earliest design stages," and encompasses the "broader value chain, including designers, engineers, manufacturers, and suppliers" (BuildSkills Australia, sub. 24, p. 14). Optimising processes, along with incorporating quality controls, can minimise defects that drain productivity through rework and lead to assets running sub-optimally, potentially causing future problems (Lambers et al. 2024; Johnston & Reid 2019, p. 58).

Controlled factory settings have the potential to enhance worker safety. Between 2021-23, 17.5 per cent of workplace fatalities in Queensland were in the construction industry, while 9.8 per cent were in manufacturing (Safe Work Australia n.d.).

MMC also has the potential to harness the productivity benefits of data and digital technologies. The use of complete and accurate digital models for DfMA, inclusive of all elements such as fittings, can ensure the design is accurate to a few millimetres (Evans-Greenwood et al. 2019, p. 3-4). This aids manufacturers to explore the best materials, optimise processes, better understand specifications and tolerances and minimise components (prefabAUS 2022).

Prefab and modular construction techniques could allow projects to be completed 20 to 50 per cent faster and reduce construction costs by as much as 20 per cent (Bertram et al. 2019). While upfront costs can be higher than conventional methods (Welsh School of Architecture 2006, pp. 35–36), savings can come through reduced waste and greater efficiency, such as better alignment with building schedules, and control of delays associated with weather conditions, specialist trades availability and supplies delivery.⁴²

A relevant example is the La Trobe building in Melbourne, one of Australia's tallest prefabricated buildings. This tower was completed in 30 per cent less time (19 months instead of 26 months) than a neighbouring tower of similar size that used conventional methods (Evans-Greenwood et al. 2019, p. 6).

The Australian Productivity Commission (2024) undertook stylised modelling to assess the impact of removing barriers to MMC, assuming a 10 to 20 per cent uptake and an increase in residential construction output by 2 per cent. This modelling estimated real Gross Domestic Product (GDP) in Australia would increase by 0.15 per cent (or \$4.1 billion) due to increased residential construction output and by 0.06 per cent (or \$1.7 billion) due to high non-residential construction output. The modelling also estimated a decrease in the Consumer Price Index (CPI) by 0.08 per cent and 0.04 per cent respectively.⁴³

MMC also offers other potential benefits, including:

- Sustainability through minimal material wastage, use of low carbon materials and environmentally conscious designs (prefabAUS n.d., pp. 25–26).
- Imposing less disruptions on neighbourhoods in infill locations by being on-site for significantly less time and producing less noise, even allowing for night work (Evans-Greenwood et al. 2019, p. 8).

Adoption of MMC faces several challenges

MMC faces several challenges to its adoption. A producer of MMC products stated:

Differences in planning approvals, building codes, and procurement practices across jurisdictions often mean MMC projects are assessed through a traditional lens, disadvantaging innovation.
(Modscape & Modbotics, sub. 4, p. 2)

While these challenges may be significant and could slow more widespread uptake, it is important to understand the underlying causes of each barrier in order to assess if there is a role for government intervention.

⁴² For example, multiple buildings being produced in one location saves specialist trades contractors travelling to different sites, and MMC suppliers can manage inhouse inventories requisite to planned/projected production.

⁴³ The PC notes that benefits will not be strictly additive as the residential and non-residential sectors compete for labour and resources.

Typically, government should only intervene in the market where:

- there is a clear market failure, and it is likely that this intervention would generate net benefits for the community, or
- there are regulatory or policy barriers that have created market distortions that prevent the uptake of new technology, such as MMC.

MMC faces challenges common to emerging technologies and techniques

One of the challenges routinely raised by industry stakeholders is the difficulty for home buyers in obtaining finance for MMC construction. Financial institutions have often been cautious about funding MMC projects, stemming from unfamiliarity with the processes, perceived higher risks compared to conventional builds, and payment schedules that differ from on-site construction. For conventional construction, lenders usually provide progress payments at key stages such as excavation, frame, truss or roof installation. For prefab and modular construction, finance is typically required upfront. Few companies can take on the associated financial risks, such as short-term cash flow constraints or insurance coverage costs (Housing Industry Association, sub. 32, p. 14). While these financial hurdles may create barriers for MMC, these do not constitute an obvious market failure and may simply represent the higher risk faced by financers.

MMC also encounters several market challenges. For MMC techniques to offer cost savings to consumers, prefabricated and modular manufacturing firms need sufficient volume to reach economies of scale (Bertram et al. 2019, p. 23). This volume is mainly driven by consumer demand which is still low.

If volume is achieved, efficient value chain management will be crucial to ensure arrival of components align with construction schedules. Supply chains for MMC components and systems are often less developed than those for conventional materials (Zhang et al. 2024, p. 2).

Transportation of components can face size and weight restrictions, particularly for larger volumetric modules in inner city locations. In remote locations where MMC has the potential to rapidly deliver housing despite skilled worker shortages or after major weather events, difficult terrain and a lack of appropriate infrastructure can make delivery of components too complicated and costly to be feasible.

Along with these challenges, is entering a sector that can struggle to cope with innovation:

There is a favouring of conservative approaches ("do things the way they have always been done") due to a lack of cross-project knowledge sharing and little perceived gain from innovation on a single project. (Queensland Major Contractors Association, sub. 66, p. 37)

Resistance also arises from a perception that new techniques might replace demand for the services of the existing workforce (PC 2025, p. 30).

While these market challenges no doubt act as inhibitors on the uptake of MMC, these challenges appear to be common to most emerging technologies.

Regulation can be an inhibitor to innovation, including MMC

Regulatory settings can have a substantial influence on whether firms in an industry adopt innovative methods, can make innovative methods unnecessarily expensive or difficult to access. Regulators and industry alike have experienced challenges in recognising and facilitating emerging methods under existing regulatory frameworks.

Regulation from all levels of government dictate how a house can be built, where it can be built, and what it should look like. These regulatory requirements lead to a significant focus on ensuring work is compliant while also ensuring it is finalised on time and within budget. The risk of trying innovative techniques while trying to balance these priorities is generally too high for many builders (PC 2025a, pp. 31–32).

The rate of regulatory change can also have a dampening effect on investment in innovative methods (Queensland Major Contractors Association, sub. 66, p. 37). Changing goal posts create uncertainty and fear that new approaches will be rapidly out of step with new requirements (PC 2025a, p. 5). In their submission, the Green Building Council of Australia (sub. 65, p. 5) stated that:

Each departure from an agreed compliance trajectory undermines prior investments, slows the uptake of innovative systems developed to meet new standards, and erodes investor and workforce confidence.

The National Construction Code (NCC) and the standards it references are typically tailored towards conventional construction methods and lack a clear, standard definition for what constitutes MMC. While the NCC provides some flexibility for how requirements are met — providing a range of deemed to satisfy provisions and performance measures — neither provide clear direction for innovative construction methods. This can create inconsistency in approaches and uncertainty in approvals (HIA 2022b, pp. 40–41).

The current planning and approval processes also don't always provide a good fit for off-site construction. Like the NCC, planning regulations are developed with on-site construction in mind and are overseen by local governments each with significantly different regulations and design rules. This can include requirements that prevent the use of building materials or construction methods that are suited to offsite construction and transport (HIA 2022b, pp. 31–34). A lack of harmonisation across jurisdictions is also inhibiting the ability of modular builders to achieve scale (Amplify, sub. 40, p. 2) or standardise components.

Staged inspection and approval processes can also create a barrier. For instance, inspections are required on-site at certain steps during the construction process, such as completion of the framing work. For complex building products, approval is done at the end after the product has been built, risking issues with compliance approval. This is particularly problematic where parts associated with the structure, such as fire protection, plumbing and electrical components are hidden and difficult to assess. While this differs depending on the degree of prefabrication, manufacturers and builders can be reluctant to take on additional risk (HIA 2022b). Assembly can also occur so quickly that it is difficult for quantity surveying to take place on the construction site (Evans-Greenwood et al. 2019, p. 8).

Prefabricated and modular building components often face slow, challenging and costly certification processes. The NCC and Australian Standards generally require individual elements to be tested against specific tests, rather than a complete assembly. This means modular/prefabricated components will often need multiple tests rather than assessing holistic performance. For example, when certifying MMC building components through the non-mandatory CodeMark Australia Scheme, there are difficulties in determining what performance requirements need to be assessed and how qualitative conformance requirements can be demonstrated. This is complicated further by insufficient technical expertise and testing facilities (HIA 2022b).

Government should focus on removing regulatory barriers

While there are many issues facing MMC that may be critical to its success, such as supply chain integration, finance and customer familiarity, they do not appear to be the result of clear market failures. As such, there does not appear to be a strong rationale for direct government intervention. Rather, many of the challenges associated with MMC are typical of nascent products or technologies that are attempting to disrupt entrenched players in existing markets.

There are already indications that the market is beginning to embrace MMC by addressing some of these market challenges. The Commonwealth Bank of Australia (CBA) recently partnered with prefabAUS to simplify the process of buying prefabricated housing and alleviate some of the financial barriers. They will enable customers to access progress payments of up to 60 per cent (or 80 per cent for an accredited CBA prefab manufacturer) of the contract price prior to the building being affixed on the land. Previously, customers had to fund up to 90 per cent of the upfront costs (CBA 2025). In November 2024, banks, superannuation funds and other institutional investors agreed to work together to address financial barriers to MMC (Husic 2024).

Supply chain integration is also beginning to occur through vertical integration. For example, material suppliers starting or acquiring prefab and modular businesses (PC 2025a, p. 27).

However, there are significant regulatory hurdles that are preventing more common use of MMC. Given the potential for MMC to drive productivity growth in constructions, there is a strong *prima facie* case for reviewing regulatory settings to identify and remove unnecessary barriers to more widespread adoption of MMC.

However, it is important that government does not 'pick winners' and elevate MMC over other forms of construction, including by removing regulations that are necessary or apply to other parts of the industry. Rather the focus should be on removing unnecessary barriers that unduly penalise MMC over conventional construction methods, with the aim of creating a level playing field and technology neutral regulatory approaches.

Box 14.2 Government action to support modern methods of construction (MMC)

The Queensland Government has undertaken several initiatives to support prefab and modular construction. These include:

- QBuild providing support for research, development, and training using MMC techniques, and developing standardised designs as reference models aligned with the National Construction Code (NCC) 2022 and Modern Home Standards
- committing to 50 per cent of the infrastructure pipeline to incorporate elements of modular construction by 2030 (DSDIP 2024a)
- an additional 600 modular social homes by December 2025 (PC 2025).

At the national level, the Australian, state and territory governments, under the revitalisation of the National Competition Policy (NCP), committed to removing barriers to MMC. The following measures have been incorporated into the NCP reform agenda:

- legislating consistent national definitions of MMC
- a national voluntary manufacturer certification scheme
- providing 'regulatory neutrality' between MMC and conventional construction methods in both government planning schemes and consumer protection legislation (Commonwealth Treasury 2024).

To support these reforms, the Australian Government has offered state and territory governments a share in \$120 million to incentivise the removal of barriers (Australian Government 2025a).

In 2019 the Australian Government provided \$2 million to the Advanced Manufacturing Growth Centre to establish the Prefab Innovation Hub. The Hub supports the manufacturing sector's adoption of new innovations and increased industry and researcher collaboration (AMGC 2020).

The Australian Building Codes Board (ABCB) has considered how MMC's compliance with the NCC could work better under the Building Product Registration Scheme. It suggested jurisdictions work with their conformance assessment bodies to identify applicable reference products to compare with prefabricated and modular components to aid assessment, reducing regulatory uncertainty (ABCB 2024b).

In October 2024 the ABCB published a *Prefabricated, modular and offsite construction Handbook* to act as a guide in applying the NCC to prefab and modular buildings.

Government should avoid direct interventions, unless there is a strong evidence base for doing so

To promote MMC, stakeholders have argued the Queensland Government should:

- invest in MMC through manufacturing hubs, funding and incentives (for example, streamlined approvals)
- support skills development and address labour shortages
- imbed MMC into its procurement pipeline
- work with lenders to improve lending options.

The Queensland Government, through QBuild and prioritising MMC in its construction pipeline, has taken some of these steps. However, these options provide explicit or implicit subsidies to the industry, and as such require a strong rationale.

For example, government procurement should be technology neutral, and outcomes focused — by encouraging one technology over another, this can work against innovation and increase costs. However, as discussed in Part A of this report, there are likely to be benefits from reframing procurement policies to remove any barriers to innovation, including MMC.

It is generally accepted that government should support education and upskilling to improve productivity and the Queensland Government provide significant support for skilling in trades. However, skills shortages are not unique to the construction industry or in prefab and modular production. Therefore, incentivising workers into the industry may come at the cost of other segments of the economy.

Government should focus on removing unnecessary regulatory barriers

Another solution consistently raised by stakeholders is the removal of regulatory barriers, particularly where they favour on-site construction as a result of their design or execution.

The Queensland Government should follow through on its commitments to the revitalised National Competition Policy (NCP) reform agenda. While Queensland is a signatory, state and territory governments are given discretion on how or if these reform proposals are adopted. Queensland should consider the costs and benefits of each reform.

Providing clear, consistent definitions of MMC within the framework of the NCC could allow regulators, builders, and financiers to align their expectations, and reduce uncertainty (HIA 2022b). It is likely that greater harmonisation across jurisdictions would enable suppliers to drive scale into their pipeline by creating a single large market (PC 2024).

Regulatory neutrality in planning schemes and consumer protection legislation will allow MMC to compete with other construction methods on a level footing. This means including consistent definitions, removing or providing alternatives to rules that impose unnecessarily barriers and acknowledging MMC as a building technique (HIA 2022b, p. 49).

Some stakeholders have suggested a moratorium on regulatory changes is needed to enable innovative techniques, including MMC, to adapt to regulatory settings and build scale.

14.2 Recommendations



PRELIMINARY RECOMMENDATION 15 – MODERN METHODS OF CONSTRUCTION

To remove unnecessary regulatory barriers to the adoption of modern methods of construction (MMC), the Queensland Government should progress commitments under the revitalised National Competition Policy to:

- adopt a nationally consistent definition of MMC and adopting the national definitions in its relevant legislation
- amend building legislation to accept manufacturer's certificates for NCC compliance
- ensure regulatory neutrality in planning schemes and consumer protections for MMC.

The Queensland Government should also advocate for NCC performance-based provisions to be production-neutral so they are suitable for MMC or, where necessary, develop MMC specific guidance and advocate with the ABCB and Standards Australia to ensure any standards accommodate MMC.



REQUEST FOR INFORMATION – MODERN METHODS OF CONSTRUCTION

Despite claims that MMC has the potential to reduce the costs and timeframes of construction, stakeholders have suggested that uptake in the industry has been limited compared to overseas jurisdictions. However, other than regulatory barriers, the Commission was unable to identify any market failures that would justify government intervention. The Commission is seeking any further insights or examples from stakeholders about barriers to MMC that have resulted from market or regulatory failures, including any:

- identified barriers that prevent widespread uptake of MMC
- complications encountered by MMC builds complying with the NCC, planning schemes or other regulation
- barriers to the adoption of MMC in government procurement processes.

15.0

Regulation of workplace health and safety

15.1 Workplace health and safety regulation

Regulations governing workplace health and safety (WHS) practices seek to address the potential harms to workers and the community from workplace practices and hazards.

However, the extent to which WHS regulation is effective and efficient depends on:

- the extent to which regulations and their implementation are seen as reasonable by workers and employers
- how regulation affects incentives on worksites, including the extent to which they ensure responses to WHS incidents are proportionate to the risk they create
- the actions and behaviour of the regulator.

Stakeholder feedback to this inquiry suggests the implementation of WHS in the construction industry needs to be improved. All stakeholders reinforced the importance of safety, but suggested workplace health and safety responses are not proportionate to risk, with examples provided of entire worksites being shut down over isolated instances, or being enacted as cover to achieve other industrial outcomes.

Work Health and Safety regulation is an area that has become increasingly weaponised by certain union officials and it is being used to achieve industry outcomes that have no relationship to the health and safety of workers. (Australian Constructors Association, sub. 39, p. 23)

This is consistent with the findings of the recent report, *Violence in the Queensland CFMEU* (Watson 2025). For example, the report documents several cases of CFMEU organisers entering a site on a fabricated safety concern (see para 220 for example).

The regulatory framework

In 2011, a single voluntary set of national Model WHS laws were introduced and have since been implemented by all Australian jurisdictions except Victoria (Safe Work Australia 2025b). Each jurisdiction is responsible for the enforcement of WHS laws — in Queensland these are primarily implemented through the *Work Health and Safety Act 2011* (WHS Act).

Box 15.1 Summary of WHS regulatory obligations

Under the *Work Health and Safety Act 2011* (WHS Act) the primary responsibility for the health and safety of workers is placed on the business owner or employer. A person conducting a business or undertaking (PCBU) has a duty to ensure the health and safety of workers at the business or undertaking. This duty requires the PCBU to:

- eliminate risks to health and safety, so far as reasonably practicable, and
- if it is not reasonably practicable to eliminate risks to health and safety, to minimise these risks so far as is reasonably practicable.

The Work Health and Safety Regulation 2011 (the Regulation) requires that such risks be minimised using a 'hierarchy of controls' which requires an assessment of the likelihood of (and degree of harm that might result from) the hazard or risk, and the availability, suitability and cost of eliminating or minimising the risk.

Together, the WHS Act and Regulation essentially create a 'risk-based' legislative framework. However, the WHS Act also provides that a 'code of practice' can be made where PCBUs may require more prescriptive guidance to manage health and safety risks.

WHS matters are regulated primarily by Workplace Health and Safety Queensland (WHSQ) and the Electrical Safety Office.

The economic rationale for regulation

There is a strong rationale for regulatory intervention in the market to ensure risks to workers and the community of work activities and hazards are minimised.

WHS regulations are intended to ensure appropriate incentives for employers to maintain safe workplaces. For example, in the absence of a WHS duty, an employer may require certain work practices or deadlines that result in riskier behaviour or ignore certain hazards altogether. Employers often have a greater ability than employees to minimise such risks.

There are also costs imposed on the broader community from workplace death and injury in the form of costs to the health care system, impact on families and lost productivity (Industry Commission 1995). Workplace Health and Safety Queensland (WSHQ) notes that the economic costs to Queensland from work-related fatalities, injuries and illnesses is estimated to be over \$4.5 billion annually (WHSQ 2024).

This rationale has particular application to the building and construction industry given it is inherently less safe than many other industries (Box 15.2).

Box 15.2 Construction safety statistics

The construction industry had the highest number of fatalities and the second highest number of serious injuries in 2022-23. Activities typically occur on sites with a high degree of variability making them hard to control perfectly. According to Safe Work Australia, in Queensland between 2018-19 and 2022-23 there were on average:

- 2.3 fatalities per 100,000 construction workers, higher than the all-industry average of 1.6 fatalities.
- 10.0 serious worker compensation claims per 1 million working hours in the construction industry, higher than the all-industry average of 7.9.

Source: Safe Work Australia 2025a, n.d.

Notwithstanding this rationale, there is some alignment of the incentives for employers and workers to minimise health and safety risk. For example, while workers have an obvious incentive to avoid injury, employers also have strong incentives to avoid workers being injured since they involve significant costs to the firm, including lost productivity, and risk of litigation and industrial action. However, successful management of these issues also requires a 'culture of care' and full participation of an informed workforce (Industry Commission, 1995).

Box 15.3 WHS and productivity

Industries that are the most dangerous, such as construction, have the most to gain by better managing WHS risks. WHS regimes can impact productivity in two ways:

- where they improve WHS outcomes, productivity will be improved through less worker downtime due to poor health or injury. A Deloitte report (2022) commissioned by Safe Work Australia, estimates that were work-related injuries and illnesses removed, through productivity gains, wages would rise by 1.3 per cent per year on average. Deloitte (2022) also estimates that in the absence of any new work-related injuries or illnesses over 2008-18, on average Australia's economy would have been \$28.6 billion larger each year (\$4.58 billion larger each year in Queensland).
- where they are unnecessarily restrictive, duplicative or create perverse incentives because they poorly allocate risk, regulations can impose excess burdens on construction firms, which will reduce productivity.

What does good practice look like?

The Australian Productivity Commission notes that it is 'essential' to have regulatory settings that create the right balance between protecting workers' safety and maintaining the ability of employers 'to make decisions about the way they manage their business' (PC 2017a, p. 84). This means designing and implementing policies that reduce workplace risks and injuries (that is, are effective) while minimising unnecessary costs to businesses and society.

WHS frameworks are more likely to operate effectively and efficiently when regulatory provisions:

- are demonstrated to be necessary to reduce health and safety risks
- are evidence based, including using data and feedback to evaluate and refine policies and improve effectiveness over time
- are proportional to the health and safety risks the regulation seeks to address, considering the costs involved
- are clear and easy to follow for businesses to comply with
- provide flexibility to duty holders to adopt approaches suited to their circumstances, by focussing more on desired outcomes rather than prescriptive methods of compliance
- provide for joint management of safety by managers and workers, with aligned incentives (Industry Commission 1995; Safe Work Australia 2014).

Further, the actions and behaviour of the regulator is also an important determinant of good practice. Key issues include whether the regulator is:

- appropriately resourced to carry out its activities
- incentivised to respond proportionately to workplace incidents or risks
- sufficiently experienced or competent to carry out its duties effectively.

Regulatory burdens seem to be growing

Compliance burdens seem to be growing

WHS regulations impose costs on businesses through administrative and compliance burdens related to information returns, hazard identification, risk management plans and other record keeping obligations. WHS regulations also require businesses to invest in systems and equipment, and devise processes, to manage risks in their workplace. There are also costs in engaging with regulators through their compliance and enforcement activities.

According to the Business Chamber Queensland (formerly CCIQ), Queensland businesses are reporting an increased compliance burden. A 2017 survey conducted by CCIQ reported that 'dealing with WHS regulation and regulators' was the second biggest 'red tape imposition' for respondents – with 27 per cent indicating a 'high' level of burden (CCIQ 2017, p. 14). By 2023, the proportion of respondents reporting a 'high' level of burden had risen to 38 per cent (BCQ 2023, p. 19).

While information on specific examples of regulatory burden is limited, stakeholders, across a range of sectors, have expressed concern with the costs incurred in complying with WHS. Small businesses, which make up a large proportion of the construction industry, are often significantly affected as a result of their limited resources and expertise (Seyfarth Shaw 2018).

Stakeholder comments made to the 2018 Boland Review of the Model WHS Laws also raised concerns about the complexity and cost of complying with WHS regulatory regimes. This feedback indicated that the length and structure of the Model WHS Laws made it difficult for some businesses to determine what applied and how it needed to be carried out. Concerns were also raised about how the number of Codes of Practice causes confusion among businesses, with the Australian Federation of Employers and Industries stating that 'when the guidance material is more complex to follow than the Act and regulations, there is a problem' (Australian Federation of Employers and Industries 2018, p. 27).

An issue raised periodically is the administrative cost of record keeping and reporting requirements, which is considered by some to serve little safety benefit. For example, Master Builders Queensland has previously stated that some administrative processes (for example, related to safety management plans) appear to be more focused on 'ticking a box' and that 'often more time is spent writing these documents than actually taking time to properly understand the risks on site and control them in the most effective way' (Master Builders Queensland 2017c, p. 11).

Stakeholders have also noted that there are regulatory requirements that result in duplicate reporting of workplace safety incidents to both Queensland Building and Construction Commission (QBCC) and WHSQ (National Electrical and Communication Association, sub. 41, p. 5; Master Builders Queensland, sub. 43, p. 34). The Queensland Government has committed to remove this duplication through the recently introduced *Queensland Building and Construction Commission and Other Legislation Amendment Bill 2025* (Queensland Government 2025c).

Regulations are subject to frequent change

Since the development of the Model WHS Laws and the commencement of the WHS Act, there have been numerous changes made to WHS regulations in Queensland. While some of these changes are because of national reviews of the Model WHS Laws, many have also been progressed unilaterally — resulting in a number of Queensland-specific WHS provisions.

This is contrary to the aims of the original Model Laws to facilitate a consistent national approach to reduce compliance and administration costs for both businesses operating in multiple jurisdictions (quantified in 2011 at \$31 million for Queensland businesses) and governments in reducing duplication of effort in reviewing legislation and guidance materials (Queensland Parliament 2011; Safe Work Australia 2014; Seyfarth Shaw 2018).

Many of the recent regulatory changes seem to have resulted in a more stringent WHS regulatory environment.

Key safety provisions do not appear to be operating effectively

A key feature of both the Model Laws and the WHS Act is the role of 'health and safety representatives' (HSRs) in the workplace and the right for WHS entry permit holders to enter workplaces. Under the original 2011 legislative provisions:

- 'Appropriately trained' HSRs are able to direct workers, in their work group, to cease 'unsafe work.'
- A HSR may, in exercising a power or performing a function, whenever necessary, 'request the assistance of any person'. This allows a person assisting a HSR (provided they have not had a WHS entry permit suspended or revoked or been disqualified) "to have access to the workplace if that is necessary to enable the assistance to be provided."
- WHS entry permit holders are required to provide notice 'as soon as is reasonably practicable after entering a workplace' for the purpose of inquiring into a suspected contravention of the Act that relates to, or affects, a relevant worker.

Since this time, these provisions have been amended on multiple occasions and been the subject of ongoing disagreement between stakeholders representing both employers and employees. Current provisions, reflecting changes last made to the Act in late 2024⁴⁴:

- Provide HSRs to direct workers to cease work, after giving a 'cease work notice' to workers and the PCBU
- Allow an HSR to accompany a WHS permit holder and request the assistance of a 'suitable entity' for the HSR (e.g. a union that is relevant to that worker. A union that is not a relevant union for the worker is excluded).
- Require WHS entry permit holders to provide 24-hours' notice before entering a workplace. However, WHS entry permit holders retain the right to immediately enter a workplace without prior notice in circumstances where a relevant worker is exposed to a serious risk to their health and safety, emanating from an immediate or imminent exposure to a hazard.

⁴⁴ These changes were made by the incoming Government, apart from the changes related to assistance of a 'suitable entity', which were progressed in March 2024.

Many stakeholders supported the underlying principles of HSRs and right of entry provisions in maintaining a safe work environment (Master Plumbers Association Queensland, sub 62). However, there has been concern from industry stakeholders that these powers, intended to protect safety on worksites, have allowed HSRs considerable power and influence. For example, stakeholders contend that stop work notices have been used spuriously to further industrial aims unrelated to safety.

Several stakeholders have provided case studies and examples of instances where the identification of, in their view, minor workplace health risks or incidents, localised to particular areas, have resulted in disproportionate responses, including site-wide shutdowns or toolbox meetings being held across multiple construction sites. As noted by Master Plumbers Queensland:

... in some instances, localised issues, in a confined area have led to full-site shutdowns. The response to these incidents can vary significantly between sites, often influenced by differing site management practices or industrial environments (Master Plumbers Association Queensland, sub. 62, p. 1).

Where minor WHS matters are not resolved quickly or responses are disproportionate to the issue, they can disrupt time sensitive activities and critical works such as concrete pours, beam lifts and road closures, derailing scheduling and causing further delays down the line, with significant impacts on productivity (Australian Constructors Association, sub. 39).

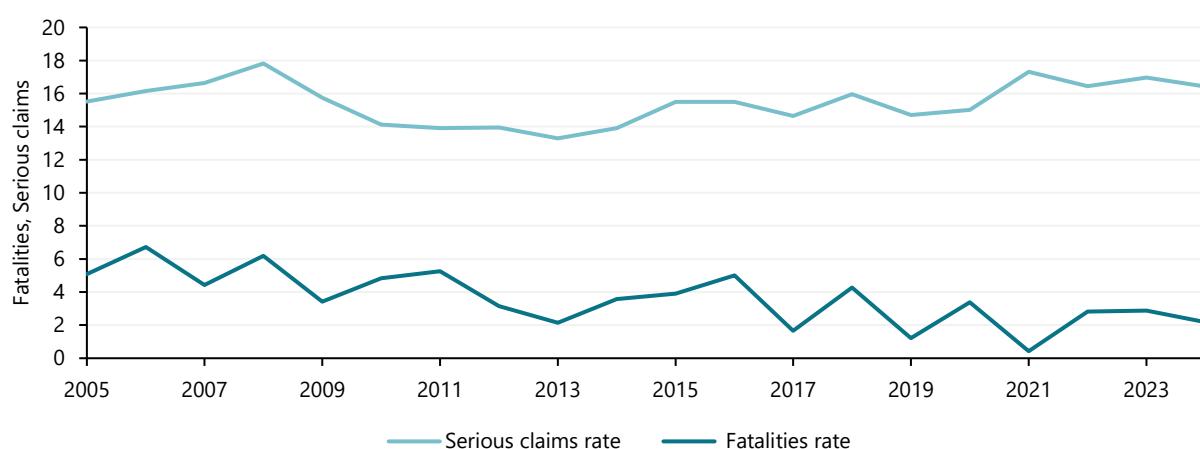
Concerningly, stakeholders have noted concerns about raising WHS matters in a constructive way, with allegations of intimidation meaning members of the workforce (including sub-contractors) are fearful to raise concerns about how WHS matters are being dealt with (by both unions and builders) on many construction sites.

Stakeholders were also concerned with what they saw was a 'lack of action' by health and safety regulators in enforcing relevant provisions, potentially due to lack of resources or gaps in the WHS Act.

Safety outcomes have not improved

Despite the apparent increased regulatory burden, there does not appear to have been a significant improvement in outcomes over recent years. As Figure 15.1 shows, while there has been a moderate reduction in fatalities (and no change since 2019), serious injury rates in the construction industry over the last two decades have been largely static.

Figure 15.1 Workplace health and safety outcomes on Queensland construction sites

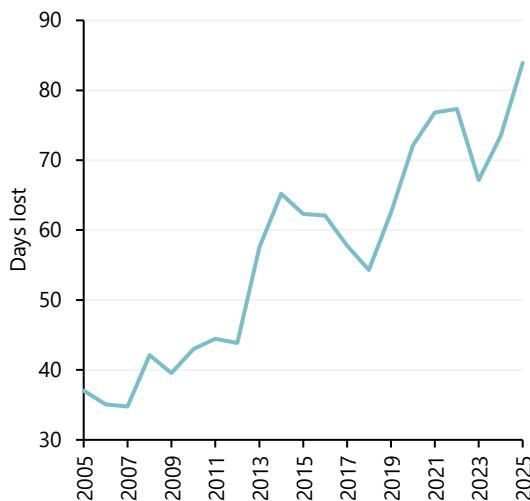


Source: QPC based on data provided by the Office of Industrial Relations; ABS 2025i.

Note: Fatality rate is work related fatalities per 100,000 construction workers. Serious claims are accepted claims per 1,000 construction workers that resulted in 5 days or more off work not including fatalities.

In addition, the cost and disruption caused by adverse WHS outcomes (that is, injuries), measured by workdays lost and statutory costs, appear to be rising.⁴⁵

Figure 15.2 Rising average workdays lost from injuries, Queensland



Source: QPC based on data provided by the Office of Industrial Relations.

Figure 15.3 Rising average statutory costs from injuries, Queensland



Source: QPC based on data provided by the Office of Industrial Relations, ABS 2025a.

Note: Deflated by the national Average Weekly Earnings series for the construction industry released by ABS.

Where to from here?

The original rationale of modern WHS laws (going back to the implementation of the *Workplace Health and Safety Act 1989* in Queensland) was to replace rigid, prescriptive and punitive regulatory approaches with performance-based and outcomes-focused legislation that provides flexibility for duty holders in meeting their obligations (Raineri 2003).

This shift was designed to foster collaboration between stakeholders, encouraging workers and management to work together to meet regulatory standards and create safer workplaces (Raineri 2003). However, as noted, stakeholders suggest this focus on shared goals has weakened, while prescriptive regulatory requirements appear to be returning.

To address these challenges, there is a pressing need to re-align the incentives of employers, workers and their advocates, and depart from conflict-driven interactions that hinder productivity, to more collaborative and mutually beneficial arrangements. This includes a greater focus on ensuring that responses to safety incidents are appropriate to the risk involved. Additionally, the powers and functions of the WHS regulator may need to be reviewed. Stakeholder submissions suggest the regulator must take on a more active and facilitative role in promoting site safety while minimising unnecessary disruptions to construction activities.

The Compliance Monitoring and Enforcement Policy is overdue for review

The Office of Industrial Relations (OIR) has provided a Compliance Monitoring and Enforcement Policy for use by inspectors employed by WHSQ and the Electrical Safety Office (ESO). The policy explains the regulators' intended use of compliance monitoring and enforcement instruments, including responses to breaches of WHS duties. OIR notes the actions of the regulators are guided by seven 'nationally agreed principles' including proportionality and responsiveness (WHSQ & ESO 2024, p. 3-4; OIR 2018).

⁴⁵ The Office of Industrial Relations notes this trend is also being observed across the workers' compensation scheme as a whole.

The Commission's preliminary assessment of the policy, in light of stakeholder feedback, is that it could better address the principles of proportionality and responsiveness by incorporating clearer guidance and mechanisms to support inspectors in their decision-making. This includes guidance on whether responses adequately balance the risk of adverse safety impacts with the flexibility of duty holders to adopt approaches suited to their circumstances.

The current policy, last updated in December 2018 and required to be reviewed every five years, is now almost two years overdue for review. A review therefore provides an opportunity to ensure that the policy provides sufficient guidance to inspectors on their roles and obligations and that regulatory responses remains proportionate and responsive to emerging issues.

Other actions

While the Commission is seeking further feedback from stakeholders to inform its assessment and recommendations, stakeholders have suggested several reform options in the following areas:

- Ensuring Queensland's workplace health and safety laws reflect the National Model WHS Law, to the greatest extent possible.
- Developing a single, harmonised incident reporting framework, with single point digital reporting.
- Reviewing the powers and functions of the regulator so that it has a more effective and efficient role in facilitating site safety, including provisions for the removal of any parties who are acting illegally.
- Ensuring WHS regulators are appropriately funded, resourced and supported to undertake their designated functions.
- Ensuring that WHS representatives are elected representatives of company workers with a cap of one per working unit, with a fit and proper person test for the position and options for suspending WHS representatives where misconduct has been demonstrated or where the WHS representative no longer has support of workers.
- Reviewing right of entry provisions to ensure these are commensurate with risk.
- Developing codes of practice that outline right of entry, agreed approaches to wet and hot weather events, appropriate risk-adjusted responses to safety incidents, and how and when site shutdowns occur.
- Convene quarterly forums as part of a recommended taskforce, between principal contractors, subcontractor groups, industry associations and unions, to review stoppage data, resolve recurring issues and update guidelines as needed.

15.2 Recommendations and reform directions



PRELIMINARY RECOMMENDATION 16 – WORKPLACE HEALTH AND SAFETY

The Office of Industrial Relations should review the Compliance Monitoring and Enforcement Policy. The review should focus on ensuring that the policy provides adequate guidance and direction on how to ensure that compliance monitoring and enforcement activities appropriately manage risk while minimising unnecessary costs to businesses and society.



PRELIMINARY RECOMMENDATION 17 – WORKPLACE HEALTH AND SAFETY

The Queensland Government should expedite the development and rollout of a single, harmonised incident reporting framework, with the ability for single point digital reporting.



REFORM DIRECTION 9 – WORKPLACE HEALTH AND SAFETY

The Commission is exploring other options to improve the operation of WHS regime. There appears to broad stakeholder support for reforms that to improve the operation and enforcement of the WHS regime, including to facilitate improved engagement between workers and employers.

There seems to be several options for improving the operation of the WHS regime, that would not compromise health and safety outcomes. The following options have been suggested by stakeholders:

- To the extent possible, ensure Queensland's workplace health and safety laws reflect the National Model WHS Law.
- Reviewing the powers and functions of the regulator so that it has a more effective and efficient role in facilitating site safety, including provisions for the removal from worksites of any parties who are acting illegally.
- Ensuring that WHS representatives are elected representatives of company workers with a cap of one per working unit, with fit and proper person tests for the position and options for suspending WHS representatives where misconduct has been demonstrated, or where it can be demonstrated through a ballot that the representative has lost the support of those they represent.
- Reviewing right of entry provisions to ensure these are commensurate with risk.
- Developing codes of practice that outline right of entry, agreed approaches to wet and hot weather events, appropriate responses to safety incidents, and how and when site shutdowns occur.
- Ensuring WHS regulators are appropriately funded, resourced and supported to undertake their designated functions.
- Convene quarterly forums as part of a recommended taskforce, between principal contractors, subcontractor groups, Industry associations and unions, to review stoppage data, resolve recurring issues and update guidelines as needed.



REQUEST FOR INFORMATION – WORKPLACE HEALTH AND SAFETY REGULATION

Data suggests that WHS outcomes for the construction industry have not improved over the last decade, despite significant policy effort and increased compliance costs on industry. The Commission is seeking further evidence from stakeholders to support or refute this.

In addition, the Commission is seeking information on:

- whether options in the reform direction are workable, and whether they introduce any significant health and safety risks
- any alternative or additional reforms that should be considered to more effectively and efficiently manage WHS risks and resolve other issues raised
- case studies or examples where innovative or adaptable practices have been used successfully to manage WHS risks.

PART D: Labour markets

Key points

- Labour market policy settings can have a significant influence on the construction industry and can materially affect construction productivity.
- Guided by stakeholder input and other evidence, areas prioritised for examination are apprenticeship and training pathways, occupational licensing, skilled overseas migration and labour hire licensing.

Apprenticeship and training

- The apprenticeship and vocational education and training systems, as well as universities, have important roles in training the construction workforce.
- While the apprenticeship and training system appears to be operating satisfactorily for the construction industry, its improved performance would help address escalating workforce pressures.
- Stakeholders have identified three key areas for attention:
 - information barriers facing prospective apprentices and workers
 - limitations in training system capacity, especially for some trades and in some regional areas
 - financial barriers facing employers, apprentices and students that restrict their ability to participate in the training system.
- Addressing these complex issues will require collaboration between the construction industry and relevant government organisations and agencies. The Commission is seeking stakeholder views and evidence on such a collaborative process and the issues it could consider.

Occupational Licensing

- Occupational licensing is intended to ensure that work is completed with care and skill, but it can also impose costs. In Australia, occupational entry regulation has been linked to lower rates of business entry and exit, slower flows of workers from low to high productivity firms, and skill shortages.
- A review of occupational licences in the Queensland construction industry, in accordance with best practice regulation principles, could deliver significant benefits. The Commission recommends that no pending occupational licensing requirements affecting the construction industry be introduced until the requirements are rigorously assessed.
- Where occupational licensing is justified, it should not impede the movement of workers between jurisdictions. Increased harmonisation and recognition of interstate licences will assist in attracting construction workers from other jurisdictions to close emerging skills gaps.

Skilled overseas migration

- While skilled overseas migration is primarily a matter for the Australian Government, the Queensland Government could help leverage the skills of international workers to support the construction industry by nominating more workers under the skilled nominated and skilled work regional visas, which appears an underutilised pathway, and reducing unnecessary barriers to skilled overseas migration, by, for example, aligning licensing requirements where appropriate.

Labour hire licensing

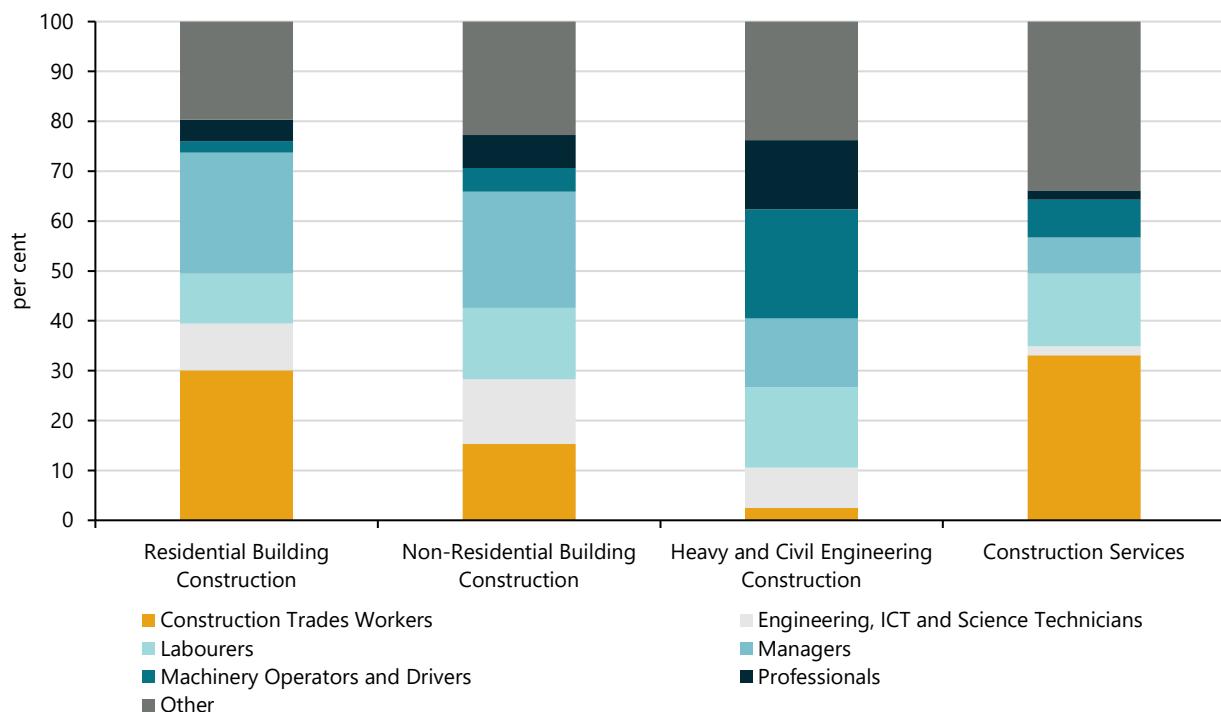
- Queensland's labour hire licensing scheme aims to protect workers by requiring all labour hire to be conducted through licensed operators. At the same time, labour hire provides benefits by allowing firms to efficiently manage their workforce and workers to gain skills and experience.
- While worker protections are important, there appears to be a case that labour hire licensing for the construction industry is less likely to deliver a net community benefit than for other industries.
- Given the potential risks associated with reform and an apparent national harmonisation process, the Commission is seeking further information on the specific operation of labour hire licensing in the Queensland construction industry before forming a final recommendation.

Context

There is considerable diversity of occupations within the Queensland construction labour market depending on the kind of construction activity being undertaken (Figure D.1). The residential and non-residential building construction subindustries have similar occupational compositions (the key distinction is more labourers in non-residential building construction compared to more construction trades workers in residential building construction).

In contrast, engineering construction has a greater proportion of both professionals and machinery operators and drivers while employing relatively fewer construction trades workers. The construction services workforce has the largest share of construction trades workers, but this subindustry includes comparatively fewer managers, professionals, and engineering, ICT and science technicians. These construction subindustry occupational compositions are similar in the rest of Australia.

Figure D.1 Occupational categories by construction subindustries, Queensland, 2021 Census



Source: QPC based on ABS 2021.

Note: Other includes Other Technicians and Trades Workers and Clerical and Administrative Workers.

The breadth of occupational categories across the construction industry requires training to be undertaken by a range of organisations, including the vocational education and training (VET) system, the apprenticeship system, universities, and individual construction-related businesses.

As discussed in Chapter 2, the pipeline of construction works is growing strongly. This will place pressure on the construction workforce in the immediate term – Construction Skills Queensland (CSQ 2025b) projects that Queensland will face an average shortfall of over 18,000 construction workers per year over the next eight years, peaking in 2026–27.

In the longer term, as the Australian Constructors Association notes, population ageing will strain the industry's workforce given its relatively greater reliance on younger workers. The Australian Constructors Association concludes that:

One way to solve this structural labour shortage is to divert increasing numbers of workers from other industries or demographic segments into construction ... at the whole-of-economy level, this is a zero-sum game. The reality is that construction must come to terms with a future of relatively fewer workers in the face of a relentless increase in the demand for built environment assets ... The only sustainable path through this future is productivity growth. (Australian Constructors Association, sub. 39, pp. 7-9)

In the face of both immediate pressures and growing structural pressures, multiple ways to increase the productivity of the construction workforce may need to be considered.

This part of the report will consider labour market issues in the Queensland construction industry to the extent that they are impacting productivity, where the Queensland Government can influence outcomes and where there may be significant opportunities for reform. Guided by stakeholder input and evidence from recent studies and reports, this part prioritises the examination of four policy areas to improve the capacity, capability and flexibility of the state's construction workforce:

- **Apprenticeship and training pathways** — to produce a pipeline of future workers with the right mix of appropriately skilled workers for the construction industry, and to assist in efficient matching of workers to employers.
- **Occupational licensing** — to ensure that licensing requirements are 'fit-for-purpose' and do not create unnecessary barriers of entry into the Queensland construction workforce for local or interstate workers, while providing safeguards to ensure work is undertaken with appropriate skill and care.
- **Skilled overseas migration** — to draw from international labour markets to fill skills gaps in the state's construction workforce that cannot be adequately addressed by local recruitment.
- **Labour hire licensing** — to improve flexibility to the Queensland construction workforce so it can better meet construction work demands, while ensuring workers are protected.

This part of the report complements other chapters that investigate issues that can improve labour productivity in the construction industry and construction productivity more generally.

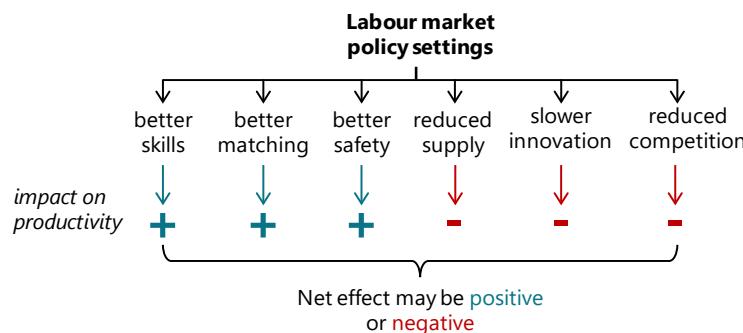
How labour force policy settings can affect productivity

Labour market settings are important for this inquiry where they materially affect productivity in the construction industry. In this context, generalised labour shortages are usually not in scope because, while they affect output, they may not, in themselves, affect labour productivity. Specific labour shortages, however, can affect productivity where shortages in one area prevent the efficient sequencing of activity. Similarly, labour markets that do not match skills to need or that fail to adequately skill the workforce can cause project delays, produce work defects or inhibit innovation, all potentially resulting in lower productivity.

Government can influence labour markets through its policy settings. However, there must be a strong rationale for doing so and the benefit should outweigh the cost of government intervention. For example, where a market failure prevents the efficient matching of workers and jobs, there may be a role for government to play in addressing the market failure if the benefit in doing so outweighs the cost.

An important consideration is the impact of labour market policy on construction productivity, which can be positive or negative (Figure D.2).

Figure D.2 Labour market policy settings can both positively and negatively affect construction productivity



Source: QPC.

Labour market policy settings can positively impact industry productivity by:

- increasing the supply of valued skills — for example, if the training system delivers workers with the right level and mix of skills to meet market demand and ensure quality output
- improving safety outcomes — education can improve worker safety, reducing the likelihood of safety incidents that disrupt activity or project sequencing
- improving labour mobility and market matching — improvements in labour mobility and the signalling of skills and competencies a worker possesses (such as through licensing) can allow for more efficient matching of workers and jobs.

Conversely, policy settings may negatively impact industry productivity by:

- reducing labour supply — where a policy restricts labour supply or availability of skills, this may result in a reduction in the overall capacity of the industry, disrupt the sequencing or coordination of activities, and limit competition, which can reduce incentives for innovation, and limit productivity growth
- slowing innovation — for example, prescribing how workers undertake tasks can slow the adoption of new technologies or processes
- reduced competition — for example, government limitations on how firms constitute and manage their workforces can restrict how businesses compete with others.

In deciding whether and how to apply labour market policy settings, governments often have objectives beyond simply maximising productivity. In these cases, better social outcomes and economic (including productivity) outcomes can often complement each other, and sometimes there can be trade-offs. For example, improving workers' health and safety can boost labour productivity, but sometimes a safer workplace necessarily requires more cautious work practices, which may reduce labour productivity, at least in the immediate term.

Good policy process can help ensure the best outcomes are achieved for the community. This includes clear specification and robust analysis of the policy problem, identification of policy options (including non-regulatory and no-change options), rigorous use of cost-benefit, or similar, analysis and community consultation to identify the impacts and implications of options to inform government in their decision-making.

16.0

Apprenticeships and training pathways

16.1 Apprenticeships and training pathways

How do apprentice and training policies impact productivity?

Fit-for-purpose training is essential for productivity. If the training system fails to properly skill prospective workers, does not deliver the right skills, or is inefficient in some other way, there is a greater risk of construction delays, building defects and idle resources. Further, when training is commenced but not completed, there are significant costs in terms of forgone time as well as industry and government expenditure (PC 2020b, p. 26).

The training and apprenticeship system has been subject to many reviews in recent years, and the purpose of this section is not to summarise all these various contributions. Rather, the objective is to identify areas where there are challenges specific to the Queensland construction industry with implications for productivity.

Queensland's apprenticeship and training system

Apprenticeships are structured training arrangements that combine on-the-job work experience with off-the-job training at an approved training provider. Traineeships are typically shorter in duration (one to two years) but still involve a combination of on-the-job work experience and off-the-job training (Naidu & Frazer 2024, p. 55). Off-the-job training is offered by a range of providers, predominantly Technical and Further Education (TAFE) and registered training organisations (RTOs), which consist of private and industry not-for-profit operating models. The university sector also supports skills requirements in the construction industry, but it accounts for only a small share of overall VET delivery (PC 2020b, p. 5).

This section focuses on the trades-related rather than the university system given the apprenticeship and VET systems' greater contribution to construction-related training, the limited policy leverage of state governments over the university system, and the emphasis placed on the apprenticeship and VET system by stakeholders during consultation.

However, the role of the university sector in the functioning of the construction industry should not be underestimated. Universities train important sections of the construction workforce, such as engineers, surveyors and other professionals – shortages and deficiencies in these occupations can impede the operation of the broader construction industry. Moreover, universities have a role in supporting innovation, both through their education of skilled professionals in the latest technological and other developments, and through their research function.

Apprentices and trainees can be placed with a single employer or be employed by a group training organisation (GTO). GTOs place apprentices and trainees with one or more host employers, who are responsible for on-the-job training and work experience, while GTOs are responsible for organising off-the-job training, handling recruitment, arranging job rotations and managing payroll. Such arrangements are typically beneficial for small and medium-sized employers, who may not have the capacity to provide these support services.

Responsibility for training and apprenticeship policy in Queensland is shared between the Australian and Queensland governments. In Queensland, the *Further Education and Training Act 2014* regulates RTOs and GTOs, provides for training contracts between apprentices and employers, and determines which qualifications can be completed as apprenticeships and traineeships. RTOs are also regulated by the Australian Skills Quality Authority.

In its 2020 review of the National Agreement for Skills and Workforce Development, the Australian Productivity Commission did not find "evidence of a VET system in crisis" (PC 2020b, p. 2). However, it did find that there were opportunities to lift participation and improve training quality. Changes to VET qualifications design have subsequently been agreed by Australian Skills Ministers (Box 16.1). The Australian Productivity Commission also recommended that reform efforts should be focused on improving completion rates through more screening and matching of prospective apprentices, and by aligning the timing of employer incentives with periods where the risk of cancellation is highest (PC 2020b, p. 28). Although the Australian Productivity Commission's commentary was at the national level and not confined to the building and construction industry, stakeholders have raised similar issues in their submissions to this inquiry.

Box 16.1 Recent training system reforms

In December 2024, Australian Skills Ministers endorsed a new approach to vocational education and training (VET) qualifications design aimed at improving quality and reducing complexity (DEWR 2024a). While made in the context of the entire training system, the reforms have potential implications for training and development in the construction industry:

- transitioning from the traditional “unit-first” approach to a “qualification-first” approach, whereby the emphasis is on designing a coherent portfolio of knowledge and skills, rather than packaging competency units that attempt to reflect all functions and tasks
- allowing qualification developers to better describe job functions and tasks or knowledge and skills outcomes to promote adaptability
- consistently embedding foundation skills (language, literacy, numeracy and digital literacy - LLND) as a holistic outcome of a qualification, rather than as a narrow component of every individual unit of competency
- strengthening principles to underpin VET qualifications development, including drawing on data and evidence, removing duplication and unnecessary specification to enable flexible and high-quality delivery, and drawing on broad industry and educator expertise when developing qualifications.

The Australian Productivity Commission (2020b, p. 218) found that employer satisfaction with the VET system is generally high, but has been trending downwards over the last decade. The leading causes of dissatisfaction arose from programs that did not teach relevant skills or were not sufficiently focused on practical skills. A recent national survey of 999 apprentices and trainees in construction trades found that 96 per cent were employed after completing their training, with 93 per cent improving their employment status. Ninety-four per cent reported that they were satisfied with skills learnt on-the-job, while 89 per cent were satisfied with off-the-job training (NCVER 2025).

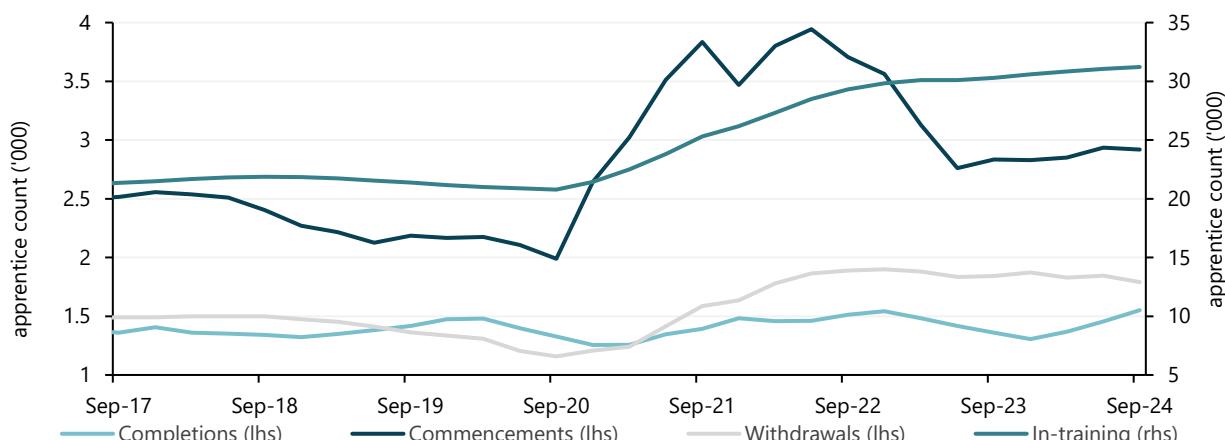
Recent trends in apprenticeships in Queensland

As of September 2024, there were approximately 50 per cent more construction apprentices in-training in Queensland compared to four years prior (Figure 16.1). This growth has been driven by Covid-era initiatives such as the Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) schemes (DEWR 2023b),⁴⁶ which led to 80 per cent more commencements during their operation compared to the two-year period prior to their introduction. While commencements have fallen in the two years since the BAC and CAC schemes closed, there were still 40 per cent more commencements than in the two years prior to their introduction.

As discussed in Part A on procurement, apprenticeship numbers may also be influenced by the currently suspended Best Practice Industry Conditions (BPICs) and the Queensland Government Building and Construction Training Policy, which mandates that 15 per cent of hours worked on large government projects must be undertaken by apprentices and trainees. However, it is unclear how effective and efficient they have been in increasing net apprenticeship numbers.

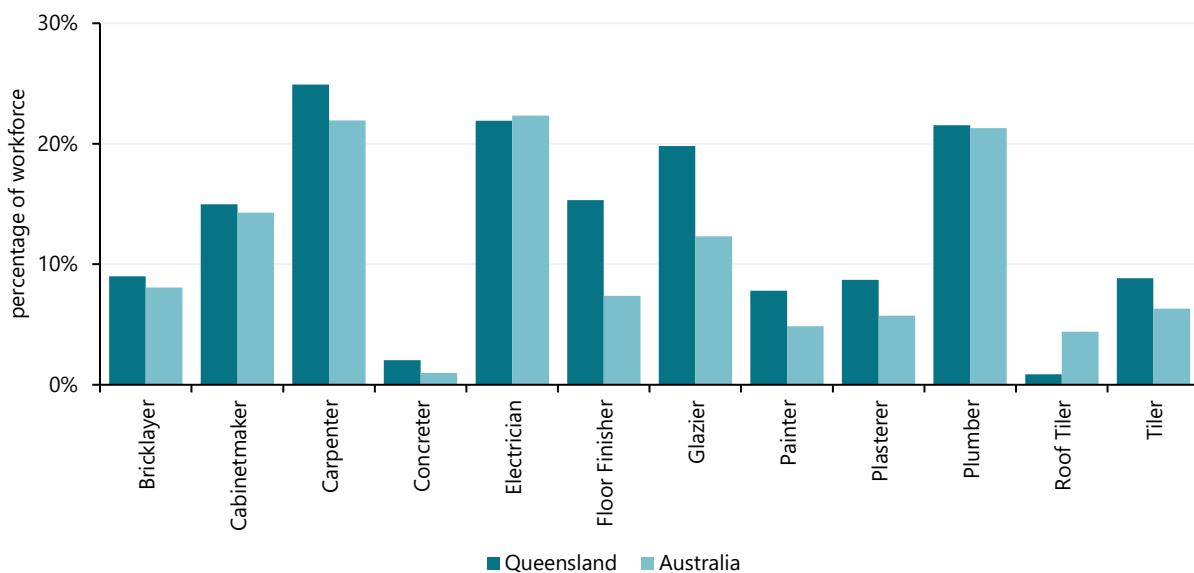
Although the number of apprentices in-training has risen since the BAC and CAC schemes were introduced, withdrawals have significantly outpaced completions since 2021. However, as apprenticeships typically take up to four years to complete, it is anticipated that the commencements throughout 2021 and 2022 should lead to higher completions throughout 2025 and 2026.

⁴⁶ The Boosting Apprenticeship Commencements and Completing Apprenticeship Commencements wage subsidy schemes opened on 5 October 2020 and closed on 30 June 2022.

Figure 16.1 Queensland construction industry's apprenticeship pipeline, 4-quarter rolling average

Source: QPC analysis using CSQ and National Centre for Vocational Education Research data.

These aggregate numbers do not reveal differences in apprenticeship numbers in particular trades. Preliminary analysis suggests that the number of apprenticeship commencements has been highly concentrated in a select number of construction occupations over recent years, namely carpenters, electricians and plumbers.⁴⁷ With the exception of roof tilers, the share of apprentices in Queensland as a proportion of the total workforce is either close to or above the national average for a range of construction trades (Figure 16.2).

Figure 16.2 Apprentices as a proportion of the total workforce by trade, Queensland and Australia, 2024

Source: QPC analysis using Jobs and Skills Australia and National Centre for Vocational Education Research data.

⁴⁷ 12-month series National Centre for Vocational Education Research data on ANZSCO 4-digit occupation apprenticeship numbers could only be sourced for the last five years (12 months ending 30 September 2020 to 12 months ending 30 September 2024).

Taken together, recent trends in apprenticeships appear broadly favourable, both in terms of the number of apprentices and as a proportion of the building and construction workforce. However, the escalating demand for construction work as the 2032 Brisbane Olympic and Paralympic Games approach and governments' commitments to facilitating higher levels of housing construction in the face of low affordability will place pressure on labour supply.

Within this context, turnover is a challenge for the construction industry, with an annual exit rate of 8 per cent (Master Builders Australia 2024b, p. 4). Although the average age of workers in construction is lower than the economy average (ACA 2023a, p. 4), construction workers generally exit the industry earlier due to the physical requirements of the work.

The Australian Productivity Commission (2025a, p. 38) has found that the age distribution of dwelling construction workers is currently more favourable than for the economy as a whole, but there is still the potential for pressures to emerge in specific occupations. The Housing Industry Association (HIA 2024a, p. 12) found that the occupations most susceptible to an ageing workforce were plasterers, bricklayers and floor finishers, and to a lesser extent glaziers, tilers, cabinetmakers and painters, due to the decline in the number of workers in these occupations aged under 25. In the white-collar professional occupations, the Australian Institute of Building Surveyors (sub. 49, p. 9) estimated that one third of building surveyors are also likely to reach retirement age within the next 10 years. On the other hand, carpenters, electricians and plumbers were considered among the least susceptible to age-related exits, as growth had been observed in both the overall size of the workforce as well as the size of the workforce aged under 25.

Construction Skills Queensland (CSQ) (2025b) projects that Queensland will face an average aggregate shortfall of more than 18,000 construction workers per year over the next eight years, peaking at 50,000 in 2026-27. It is likely that shortages will not be spread evenly, with certain occupations likely to experience more intense shortages. CSQ projects demand for construction workers in the building industry over this period to be focused on carpenters and joiners, building and plumbing labourers, painting trades workers, plumbers, electricians, concreters, and plasterers.

Queensland faces a challenge to provide a coordinated response that can meet the immediate and growing demand for construction work. In particular, more will be required of the apprenticeship system if labour shortages, especially in high demand occupations, are not to become an increasing drag on construction output and productivity.

Issues with the apprenticeship and training system

The Australian Productivity Commission has presented a decision-making framework for apprentices and employers for deciding whether to undertake an apprenticeship or take on an apprentice (Table 16.1). A diverse range of considerations factor into these decisions.

Table 16.1 A decision-making framework for apprentices and employers

	Benefits	Costs
Apprentice	<ul style="list-style-type: none"> • Desire to work in occupation • Improved skills • Training wages • Future wages • Government incentives 	<ul style="list-style-type: none"> • Training costs incurred by the apprentice • Opportunity cost of alternative employment • Lack of career information • Negative community and individual attitudes • Rigid structure or length of training and work • Risk of problems with employer
Employer	<ul style="list-style-type: none"> • Productive contribution of apprentice • Wage discount • Giving back to the community • Government incentives 	<ul style="list-style-type: none"> • Training wages • Supervision costs • Training costs incurred by the employer • Group training fees • Administration costs • Extra maintenance due to apprentice errors • Risk of non-completion • Risk of poaching

Source: PC 2020b, p. 336.

During consultations and in submissions, stakeholders raised many issues with, and possible improvements to, the apprenticeship and training system as it operates in Queensland. These issues generally fit across several broad themes:

- information barriers faced by prospective apprentices and workers
- deficits in and underutilisation of the existing training system
- financial barriers facing businesses and workers.

These issues and proposals merit a deeper investigation and evaluation than this inquiry can provide. Many require a rigorous evaluation by those with expertise and experience in the field, while some issues strike at underlying problems with the VET system, and the constraints in which it operates – that is, it is a wide-ranging system, involving government agencies, many industries, individual businesses, prospective workers and public and private employees. It interacts with school education and labour market regulatory regimes and exists within a federal architecture with responsibilities shared across jurisdictions.

With the Queensland Productivity Commission's (the Commission) inquiry focusing on productivity in the construction industry, areas have been identified for improvement based on stakeholder feedback.

Prospective workers encounter information barriers

Incomplete or conflicting information for prospective trainees and apprentices can be an impediment to making sound decisions on their training and ultimately to construction productivity. Information barriers can stem from a general lack of awareness about what it is like to work in the construction industry, future industry prospects, and the precise training pathways that will best equip them to succeed in the industry. The Australian Productivity Commission noted that the mismatch of skills training was in part driven by gaps in information and career advice, which is often fragmented or duplicated across multiple websites, leading to suboptimal decision making about training pathways (PC 2020b, p. 12).

Despite recent increases in apprenticeship commencements, stakeholders emphasised that attracting school leavers to apprenticeships continues to be an ongoing challenge (Plumbing Industry Climate Action Group, sub. 56, p. 7; NECA, sub. 27, p. 7; Master Builders Queensland, sub. 43, p. 26), with the low participation of women being an example (Box 16.2).

Box 16.2 Female participation in the construction apprenticeship system

In 2022, the Queensland Training Ombudsman (2022, p. 2) completed a review of support provided to Queensland Apprentices and Trainees, with a focus on female apprentices in male dominated occupations. While the review found that the system was not in need of major systemic changes, it did recommend reforms to better prepare and support employers, apprentices and trainees throughout training contracts in order to narrow the gap in completion rates between male and female apprentices.

The review found that females accounted for around 4 per cent of construction apprenticeship commencements and were less likely than males to complete their apprenticeship. On the other hand, females were more likely than males to complete a construction traineeship, despite representing only 11 per cent of total construction traineeships.

These trends in apprenticeships and traineeships are also reflected in longer-term career outcomes. There were 46,000 females working in the Queensland construction industry in 2024, a 16 per cent increase from 2023 (CSQ 2024a, p. 9). Despite this, females account for only 17 per cent of the total construction workforce, and only 5 per cent of construction trades.

The 2024 Strategic Review of the Australian Apprenticeship Incentive System found that females were more likely than males to drop out of due to poor working conditions and were more likely to observe or experience bullying (DEWR 2024c, p. 83). Females may also be deterred from entering trades due to a lack of recognition of their prior experience.

Several stakeholders noted that low female participation remains a challenge for the construction industry (Master Builders Queensland, sub. 43, p. 27; Queensland Unions, sub. 59, p. 4). Proposed solutions included:

- continuing to fund programs for women in construction to new entrants
- increasing awareness of pathways, occupations and careers
- providing training and support to female-led businesses
- addressing unfavourable working practices that may exclude women (for example, long or inflexible working hours and other conditions of employment)
- addressing cultural issues such as bullying and harassment through education and hotlines.

The Department of Trade, Employment and Training (sub. 17, p. 2) is currently delivering the \$4.6 million Women in Trades Mentoring Program, with \$1 million allocated to support female apprentices in the construction industry, with Master Builders Queensland and the Housing Industry Association delivering the construction portion of the program. Meanwhile, CSQ (2024a, p. 5) is continuing to advocate for the implementation of a Queensland Women in Construction Strategy.

Some stakeholders also suggested that the construction industry suffers from an image of construction work as being physically hard, unfriendly to family life and/or highly masculine that is unattractive to some prospective workers.

Pre-apprenticeship programs

Pre-apprenticeship programs have been identified as an effective strategy for providing prospective candidates with some early insights into the industry before committing to a longer-term pathway, and especially so for underrepresented cohorts. In Queensland, initiatives such as CSQ's Year13 seek to counter these problems by providing tools for high school students to investigate their compatibility with the choice of careers in construction (CSQ 2024b, p. 19).

Strategies to reduce information barriers can be both formal and informal in their design. Stakeholders recommended the introduction of readiness assessments for prospective apprentices to ensure that candidates possess sufficient motivation, literacy and numeracy skills, practical dexterity, and understanding of the trade environment to commence and complete an apprenticeship (NECA, sub. 27, p. 10). This could help to counter high attrition rates and avoid wasted time and resources for both industry and candidates, increasing employer confidence when engaging new apprentices. This process could also interact with mentoring strategies by identifying individual learning or support needs at the outset, enabling targeted intervention and tailored support plans.

Measures to retain apprentices

Information barriers are not confined to the initial decision to enter training for the construction labour market. Apprentices and trainees also benefit from support and access to information during their placement to ensure they have a clear view of their progress and remain in touch with industry networks.

Stakeholders pointed to evidence showing that structured, industry-specific mentoring is among the most effective interventions to increase retention, completion, and overall apprentice wellbeing, especially for mature-age apprentices, women, First Nations people, and other priority cohorts (HIA, sub. 32, p. 23; NECA, sub. 27, p. 10). An effective mentoring system consists of regular scheduled check-ins, clear escalation pathways for workplace or personal issues, and access to trained mentors with direct experience in the given trade.

Several stakeholders emphasised the effectiveness of GTOs for improving recruitment, retention, and completion rates for apprentices in the trades. GTOs allow apprentices and trainees to spend their entire apprenticeship or traineeship with a single host employer or to rotate across several host employers. This can increase flexibility for employers who may not be in a position to support an apprentice or trainee for the full term of their apprenticeship or traineeship.

Small businesses tend not to have the necessary experience and resources to provide apprentices with comprehensive mentoring and support, with inconsistent work and host turnover raising barriers to completion (Queensland Unions, sub. 59, p. 26). GTOs can address this gap by ensuring that apprentices are matched with host employers based on their skills and potential for success (NECA, sub. 27, p. 8). GTOs can also bolster job security by helping to smooth boom-bust workforce cycles. If a business faces financial difficulties or ceases operations, GTOs can intervene to secure alternative placements for the business's apprentices (Plumbing Industry Climate Action Group, sub. 56, p. 6).

Stakeholder submissions have highlighted the potential for significant productivity gains from engaging cohorts that are currently underrepresented in the construction industry. Although stakeholders have pointed to successful pilots and other localised projects, improving productivity at an industry level will require solutions to be deployed at scale across wide geographical areas while retaining the personalisation that makes mentoring and pre-apprenticeship support mechanisms effective. Policies designed to reduce information barriers for employees and employers may not require substantial financial resources but do need to be coordinated to avoid duplication and confusion about potential pathways and opportunities. High quality evaluations of the efficacy of these programs will be required to inform decisions on their adoption.

Queensland's training system may lack and underutilise capacity

The off-the job training opportunities offered by RTOs and TAFEs are an important complement to on-the-job work experience for apprentices and trainees. However, their effectiveness in supporting construction productivity is dependent on attracting a pipeline of qualified educators and ensuring that capacity is matched to demand across the state. Jobs and Skills Australia reported shortages of VET teachers in every Australian jurisdiction, with shortages particularly acute for teachers, trainers and assessors in building and engineering trades (Jobs and Skills Australia 2024, p. 110).

Several stakeholders have drawn attention to challenges with RTOs and TAFEs attracting and retaining qualified trainers and assessors in specialised fields (PICAG, sub. 56, p. 8). For example, several stakeholders noted that there is limited RTO capacity for some qualifications and in some regions in Queensland. Fire Protection Association Australia (FPAA, sub. 23, p. 1) noted that the Certificate IV in Fire Systems Compliance is only offered in full by two RTOs in Queensland, resulting in only 45 course completions across 2022 and 2023.

In order to remain fit-for-purpose, training pathways must stay up-to-date with the evolving requirements of employers and the building and construction industry generally. Stakeholders raised concerns that some qualifications are not sufficiently responsive and can lag behind current industry practices, technological advancements, and the evolving complexity of fire safety, electrical, and mechanical systems (AMCA, NECA and NFIA, sub. 47, p. 4). Not only does this necessitate additional training by employers to address these shortfalls, but up-to-date training in modern construction practices is essential to reduce the risk of building defects (Australian Sustainable Built Environment Council, sub. 58, p. 2).

Some stakeholders also suggested that existing capacity is not being used as effectively as it could be:

- The National Electrical and Communications Association (NECA, sub. 27, p. 9) reported that several public TAFE facilities and other Government-owned buildings in Brisbane and regional centres are considerably underutilised, with the potential for Industry RTOs to use these facilities to deliver qualifications.
- Some stakeholders also raised concerns that available RTO capacity was not always being utilised productively. For example, electricians could previously complete Authorised Person (AP) requirements for electrical work as part of onboarding, but must now complete a dedicated RTO course (MEA, sub. 37, pp. 7-8). Not only does this use up RTO capacity, but limited class intake leads to delays in electricians being able to complete electrical work.

Measures to increase training capacity

Stakeholders suggested measures to increase training capacity, including:

- NECA (sub. 27, p. 9) recommended the adoption of 'Trade to Trainer' programs, whereby Industry RTOs deliver training to assist experienced workers seeking less labour-intensive work, or carer or lifestyle changes, to transition into technical training roles.
- NECA (sub. 27, p. 9) also noted its ongoing trial of a 'pop up' RTO campus model, utilising a community hall as a trade school facility on the NSW South Coast, where it delivers a Certificate III in Electrotechnology - Electrician two days a week. This has contributed to the employment of nearly 40 new electrical apprentices in fewer than 12 months. NECA also pointed to the success of a block release training model targeted at organisations with fly-in-fly-out models.
- Stockland (sub. 29, p. 3) is investigating opportunities to collaborate with the TAFE sector to create local Skills Exchanges to build up a skilled workforce through its own large-scale construction sites.
- Master Electricians Australia (MEA, sub. 37, pp. 21-22) suggested a greater role for technology in delivering training. MEA considered that the continued requirement for face-to-face training is a constraint to the productive use of limited qualified trainers and limited physical training facilities. Virtual reality (VR) technology could be adopted (possibly starting with non-accredited training) to deliver training remotely, with the ability to validate progress and completion.

Stakeholders also told us in consultation that recognition of prior learning remains an obstacle for mature apprentices, especially those who have served in the defence force. This may suggest that some prospective construction workers are being forced to acquire additional qualifications with limited incremental benefits to their skill set, which is likely to place additional pressure on an already constrained training system.

The Australian Productivity Commission (2023b, 2025a) has supported consideration of microcredentials in its recent reports, arguing that microcredentials provide an opportunity for workers to quickly obtain specific new skills, and can therefore help address acute skills shortages. They are generally cheaper than more formal education, and more likely to be undertaken by the existing workforce, with employers also being more likely to fund them.

Stakeholder consultation has highlighted various training offerings, each with strengths and drawbacks as currently adopted in the construction industry. Establishing which models are likely to be most effective in addressing training constraints and how these should be funded is beyond the capacity of this inquiry. Importantly, construction is not the only industry where training systems are under pressure. As such, it is relevant to bear in mind that resources deployed for the construction industry will need to be diverted from other productive uses.

Financial barriers may constrain uptake of apprenticeships and training

Training for an occupation should be considered an investment with all parties seeking to maximise the return on the resources they have invested under uncertain prospects.

From the perspective of labour market entrants, there are financial costs to efficiently acquire the necessary skills and subsequently make themselves available for work in the industry. Financial costs for prospective employees include not only the direct cost of training, but potentially also the cost of moving, the cost of obtaining relevant equipment and the loss of income from entering the training system for those in work. There is also considerable uncertainty regarding future wage outcomes, security of work, and job satisfaction relative to other labour market opportunities.

For employers who invest in training by taking on an apprentice, there is a risk that the apprentice fails to complete their placement, leading to wasted resources. Even if a placement is completed, employers may miss out on the benefits of the time and resources they invest in an apprentice if they move to a competing firm. For example, in the electrical sector, MEA (sub. 37, pp. 19-21) reported that small businesses are discouraged from taking on apprentices because they often lose them to larger firms who are able to offer higher wages in the later years of an apprenticeship – this results in small businesses receiving minimal return on their investment, despite having committed substantial time and supervision. There may be broader benefits to the worker and the industry from the small business's investment, but these do not fully accrue to the small business itself.

Construction employers face competing demands for the allocation of scarce resources. For instance, time and funds spent dedicated to apprentices and training offerings could be spent on other employees, or on other factors of production (for example, capital equipment). Employers and students in regional areas also face higher costs when students undertake studies at distant university and training campuses, such as accommodation costs and the unavailability of students for work.

Master Plumbers' Association Queensland (MPAQ, sub. 62, pp. 2-3) for example, estimates the 'true' cost of training a single apprentice as exceeding \$250,000, with only two per cent of this figure covered by government financial incentives.

Stakeholders pointed to financial barriers to entry for mature apprentices (HIA, sub. 32, pp. 22-23; AMCA, NECA and NFIA, sub. 47, p. 6). NECA (sub. 27, p. 7) reported that people over the age of 21 can comprise up to 50 per cent of applicants, but constitute less than 5 per cent of NECA Apprenticeships' annual intake. Adult apprentices are more expensive to employ and, hence, more difficult to justify, particularly for small businesses. This wage barrier significantly disadvantages women, who are more likely to pursue a trade career later in life.

Use of financial incentives and subsidies

Incentive systems have been one of the strategies used to support training and apprenticeships. The purpose of these incentives is to assist employers when the resources involved with engaging, supervising and training apprentices are not commensurate with the productivity generated by these employees in the early stages of their career (Master Builders Queensland, sub. 43, p. 27; DEWR 2024c, p. 53). In the absence of such initiatives, workplaces may not be sufficiently incentivised to engage trainees and apprentices if there is a risk that apprentices do not complete their apprenticeship or move to another workplace and therefore the returns on the investments made in training are not realised.

Common policy instruments to address financial barriers typically include a range of incentive payments to employees and employers, wage and other subsidies, and tax breaks. A range of incentive schemes already exist at the state and Commonwealth levels (Box 16.3).

Box 16.3 Government financial incentive schemes

As of 1 July 2024, the Australian Apprenticeships Incentive System payments are structured as follows:

- Employers of apprentices in priority occupations will be eligible to claim up to \$5,000 over 2 instalments (\$2,000 at 6 months and \$3,000 at 12 months) using the Priority Hiring Incentive
- Apprentices in priority occupations can also receive up to \$5,000 in 4 instalments over 24 months using the Australian Apprentice Training Support Payment

Queensland Government incentives and subsidies for apprenticeships and trainees include the following:

- Contributions to the cost of training for priority apprenticeships and traineeships paid directly to eligible Skills Assure Suppliers (Queensland Government 2025b)
- Travel and accommodation allowances paid directly to apprentices and trainees (DTET 2025)
- Discounted workers' compensation insurance premiums for apprentices (WorkCover Queensland 2023)
- 50 per cent rebate on payroll taxes for apprentice and trainee wages (Queensland Revenue Office 2025)

Better targeting of financial incentives and subsidies

It is difficult to evaluate the adequacy of these payments and how they contribute to construction productivity based on the information available to the Commission. In its 2020 study, the Australian Productivity Commission's view was that employer incentives are unlikely to provide a strong return on investment, often paying businesses for training that would have occurred anyway, and being likely to change the behaviour of only a few. Instead, they could be better targeted or redirected to other mechanisms that provide a greater return on investment (PC 2020b, pp. 27–28).

The Strategic Review of the Australian Apprenticeship Incentive System made the following recommendations with implications for productivity (DEWR 2024c):

- direct employer incentives to small and medium employers engaging apprentices in priority locations, by removing employer incentives for large employers. This recommendation was based on evidence that large businesses are more likely to hire apprentices based on business needs rather than available government incentives
- develop ways to recognise previous experience and fast-track apprenticeships to make them more appealing to those entering an apprenticeship later in life
- develop means for apprentices to demonstrate the transferability of the skills they develop in their training between different employers and occupations.

The review found that financial costs are not the only factors limiting uptake by small and medium-sized businesses (SMEs). SMEs, especially those who have not taken on an apprentice before, often need additional support around providing apprentices with training and navigating the apprenticeship system (DEWR 2024c, p. 67). Low training wages were also found to deter people from not only taking up an apprenticeship but also impacting on their ability to afford to follow it through to completion. Master Builders Australia (2024b, p. 34) has recommended adapting the Vocational Education and Training award to allow for more flexible patterns of work and part-time apprenticeships.

MEA (sub. 37, p. 19) recommended that the Queensland Government provide targeted financial support to SME businesses for training hours spent by a qualified electrical worker supervising an apprentice during the first and second years when greater direct supervision is required. This funding would help offset the cost of lost productivity from qualified electrical workers who dedicate time to apprentice supervision and could encourage more SMEs to take on first year apprentices despite the risk of losing them as they become more productive.

Similarly, in the building industry, Master Builders Queensland (sub. 43, p. 27) has proposed increased apprentice wage subsidies for businesses to incentivise commencements and offset high supervisory costs in the first year, along with financial incentives for apprentices upon completion of their first year (when apprentices are most likely to drop out), and upon completion of the full apprenticeship.

NECA (sub. 27, p. 7) noted the success of the Western Australia Construction Training Fund (CTF), which provided GTOs with 100 per cent of the wage gap allowing adult apprentices to be engaged at the same rate as junior apprentices. This resulted in a doubling of female apprentices, suggesting that subsidies may be effective for increasing mature entrants to apprenticeships.

Investment in training is more likely to be optimised if those receiving the benefits of that investment are also the ones making that investment. Underinvestment in training can occur when those required to make the investment are not accruing the commensurate benefits of that investment. Conversely, overinvestment can occur if those receiving the benefits of training are deciding on the level of investment but not adequately contributing to it. As the benefits of training can be widely diffused among prospective and existing workers, individual businesses, the broader industry and the general community, contributions to training could come from a number of parties. The level and quality of training can be affected by how investment decisions are made and funding contributions are shared and managed.

Governments already provide a range of incentive payments and other forms of support to apprentices and their employers. Nevertheless, stakeholders have argued that there is a need for further industry support. Given the productivity lens of this inquiry, financial subsidies are generally not a preferred option since they raise the risk of distorting market outcomes and other unintended consequences. However, to the extent financial support for industry is to be provided, payments could be structured in such way that more apprentices will commence and complete placements than in the absence of the incentive schemes.

Any government intervention should be the minimum necessary to alleviate constraints on construction productivity. The building and construction industry is only one of many industries subject to skills shortages. Just as under-provision of support can create inefficiencies, so too can overinvestment distort efficient market outcomes by diverting funds from more productive uses.

A way forward on apprenticeship and training reform

The issues raised in stakeholder submissions indicate that there may be opportunities to improve the apprenticeship and training system. Considerations include:

- CSQ's analysis suggests that skills shortages are an immediate issue and will increase in the next several years. Improvements that have a positive impact on skills acquisition in the short to medium term will be responding in the same timeframe of the commensurate need. Issues relating to more deep-seated problems in the apprenticeship and training system should be addressed, but in some cases that may only be possible in the longer term and through a more comprehensive process.

- Immediate attention should be given to making better use of existing training capacity and better targeting of current government financial assistance to increase their effectiveness and efficiency. Increases in funding will require development of a rigorous business case, with consideration of other government priorities and the risk of creating market distortions and other unintended consequences.
- The Queensland apprenticeship and training system does not represent the only mechanism by which construction skills can be developed – industry may consider working outside the existing formal system, or using its expertise to improve or complement training offerings, as Stockland appears to be doing in relation to the creation of local Skills Exchanges.

There have been many reviews of the VET system. In the current context, what is required is a reform process that:

- coordinates efforts across government and industry – skills shortages may be more concentrated in specific occupational areas, but specific skill shortages affect everyone given the interlinked nature of the industry
- should be inclusive of the industry, to draw on its experience and give it the confidence that possible labour capacity constraints are being effectively addressed and therefore the confidence it requires to invest
- focuses on what the Queensland Government and construction industry can do in the short and medium term, while recognising any need for, and preparing for, longer term reform.

This will likely require a process of collaboration between the construction industry (including peak bodies, businesses and workers) and relevant government bodies to identify problems, reform opportunities and priorities. Such a process is beyond the capacity of this inquiry to undertake. The Department of Trade, Employment and Training (sub. 17, p. 4) is already establishing a collaborative process (Strategic Dialogue Series) with the construction industry that could serve as a possible model or support for the collaborative process.

The Commission is seeking stakeholder views and evidence to support its advice in the final report.

16.2 Reform directions



REFORM DIRECTION 10 – TRAINING AND APPRENTICESHIPS

The Queensland Government should establish a collaborative process with industry and relevant government organisations and agencies to identify problems, reform opportunities and priorities to improve the training and apprenticeship system for the construction industry in Queensland. Issues that should be considered include:

- the attraction and retention of prospective students and apprentices, including the efficacy of pre-apprenticeship and mentoring programs
- the design, capacity and quality of the training system, and how these can be improved to meet the needs of industry and prospective and existing workers
- financial considerations for employers, apprentices and students, including whether the efficacy of apprenticeship subsidies can be improved
- development pathways to encourage a career in construction.

In considering these issues, attention should be given to:

- any legal or institutional barriers to reform in this area
- the appropriate sharing of funding among government, students and apprentices, individual businesses and industry generally, considering the incidence of benefits from training
- the design of measures to minimise market distortions to the construction industry and the broader economy
- broader reforms of the education and training systems, and how these interact with reforms proposed under this process
- the requirements of mature age apprentices, and other factors required to support diversity
- the requirements of regional and remote areas.



REQUEST FOR INFORMATION – TRAINING AND APPRENTICESHIPS

The Commission is seeking stakeholder views and evidence on:

- the underlying drivers, incidence and scale of issues in the training and apprenticeship system as they affect the construction industry
- further case studies where strategies to improve training and apprenticeship outcomes have been effective
- the design of an appropriate process to drive reform
 - the Commission is aware of the newly instituted Strategic Dialogue Series of the Department of Trade, Employment and Training and is seeking feedback on whether this model alone will deliver the identified objectives or what other activities would be needed to support reform
- any other issues or considerations that should be identified in the recommendation.



17.0 **Occupational licensing**

17.1 Occupational licensing

Occupational licensing and accreditation requirements are intended to ensure that work is completed safely, and with appropriate care and skill. Both tradespeople and professionals working in the construction and real estate industries are subject to occupational regulation with requirements that can be complex and diverse (Box 17.1).

Box 17.1 Occupational licensing requirements in construction and real estate industries

Occupational licensing requirements impose a variety of conditions, but they most commonly relate to:

- qualifications — for example, a plumbing and drainage licence requires an applicant to hold a Certificate III in plumbing (QBCC 2024b)
- experience or competency — for example, registration as a professional engineer requires 4–5 years of experience after graduation (BPEQ 2025)
- continuing professional development (CPD) — for example, from 6 June 2025, a licensed real estate agent must complete 2 approved CPD sessions per year (Office of Fair Trading 2025)
- character or previous conduct — for example, a site supervisor licence cannot be obtained by a person who has become bankrupt in the previous 3 years (QBCC 2024a).

Several international studies have linked economy-wide occupational licensing to reduced competition, slower productivity growth, or other costs on the community (for example, Bona 2011; CEDA 2022; Cox & Foster 1990; Kleiner 2006; Kleiner & Soltas 2019). In Australia, the 'stringency' of occupational entry regulation has been linked to lower rates of business entry and exit, slower flows of workers from low to high productivity firms, and skill shortages (Bowman et al. 2024). Assessing the evidence on the whole-of-economy impacts of occupational licensing, the Australian Productivity Commission recently concluded that '[m]uch of the available evidence supports the idea that licensing stringency reduces market competition', increases labour market rigidity, creates significant administrative costs, and lowers productivity (PC 2023a, pp. 60–63).

The streamlining of requirements for occupational licensing was one of the 26 reforms modelled by the Australian Productivity Commission at the request of the Australian, state and territory governments in 2024 as part of a revitalised National Competition Policy (NCP). The Australian Productivity Commission modelling indicated that occupational licensing reform could deliver the greatest economic benefits of those reforms whose benefits could be quantified (PC 2024, p. 14). However, it was not one of the reforms in a first tranche agreed to by treasurers in November 2024 (Chalmers 2024).

Occupational licensing should deliver net community benefits

Occupational licensing can deliver several potential benefits to the community where it addresses a market failure. Most occupational licensing requirements generally seek to address market failures relating to:

- *Information asymmetry*, which exists where consumers (or employers) cannot accurately assess the competency of service providers (or potential employees). This is particularly problematic in relation to where a consumer may not be able to assess competency before or after the fact or where the outcome of poor performance is non-rectifiable (for example, where poorly performed work results in a permanent injury).
- *Negative externalities*, which exist where a worker or service provider's lack of competency adversely affects a third party. The most common example in construction relates to health and safety risks, but other examples of externalities could include nuisances (such as noise or odour), environmental damage (such as from improper disposal of materials) or loss of lateral support on adjacent properties due to improperly completed earthworks.

However, occupational licensing requirements can also impose costs. They can:

- discourage people from entering or remaining in regulated industries, reducing competition and supply
- reduce competitive pressure on incumbents to innovate

- impede the adoption of new technology by prescribing the way in which work is done
- impose costs on workers (for example, the cost of mandatory training that is not valued by workers or consumers), some of which is passed on to consumers and businesses
- reduce labour mobility between tasks, professions, industries or between jurisdictions
- impose administrative and compliance costs on businesses, workers and government.

In every case, a rigorous assessment should be made as to whether the community benefits of requiring an occupational licence exceeds the costs, and whether the cost of licence requirements can be minimised while still being effective in achieving policy objectives. This can create or exacerbate skill shortages if highly skilled workers are required for tasks that less credentialled workers could adequately perform. While not occupational licensing *per se*, regulation can have a similar effect if, for example, it requires a highly credentialled worker to act as a supervisor or spotter for another worker when a lower qualification level would be suitable or supervision is not necessary.

Moreover, consideration should be given to whether other policy instruments may be more effective and efficient than occupational licensing in addressing the policy problem.

Other policy instruments may be more effective and efficient

Even where market failures exist, market or other non-regulatory mechanisms often suffice to regulate the competency of service providers or mitigate costs to third parties. For example, information asymmetry can be addressed through practitioner reputation, voluntary accreditation or certification, voluntary membership of professional associations, or standard commercial practice (for example, assigning contract risk through warranties or guarantees).

Other general regulatory interventions also may suffice to address them without the need for specific occupational licensing. These can include consumer law (for examples, the *Competition and Consumer Act 2010* includes mandatory guarantees relating to work quality), general workplace health and safety laws, instruments designed to manage externalities (for example, the *Environmental Protection Act 1994* regulates run-off and construction site operating hours) and common law remedies (for example, the torts of negligence and nuisance) (NSW PC 2022; PC 2000).

In many cases, occupational licensing is said to be necessary to improve safety outcomes. The Australian Productivity Commission considered the evidence for whether occupational licensing is the 'best way' of improving safety outcomes. The inquiry found that an expansion of licensing requirements in building and construction was 'characterised by poor assessment of health and safety risks and inadequate consideration of whether alternative regulation already addresses the problem — largely as a result of insufficient evidence to inform policy' (PC 2023a, p. 68).

The Australian Productivity Commission cited the introduction of refrigeration and air conditioning licensing in Queensland as having a weak evidentiary basis. It noted that despite claims in the accompanying regulatory impact assessment and Parliamentary inquiry, 'supporting evidence of unsafe outcomes in Australia, let alone Queensland, either does not exist or is not well founded', that no evidence was produced linking unlicensed work to the spread of legionella was published, and that 'it remains unclear whether licensing would be more effective than other regulatory interventions' (PC 2023a, p. 70, citing Queensland Government 2019b; Transport and Public Works Committee 2018).

Overall, the Australian Productivity Commission concluded that:

In the building and construction industry, licensing has been increasingly focused on protecting health and safety despite little evidence of its effectiveness. The lack of empirical evidence supporting licensing design has led to a ramping up of licensing stringency that has increased barriers to entry and is likely leading to considerable inefficiencies in the provision of skills and reduced productivity in the sector (PC 2023a, p. 76)

The NSW Productivity Commission (2021) recommended that occupational licensing for construction trades previously identified as 'low risk' (including painters, decorators, fencers, glaziers, pavers and plasterers) be replaced with negative licensing (in which persons can perform licensed work by default, but can be banned by the regulator).

Stakeholders provided examples to the inquiry of where occupational licences may not be delivering net benefits to the community, could be impeding productivity in the industry, or could be implemented more efficiently or at a lower cost to industry or workers (Box 17.2).

Box 17.2 Stakeholders' examples of occupational licences that may be impeding productivity

- The Australian Institute of Building Surveyors (sub. 49, p. 7) submitted that Queensland has the highest number of distinct licence categories relevant to the building and construction industry. Further, several licence categories overlap, which can cause confusion for consumers looking to undertake building work.
- Stakeholders noted that there are approximately 40 fire protection licences in Queensland, with some licences such as passive fire protection requiring unrelated trade qualifications leading to impractical prerequisite pathways and creating barriers to entry for experienced specialists (NFIA, sub. 46, p. 6; AMCA, NECA and NFIA, sub. 47, p. 5).
- Since 2021, workers with a Certificate II in Fire Protection Inspection and Testing have been unable to perform "Test and Maintain" tasks due to QBCC licensing requirements. This has resulted in fire protection companies assigning Certificate III holders to complete this work, reducing the pool of certified personnel available. In some cases, fire protection contractors may need to dispatch three technicians whereas previously only two would have been required (Fire Protection Association Australia, sub. 23, p. 2).
- Electrical workers who successfully complete an apprenticeship require both TAFE and Electrical Safety Office (ESO) approval before they can undertake further electrical work. Stakeholders reported that this can take upwards of 31 days (NECA, sub. 27, p. 6). In the interim, newly qualified electrical workers are limited to non-electrical work, which leads to unnecessary downtime for newly qualified tradespeople and makes it difficult for employers to retain skilled workers without interruption. There may be opportunities to grant conditional licences subject to the completion of required documentation.
- Experienced licensed electricians also encounter double-handling of competency requirements when applying for QBCC fire protection licences to inspect emergency lighting. In one instance, two electrical contractors with 25 years of experience were denied renewal of their fire protection licences for not meeting QBCC units of competency relating to business planning and cost estimation that were not directly related to core electrical inspection activities, even though the contractors already held high-level qualifications via the ESO (NECA, sub. 41, p. 4).
- Pest controllers in Queensland must hold a QBCC occupational licence even if not involved in building and construction work. Pest controllers are already licensed under Queensland Health; interstate jurisdictions typically license pest controllers via health or environment departments unless they are directly involved in building and construction work. (Australian Environmental Pest Managers Association, sub. 61, p. 1). The dual requirement in Queensland is also a barrier to entry for professionals seeking to work in Queensland.
- The Housing Industry Association (sub. 32, p. 24) suggested that some 4-year apprenticeships could potentially be streamlined, including painting, plastering, and steel framing, which requires a 4-year carpentry apprenticeship predominantly focusing on timber methods of construction.

Stakeholders also indicated that nominal thresholds for licence requirements may be hampering construction productivity. As discussed in Part C on the regulation of building activities, any building work in Queensland with a value above \$3,300 requires a commercial building licence (QBCC 2021e). However, this threshold has not recently indexed to inflation. As a result, stakeholders have noted that this limits the number of builders available to complete smaller household projects, which has the perverse consequence of drawing more qualified tradespeople into lower-value work (Peter Cousins, comment 5). Raising the nominal threshold (with indexation over time) would potentially alleviate some of these pressures in the building and construction industry by aligning qualification requirements more closely with the nature of work on smaller projects.

Regardless of the underlying rationale, any purported benefits of licensing requirements must be clearly evidenced and must be shown to exceed any costs imposed. In the context of long-term poor construction productivity growth and deteriorating housing affordability, the need to impose additional costs through licensing requirements should be rigorously tested.

Occupational licensing in construction should be reviewed

While quantifying the impacts of occupational licensing is difficult in general, Bowman et. al (2024) found that occupational entry requirements for electricians, painters, plumbers and architects in Queensland were more stringent than the OECD average, and far more stringent than the least stringent OECD countries. Therefore, the potential exists for large gains from reviewing and reforming occupational licensing requirements in Queensland.

Specific licensing requirements are often complex and technical in nature. Reforms may also have significant impacts on many stakeholders, and 'getting it wrong' could lead to health and safety risks for workers and consumers. Reform of occupational licensing requires rigorous a policy development process involving comprehensive consultation – this all lies well beyond the timeframes or scope of this inquiry.

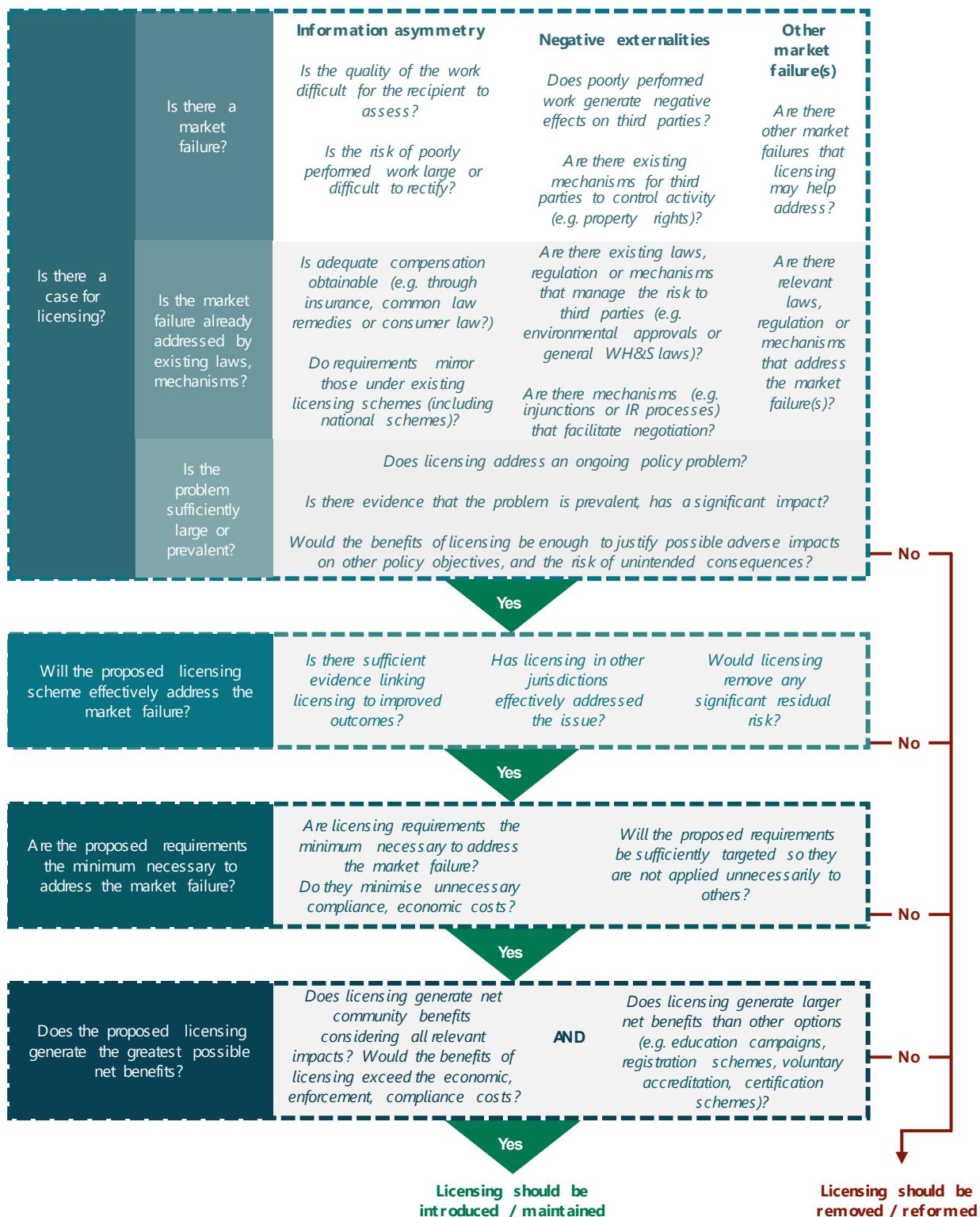
Instead, it is proposed that the Queensland Government institute a coordinated multi-year program of stock reviews of occupation licensing requirements relevant to the construction industry. These reviews should:

- be conducted by relevant agencies over the next several years
- adhere to best practice regulation principles as reflected in the *Queensland Government Better Regulation Policy* (the Policy)
- consider in each case whether:
 - there is reliable evidence of a market failure
 - market failure is better addressed through existing regulation (e.g. consumer law)
 - there is clear evidence the licensing requirement addresses the market failure effectively
 - licensing arrangements deliver net benefits to the community
 - licensing requirements deliver the greatest net benefits to the community relative to other options.

The Queensland Productivity Commission (the Commission) has developed a draft framework for evaluating occupational licensing requirements for agencies to apply to future licensing decisions (Figure 17.1). While this framework mirrors existing requirements under the Policy, it is intended to provide specific guidance to agencies undertaking those reviews. Further guidance on managing the stock of regulation is discussed in Chapter 3.

To inform prioritisation, the Commission is seeking stakeholder views on what specific occupational licensing requirements are most likely to benefit from being reviewed.

It is important that the elements of this framework are applied to individual licensing requirements; even where an occupational licencing regime delivers net community benefits, there can be specific elements of it (for example, large amounts of mandatory compulsory professional development (CPD) or highly specialised qualification requirements) that do not.

Figure 17.1 Draft framework for evaluating occupational licensing

Source: QPC.

Further changes should be paused until appropriate analysis is complete

In the meantime, any new occupational licensing proposals should be subject to the requirements of the *Queensland Government Better Regulation Policy* (the Policy), and, if there are any pending occupational licensing changes that have the potential to impose additional requirements, but have not been subject to a rigorous regulatory impact assessment process, they should not commence until they have done so.

A recent example of a licensing-related measure that may have benefited from more rigorous analysis was the new CPD requirements for property industry professionals that came into effect on 6 June 2025 (Office of Fair Trading 2025). While an impact analysis statement was prepared, the proposal was exempted from the requirements of the Policy (DJAG 2023). Issues with the analysis include:

- It does not clearly explain the difference of its results with a previous national assessment, which found that removing mandatory CPD for property occupational licensing across Australia would generate net annual benefits of \$37 million in 2013 dollars (Australian Government 2013).
- Several key assumptions used to construct the cost-benefit analysis in the Queensland analysis could be questioned.
- While the changes were supported by key industry associations, they were opposed by practitioners, with an estimated 60–65 per cent of property agents against the changes (DJAG 2023, p. 73).

Several stakeholders expressed support for mandatory CPD requirements in their respective sectors (Master Builders Queensland, sub. 43, pp. 32–33; AMCA, NECA and NFIA, sub. 47, pp. 5–6; Plumbing Industry Climate Action Group, sub. 56, pp. 5–6; AWCI Australia, sub. 70, pp. 1–2). CPD can update workers on current best practice and innovations, while also reducing the risk of defects and inconsistent practices on construction sites by addressing fragmented industry knowledge bases.

A recent NSW Productivity Commission discussion paper on CPD noted that mandating CPD creates costs, as well as benefits, for the community (NSW PC 2022, p. 5). In particular, mandatory CPD may be implemented without sufficient rationale for government intervention and may also create occupational barriers by increasing the resources required to remain in a profession. The NSW Productivity Commission also identified the potential for conflicts of interest where industry incumbents simultaneously set mandatory CPD requirements while receiving fee revenue for delivering CPD training.

Overall, the introduction of further mandatory CPD requirements in the construction industry would require a strong justification, especially when many industry participants already report high levels of regulatory burden and labour shortages. In any case, rigorous application of regulatory impact analysis remains the best approach for assessing whether additional CPD requirements are likely to deliver a net benefit for the Queensland community.

To help ensure that current construction and housing market challenges are not further exacerbated, for any pending changes to occupational licensing that have the potential to increase requirements for the construction industry and have not been subject to appropriate analysis, their commencement should be suspended until that analysis is complete.

There are opportunities to reduce barriers to labour mobility

Ensuring that any licensing requirements are necessary, effective, and efficient should be a priority of government. Where licensing is justified, however, it should also not unnecessarily restrict practitioners moving between or operating in multiple jurisdictions.

Licensing requirements can contribute to reduced labour mobility across state borders. Workers in cross-border areas and larger businesses operating in multiple jurisdictions may be particularly affected by these barriers. In particular, NECA (sub. 41, p. 3) noted that electrical contractors operating in border areas such as Coolangatta/Tweed Heads and Goondiwindi must comply with different licensing, insurance, and competency requirements enforced by separate regulators.

Queensland can benefit from licence harmonisation

The Queensland Government should consider participating in any move toward nationally consistent licences.

Where licensing is necessary, effective and efficient, national harmonisation improves interjurisdictional mobility (for both licensed workers and businesses hiring licensed workers), reduces compliance costs for practitioners and reduces administrative costs for government.

Harmonisation is not without potential costs, however:

- If the proposed national licensing is not efficient (for example, if it imposes educational requirements that do not deliver net benefits to the community), the additional costs of those requirements can outweigh the benefits from harmonisation
- As it requires interjurisdictional agreement, harmonised licensing can be slow and costly to establish or update. It may sometimes be the case that productivity gains can be achieved by addressing specific issues within a jurisdiction rather than relying on harmonisation.

The only ongoing proposal for licensing harmonisation the Commission is aware of relates to electrical trades as noted in the 2025–26 Commonwealth Budget (Australian Government 2025a). As above, there is a clear in-principle basis for Queensland participation in such a scheme. However, it should only do so if the licensing requirements are necessary, effective, and impose the minimum costs necessary to achieve the policy objective.

The Commission notes that the Australian Productivity Commission has been directed to provide ‘analysis and modelling’ of, among other things, ‘an occupational licensing scheme that provides for labour mobility nationally’ with an interim report scheduled for release in July 2025 (PC 2025b). If relevant, the results of that analysis will be used to inform this inquiry.

Queensland could extend recognition of interstate licences

Mutual recognition is a process in which one jurisdiction recognises equivalent licences issued in another and approves the licensee to undertake similar work (typically on application by the licensee). Automatic mutual recognition (AMR) is a process by which a worker licensed in one state or territory is automatically considered registered to complete the same work in another.

Queensland is the only state that does not participate in AMR (DEWR 2024b). In contrast, NSW recognises a variety of interstate building licences including bricklayers, carpenters, plasterers, fencers, glaziers, joiners, painters, tilers, and stonemasons (NSW Government 2024a), allowing tradespeople licensed in other states to work there without additional fees and minimal requirements.

Stakeholders were generally supportive of Queensland adopting AMR (Engineers Australia, sub. 36; QMCA, sub. 66, p. 37; REIQ, sub. 67, p. 9), but cautioned that AMR must involve mechanisms to verify the substantial equivalence of competencies to avoid the risk of jurisdictions with less rigorous requirements leading to lower safety and quality standards (NFIA, sub. 46, p. 9; AMCA, NECA and NFIA, sub. 47, p. 6). The National Fire Industry Association (NFIA, sub. 46, p. 9) suggested that Queensland may need to advocate for national minimum benchmarks or supplementary competency assessments for specific high-risk licence classes.

By enhancing labour mobility, AMR can benefit workers, businesses, and consumers as it allows workers to move to regions where demand is greatest, helps businesses to manage supply shortages, allows better matching of workers to jobs, improves the supply of construction services and encourages the dissemination of new technologies or processes.

While permanent interstate migrants are likely to obtain new licensing when they move, AMR is most likely to benefit regional areas along the NSW border where workers might temporarily relocate in response to high demand. For example, the NSW Cross-Border Commissioner argued that a lack of AMR in Queensland negatively affected the ability of those communities to rebuild after severe flooding in 2022 (Rennie 2022). It is not unreasonable to expect similar challenges could arise if severe flooding were to occur in southern Queensland.

In practice, the immediate benefits of AMR are likely to be relatively small:

- While AMR would reduce administrative costs and improve labour mobility for tradespeople, construction workforce shortages are present across Australia.
- The current barriers to recognition are often minor as Queensland already participates in mutual recognition for many construction occupations — for example, while a person licensed to undertake gas work in another state (or New Zealand; see Chapter 18) must apply to have that licence recognised to work in Queensland, they can start work immediately while the application is assessed (Business Queensland 2025).

The Queensland Government has previously suggested that participating in AMR could ‘compromise safety or standards’ (Dick 2020). However, the Commission has been unable to source specific evidence showing Queensland’s regulation results in better outcomes than that in other jurisdictions, and it is not obvious why occupational regulation considered appropriate in the rest of the country would be inappropriate in a single state.

Conversely, it may be the case that the additional administrative costs associated with participating in AMR outweigh any potential gains. While the Commission does not presently have the information required to assess these prospective costs, the take-up of AMR in all other Australian jurisdictions suggests that this is unlikely to be a material barrier (assuming Queensland’s regulatory performance is not significantly less efficient).

On balance, publicly available information suggests that the benefits of Queensland’s participation in AMR would outweigh the costs or risks. To support further analysis, the Commission is seeking evidence in relation to the construction industry of specific regulatory outcomes achieved under Queensland’s regimes that would not be achieved under those in other states or territories. In the absence of further information, the weight of evidence appears to suggest that greater participation in AMR, at least in relation to the construction industry, is in the interest of Queensland workers, consumers and businesses.

17.2 Recommendations



PRELIMINARY RECOMMENDATION 18 – REVIEW OF OCCUPATIONAL LICENSING

All of Queensland's construction-related occupational licensing requirements should be reviewed through a multi-year coordinated program of stock reviews by relevant agencies in consultation with relevant stakeholders. At a minimum, each review should consider whether:

- there is reliable evidence of a market failure
- market failure is better addressed by existing regulation (for example, consumer law)
- there is clear evidence the licensing requirement addresses the market failure effectively
- licensing arrangements deliver net benefits to the community
- licensing requirements deliver the greatest net benefits to the community relative to other options.

There may also be opportunities to more fully recognise prior learning and experience in assessing whether licensing requirements have been met.



REQUEST FOR INFORMATION – PRIORITISING OCCUPATIONAL LICENSING REVIEWS

To best prioritise these reviews, the Commission is seeking stakeholder views on what specific construction-related occupational licensing requirements are most likely to impose the greatest net costs on the community and how a program of stock reviews could best be coordinated across relevant agencies.



PRELIMINARY RECOMMENDATION 19 – REGULATORY IMPACT ANALYSIS OF PENDING OCCUPATIONAL LICENSING

For any pending changes to occupational licensing that have the potential to increase requirements for the construction industry and have not been subject to an assessment under Queensland's Better Regulation Policy, the Queensland Government should suspend their commencement until that analysis is completed.



PRELIMINARY RECOMMENDATION 20 – REMOVING BARRIERS TO LABOUR MOBILITY

Unless it can be rigorously demonstrated that Queensland's specific occupational licensing requirements deliver greater net benefits to the community than those of other states and territories, the Queensland Government should:

- join other states and territories in participating in Automatic Mutual Recognition of occupational licences, at least in relation to the construction industry
- automatically recognise equivalent licensing obtained in other states for construction workers.



18.0

Skilled overseas migration

18.1 Skilled overseas migration

There may be some scope for skilled overseas migration to assist in addressing shortages of skilled workers. For this to occur, it would be essential that any work performed by migrant workers meets the quality and safety standards required of Australian workers.

A relatively small proportion of construction workers are migrants (compared to other industries), and a relatively small proportion of migrants work in construction (Coates & Wiltshire 2024). Both the Australian Productivity Commission (2025a) and Grattan Institute (Coates & Wiltshire 2024) have called for greater use of skilled overseas migration to address workforce shortages.

While migration is primarily a matter for the Australian Government, there are two channels through which the Queensland Government can help leverage skills of international workers.

First, the Queensland Government can nominate workers under two visa classes:

- the *skilled nominated (Permanent) visa* (subclass 190), which provides permanent residence for skilled workers; or
- the *skilled work regional (Permanent) visa* (subclass 491), which is a five-year visa that leads to permanent residency after working in regional Queensland for at least three years. This visa superseded the *skilled regional (provisional) visa* (subclass 489) in 2019.

Both nominated and regional visas have similar requirements, including that:

- the applicant has an eligible skilled occupation (*Migration (LIN 19/051: Specification of Occupations and Relevant Assessing Authorities) Instrument 2019 (Cth)*). These occupations include many construction skills in shortage, for example, civil engineers, carpenters, electricians, plumbers, and architectural draftspersons.⁴⁸
- the applicant has been living and working in Queensland for at least six months (for subclass 190) or in regional Queensland for at least three months (for subclass 491)
- the applicant has evidence of ongoing, non-casual employment
- the applicant commits to living and working in Queensland for two years (for subclass 190) or regional Queensland for three years (for subclass 491) (Migration Queensland n.d.).

This pipeline appears relatively underused — Queensland has an allocation of only 1,200 state nominated migrants in 2024–25 (Migration Queensland n.d.), compared to the 26,260 total state and local government allocation (Department of Home Affairs 2025). This is well below Queensland’s population share of the total allocation. Typically only around 100 or fewer construction trades workers permanently migrate to Queensland under those programs each year⁴⁹ (QPC; Department of Home Affairs 2024).

Second, the Queensland Government can reduce duplicative or unnecessary barriers to skilled overseas migration and the ability of migrants to apply those skills. The Australian Productivity Commission recently noted that skills assessments for migration purposes and licensing purposes may not be fully aligned. They note that an electrician, before being able to work without supervision, would need to both:

- have their qualifications and skills recognised through the Offshore Skills Assessment Program or a Temporary Skill Shortage Skills Assessment
- undertake 12 months of supervised work under a licensed electrician to apply for an appropriate Certificate III (PC 2023a, p. 55).

⁴⁸ The skills list was last updated in December 2024.

⁴⁹ Over the previous 10 years excluding 2019–20 to 2020–21 during which border closures were in effect. Only includes primary applicants.

Stakeholders recommended that immigration pathways should be streamlined for workers in construction trade occupations, with pathways to permanent residency for temporary workers (REIQ, sub. 67, p. 10). The Housing Industry Association (sub. 32, pp. 22-23) also suggested that there were opportunities for the construction industry to expand recruitment into overseas markets and allow overseas students to undertake apprenticeships in construction trades. Stockland (sub. 29, p. 3) submitted that only 2.8 per cent of migrants entering the country over the past five years had skills relevant to the construction industry, arguing that this proportion should be closer to 10 per cent, approximately the proportion of the total workforce in construction.

Several stakeholders raised concerns about visa cost and processing times, recommending the inclusion of all trades-related occupations in the Core Skills pathway of the Skills in Demand visa (Master Builders Queensland, sub. 43, pp. 27-28; Queensland Major Contractors Association, sub. 66, p. 37). Master Builders Queensland (sub. 43, p. 27) identified New Zealand as a case study for utilising skilled overseas migration to expand the construction workforce. New Zealand removed labour market testing for certain occupations and streamlined skilled overseas migration policies, increasing the share of temporary and permanent migrants in the construction work force from 6.8 per cent in 2012 to 13.7 per cent in 2019 (Schiff 2022, p. 9).

Master Builders Queensland (sub. 43, p. 28) also proposed nationally accredited gap training in licensed trades such as carpentry and bricklaying for migrant tradespeople from jurisdictions with comparable qualification and training frameworks. The Queensland Productivity Commission (the Commission) notes that BuildSkills Australia is currently undertaking a project to develop a Minimum Australian Context Gap course for skilled migrant plumbers (BuildSkills Australia 2025).

It is also important to note that there are already mutual recognition processes for New Zealand migrants in Queensland (and other states) under the *Trans-Tasman Mutual Recognition (Queensland) Act 2003*. For example, holders of New Zealand electrical work licences can apply for an equivalent Queensland licence under that Act (WorkSafe 2020). As recommended by the Australian Productivity Commission (2023a, p. 54), there may be scope to increase mutual recognition with 'similar countries', though this would likely require stronger links between domestic and international licensing bodies.

In general, there is little available information on specific state-level opportunities to use skilled overseas migration to assist in addressing construction workforce challenges. The Commission is therefore seeking stakeholder views on whether those opportunities exist, what they could be (for example, if there is scope to nominate more construction workers under state-nominated visa programs), and what the benefits, costs and risks associated with those options could be.

18.2 Reform directions



REFORM DIRECTION 11 – OPPORTUNITIES TO BETTER UTILISE SKILLED OVERSEAS MIGRATION

Based on preliminary evidence, there appears to be scope for the Queensland Government to advocate for an increased allocation from skilled international migration.

There may also be scope for the Queensland Government to:

- nominate more subclass 190 or 491 visas for construction trades
- reduce duplicative skills assessments, or to recognise equivalent overseas qualifications of potential immigrants.



REQUEST FOR INFORMATION – OPPORTUNITIES TO BETTER UTILISE SKILLED OVERSEAS MIGRATION

To ascertain the opportunity for leveraging skilled overseas migration to address gaps in the construction labour force that cannot be filled domestically, the Commission is seeking stakeholder views and evidence on:

- the need and opportunities for the Queensland Government to nominate more subclass 190 or 491 visas for construction tradespeople
- the opportunities to reduce duplicative skills assessments, or to recognise equivalent overseas qualifications, and if these opportunities exist, what the benefits, costs and risks are
- other specific opportunities to increase the use of skilled overseas migration to meet Queensland's construction skills needs.

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19.0

Labour hire licensing

19.1 Labour hire licensing

Queensland's labour hire licensing scheme requires all labour hire operators to be licensed, and all purchasers of labour hire to only deal with licensed agents. The primary aims of the scheme are to 'protect workers from exploitation' by labour hire service providers, and to 'promote the integrity of the labour hire industry' (*Labour Hire Licensing Act 2017* (Qld) s 3).

Labour hire arrangements can have a number of benefits to:

- construction firms, by allowing them to flexibly manage their workforce in response to variable or unplanned demand
- construction workers, by allowing them to obtain work more easily, gain skills or experience, undertake flexible or varied work, or 'try out' new occupations
- the broader economy, by facilitating matching of workers and firms which improves capacity utilisation (for both labour and capital) and productivity (Ai Group 2016; Master Builders Queensland 2017b; PC 2015; Shomos et al. 2013).

As noted by Master Builders Queensland:

The benefits of labour hire arrangements in the building and construction industry are obvious. Overall, it allows the contractors to conveniently access a supply of labour to meet peaks and troughs in demand. All parties to the labour hire relationship have legitimate economic reasons for electing to use that mode of service provision, namely flexibility and accessibility to the market.
(Master Builders Queensland 2017b, p. 2)

Conversely, labour hire can create risks for workers, particularly those vulnerable to exploitation (such as temporary migrants). In 2016, an inquiry into the practices of the labour hire industry by the Queensland Parliament Finance and Administration Committee heard evidence of 'undercutting' of employment conditions by labour hire companies, in the form of underpayment of award wages; unsafe working conditions; the non-payment of tax, superannuation and workers' compensation premiums; and 'sham contracting' (disguising employment arrangements as independent contracting) (Parliament of Queensland 2016, pp. 19–26). Submissions to the inquiry also argued that labour hire workers experienced poorer workplace health and safety outcomes than permanent employees, (for example CFMEU 2016; Underhill 2016). Dr Underhill, a researcher who has undertaken research into labour hire working arrangements, argued that these risks were well established:

All studies of labour hire workers and occupational health and safety in Australia and overseas have found that labour hire employees are more likely to be injured at work, compared to direct hire workers in like occupations ...

All studies of injured labour hire and other forms of temporary employment, in Australia and overseas, have found that those injured at work are less likely to be offered employment postinjury than permanent employees (Underhill 2016, p. 3)

A general assessment of labour hire regulation is beyond the scope of this inquiry. In general, however, the rationale for regulating labour hire in a construction context appears weaker than for other industries:

- In Queensland, the labour hire regulator's most recent annual report does not include construction as an industry with 'high risk' of non-compliance with legal obligations (OIR 2023).
- In 2017, the Decision RIS supporting the introduction *Labour Hire Licensing Act* claimed that, 'in the construction industry, the use of labour hire workers or contractors can be linked with decreased pay rates under payment of wages, as well as higher incidence of workplace health and safety issues or accidents' (OIR 2017, p. 10). However, it does not provide specific evidence to support this claim. Further, Australian Government changes made in 2024 allow employees, unions and host employers to apply for a regulated labour hire arrangement order that requires employees working for a particular host to be paid no less than the same pay rate they would receive under the host's enterprise agreement (Fair Work Ombudsman 2024).

- In 2019, the Migrant Workers Taskforce reporting to the Australian Government found that a national labour hire registration regime should be a 'light touch regulatory model' which would 'act as a form of negative licensing'. The proposed model would not apply to construction labour hire, instead targeting the four activities it determined to be 'high risk'⁵⁰ (Australian Government 2019, pp. 105–106). In 2020, citing this report (among others), the South Australian Government reduced the scope of its comparable legislation to a list of prescribed 'high risk' occupations, which did not include construction work (*Labour Hire Licensing Act 2017 (SA); Labour Hire Licensing (Miscellaneous) Amendment Bill - Second Reading 2020*).
- The established UK regime — which is often cited as a successful historic implementation of labour hire regulations (see, for example Forsyth 2019; OIR 2017) — does not apply to construction workers (*Gangmasters (Licensing) Act 2004 (UK)* s 3).⁵¹

Some stakeholders have also argued that the scheme duplicates requirements in other legislation (for example, the *Fair Work Act 2009* (Cth)). In the context of construction:

- The Housing Industry Association (2017) argued that the discovery of 'poor practices' in the labour hire industry was evidence of the effectiveness of the other regulatory frameworks (such as by the Fair Work Ombudsman or the Department of Immigration) without the need for specific labour hire licensing.
- Master Builders Queensland stated that as workers and businesses (including labour hire firms) are already licensed by the QBCC to contract to the industry, an additional labour hire licence 'is superfluous and will add costs and administration to these employers, whilst not providing any benefit to the industry' (Master Builders Queensland 2017b, p. 2).
- Consult Australia (sub. 28, p. 15) submitted that labour hire laws in Queensland create an unnecessary burden on businesses where labour hire is only incidental to their services, such as consulting businesses, with reporting requirements resulting in a regulatory impost of over \$200,000 per business.

The available evidence is not sufficient to conclude whether labour hire licensing delivers net community benefits when applied to construction. Even if it does, however, those benefits may be better obtained through a national (rather than state-based) scheme. Forsyth (2019) notes the 'most problematic feature' of the state-based licensing schemes are differences in how 'labour hire' is defined across jurisdictions, and this has the potential to increase costs, uncertainty and complexity for both operators and their clients. The Migrant Workers Taskforce similarly found that state-based schemes increase regulatory costs on operators, and that 'a single national regulatory scheme is preferable over different and overlapping state-based schemes' (Australian Government 2019, p. 105).

There appears to be ongoing work related to nationally harmonised labour hire regulation — in 2023, the Australian Department of Employment and Workplace Relations published a consultation regulatory impact statement on a National Labour Hire Regulation scheme (DEWR 2023a), and in April 2024 the Commonwealth Government funded the Victorian Government 'as in-principle host jurisdiction, to lead national labour hire implementation development as well as the establishment of a project office which is managing a range of scoping and planning work for a National Labour Hire Regulator' (Federal Financial Relations 2024). As of the publication of this interim report, however, the Queensland Productivity Commission (the Commission) has not been able to ascertain the status of this work. In addition, the Queensland Government has also announced that it will not adopt Victorian legislation as part of any national law labour hire scheme (Hannan & McKenna 2025).

More generally, any participation in a national scheme must demonstrate net benefits to the Queensland public. If the national scheme is significantly more onerous than local legislation, for example, the benefits of harmonisation may be outweighed by the additional regulatory impost.

⁵⁰ The four high risk sectors were horticulture, meat processing, cleaning, and security. This regulation would apply to construction firms when engaging in security or cleaning labour hire.

⁵¹ Although there has been some consideration of whether it should be extended to construction (see Joint Committee on Human Rights 2017).

On balance, there appears to be an in-principle case to suggest labour hire licensing in the context of construction work is less likely to deliver a net community benefit than similar requirements in other industries. Given the potential risks associated with reform and apparent progress on a national harmonisation process, however, the Commission is seeking further information on the specific operation of labour hire licensing in the Queensland construction industry before forming a potential recommendation.

19.2 Reform directions



REFORM DIRECTION 12 – LABOUR HIRE LICENSING

The Commission is considering whether existing labour hire licensing requirements should be applied to construction work, noting the rationale for labour hire licensing appears weaker for construction than for other industries.



REQUEST FOR INFORMATION – LABOUR HIRE REGULATION IN CONSTRUCTION

In relation to labour hire in construction, the Commission is seeking evidence as to whether:

- labour hire licensing arrangements enhance workplace health and safety outcomes beyond those achieved by other laws
- the costs imposed on businesses by the regime are disproportionate to those benefits
- Queensland workers and businesses would be better served by the state's participation in the process underway for a national (rather than state-based) scheme.

PART E: Other matters

Key points

- This part discusses three additional issues raised in stakeholder submissions that may have a significant impact on construction productivity.
- Taxes on foreign investment:
 - The Queensland Government imposes two taxes on foreign property investment, a 3 per cent Foreign Land Tax Surcharge and an 8 per cent Additional Foreign Acquirer Duty.
 - Although surveys tend to show individuals have concerns about foreign investment in the housing market, studies show that foreign investors are unlikely to make housing more unaffordable. Rather, foreign investors are likely to be crucial to the development of new housing typologies, such as build to rent, and new construction methods.
 - The Commission is seeking further information on whether Queensland taxes on foreign investment are having an impact on supply and innovation.
- Utility connections for new developments:
 - For many stakeholders, securing utility connections has become a key ‘pain point’ that is hampering the timely delivery of residential and commercial construction projects and resulting in significant and unplanned additional costs.
 - Inconsistent application and interpretation of regulatory standards and requirements by Energy Queensland is leading to unforeseen and unnecessary delays and costs. There appears to be a strong case for utilities to ensure their requirements align, as far as practicable, with existing agreed standards.
 - Stakeholders also raised issues of poor coordination between utility providers, developers, and local governments. The Commission is seeking further information from stakeholders on the extent to which such coordination already occurs, and where there may be further opportunities to align development approval with timely infrastructure provision and utility connection.
- Energy Queensland’s EBA
 - Concerns have been raised by stakeholders on key changes in the new Energy Queensland EBA related to the rates of pay and conditions to the employees of contractors and subcontractors carrying out contestable works on the network.
 - Stakeholders are concerned this will result in increased costs of infrastructure delivery, longer delivery times and scheduling difficulties, and that these impacts will be felt more acutely in regional areas.
 - The Commission would like to understand if stakeholder views provided so far are an accurate interpretation of this issue.

20.0

Taxes on foreign investment

20.1 Taxes on foreign investment

Foreign investment can be an important source of capital and knowledge transfer in the construction industry. However, regulatory restrictions and taxes apply to foreign investment in property, which may be reducing investment in housing and construction.

The Queensland Government imposes two taxes on foreign property investment:

- a 3 per cent Foreign Land Tax Surcharge (FLTS) in Queensland for land values of \$350,000 or more on foreign corporations and trustees
- an 8 per cent Additional Foreign Acquirer Duty (AFAD) on foreign persons and corporations who are not permanent residents.

These taxes were introduced (AFAD in 2016 and FLTS in 2020⁵²) to ensure foreign buyers and owners were contributing to funding state services (Queensland Government 2016, p. 10). These followed measures introduced in Victoria in 2015 in response to community concerns about increasing foreign property purchases, particularly in "off-plan" dwellings (Douglas 2024, p. 9).

These State charges are in addition to several other restrictions or obligations imposed on foreign individuals and other entities by the Australian Government (Box 20.1).

Box 20.1 Other restrictions on foreign investment

Australian Government restrictions and obligations:

- requirement to pay an annual vacancy fee if dwellings are unoccupied for 183 days or more in a year, reducing incentives for foreign owners to hold dwellings idle for capital gains rather than renting to tenants.
- requirement for Foreign Investment Review Board (FIRB) approval for property purchases. An application fee of \$15,100 applies for properties under \$1 million. Increased fees apply for purchases above \$1 million.
- a prohibition, until at least 31 March 2027, on foreign purchases of existing dwellings (unless an exception applies).
- foreign individuals are:
 - excluded from receiving the exemption from capital gains tax when selling their main residence
 - not entitled to the income tax-free threshold and are subject to higher marginal tax rates for income generated in Australia.

Impacts on housing outcomes

Much of the increasing burden placed on foreign investment appears to be due to perceptions foreign investment worsens housing affordability and crowds out local buyers (Geck & Mackay 2018). For example, a 2017 survey of Sydney residents found 78 per cent of respondents thought foreign investment was driving up house prices and more frequently attributed house price changes to foreign investors than factors such as urban planning, interest rates, taxes and concessions (Rogers et al. 2017).

⁵² The AFAD was originally set at 3 per cent but was increased to 7 per cent in 2018 and 8 per cent from 2024. An FLTS of 2 per cent, while introduced as part of the 2019–20 budget, was delayed until 30 June 2020. The FLTS was increased to 3 per cent from July 2024.

However, studies show foreign investors are unlikely to make housing more unaffordable. Wokker & Swieringa (2016) found foreign investment was responsible for a small proportion of residential property price growth. The study found that over a five-year period, foreign investment contributed between \$80 and \$122 to quarterly dwelling price growth in Sydney and Melbourne, compared with total quarterly property price growth of \$12,800 (a contribution of less than 1 per cent). Similarly Guest and Rohde (2017) found the impacts on dwelling prices in Brisbane were negligible. Both studies concluded that other demand factors and supply constraints are materially impacting housing affordability.

The data shows the share of foreign owners is low, suggesting their impact on affordability likely remains insignificant.⁵³ Data from NAB (2024), for the December quarter 2023, estimates that foreign buyers made up 11.0 per cent of new residential property market sales and 4.0 per cent of established residential property sales in Australia. In Queensland, in the same period, foreign buyers made up 6.3 per cent of new residential development purchases and 4.1 per cent of established residential property market activity.

Foreign investment's role in investment and development

Foreign investment likely increases the capital stock, reduces financing costs and improves project viability. Stakeholders have said that foreign investment helps progress construction projects and is often a key difference between a project being viable or not. An RBA paper concluded that it is likely foreign investment in new housing increases supply:

... construction by foreign developers have probably resulted in a somewhat higher stock of housing in Australia than would otherwise have been the case, although by a magnitude that is difficult to determine (Gauder et al. 2014, p. 18).

Foreign investment is also likely to be crucial to the development of new and emerging types of housing, such as build to rent (BTR), which is attracting significant levels of overseas interest (Gilbert & Tobin 2023). The Australian Government's updated foreign investment policy document acknowledges the importance of foreign investors to the BTR market by:

- allowing for the purchase of established BTR properties
- providing for FIRB approval processes to be streamlined for passive institutional investors with a history of strong compliance (Australian Treasury 2025; Wilkie et al. 2024).

More broadly, foreign direct investment often has spillover impacts.⁵⁴ Direct investors are often sophisticated, highly productive businesses, near the frontier of technology, knowledge and innovation (PC 2020a). Research has shown that knowledge spillovers, which drive productivity gains through the application of new methods and technologies, arise from international direct investment, through the diffusion of ideas, technology and managerial expertise.

⁵³ In 2021–22, foreign investors made 4,228 residential real estate purchases in Australia, almost \$4 billion. Foreign investors also sold 2,349 properties with a value of \$2.1 billion. This compares with a total of almost 600,000 property transactions in Australia with a value upwards of \$365 billion in the same year. Foreign purchases accounted for only around 1 per cent of national property purchases (Australian Treasury 2023; ABS 2023c).

⁵⁴ There are also potential spillover costs, such as national security risks, environmental degradation and aggressive tax minimisation strategies.

Barriers to foreign investors may be reducing investment in construction

Stakeholders have argued Queensland's additional duty and surcharge has resulted in missed opportunities for the State. The Housing Industry Association (sub. 32, pp. 13-14) noted:

Additional taxes imposed on foreign investors at both state and federal government levels are limiting investing in new housing. Since Queensland introduced the additional foreign acquirer duty in 2016, multi-unit commencements are tracking at half of previous levels. This tax also impacts the detached housing market as one in ten detached houses built in Australia are built by an overseas owned builder. These global home builders bring to Australia an investment in leading edge building technologies and products.

A consultancy commissioned by the Property Council of Australia (PCA) (2024) estimated that since 2016, Queensland's additional foreign taxes resulted in 33,000 fewer homes being built. Additionally, stakeholders have claimed that such changes have actually had an adverse impact on state revenue (around \$99.5 million), due to a reduction in foreign owned property transactions (Francis 2024; PCA 2024b).

Similar impacts have also been observed in the rest of the country. In Victoria, the introduction of and subsequent increase in their additional duty and surcharge coincided with a 72.8 per cent reduction in foreign investor supplied dwellings between 2014–15 and 2016–17. This decline in foreign investment also led to reduced state revenues from property taxes (PCA 2025a, p. 1 & 5).

The impact on Queensland appears to be compounded by a broad definition of 'foreign resident', which can lead to firms being unintentionally caught up in the FLTS and AFAD due to their structure or where they obtain capital.⁵⁵ While it is possible these firms, or firms whose activities contribute substantially to the housing stock (or to the Queensland economy and community), can obtain 'ex gratia' relief, this process is difficult, can take up to 18 months and, as it is determined on a case by case basis, does not guarantee success. This process is also likely to incur residual costs due to uncertainty and holding costs (PCA 2024b, p. 12). In response to these concerns, the Queensland Government has announced, as part of the 2025–26 State Budget, that it will streamline the ex gratia process to give investors 'faster access and greater certainty on eligibility rulings' (Hall 2025).

Continued use of taxes on foreign investment

Some stakeholders have called for the repeal of state taxes targeting foreign investment. For example, the Real Estate Institute of Queensland (REIQ) (sub. 67, p. 11) said:

The REIQ continues to oppose the application and recent increases of foreign investor surcharges on transfer duty and land tax. ... We recommend that these surcharges be rescinded to support capital flow, housing development, and market competitiveness.

Land taxes are generally considered an efficient tax, while stamp duties are considered an inefficient tax. The case for prioritising the removal of the foreign taxes on purchases is stronger than the case for removing the additional land tax. However, if land taxes price foreign development and construction companies out of holding land for development purposes, they may also be distortionary.

This distortion may decrease competition, potentially driving higher construction costs that pass through to house prices. It may also reduce knowledge transfer from foreign construction firms, hampering innovation. In addition, Australian Treasury modelling has estimated that any reduction in capital inflows would reduce the capital stock, income and real wages (Gali & Taplin 2012).

⁵⁵ An entity based in Australia is a foreign resident if it has 50 per cent or more international controlling interest (QRO 2024).

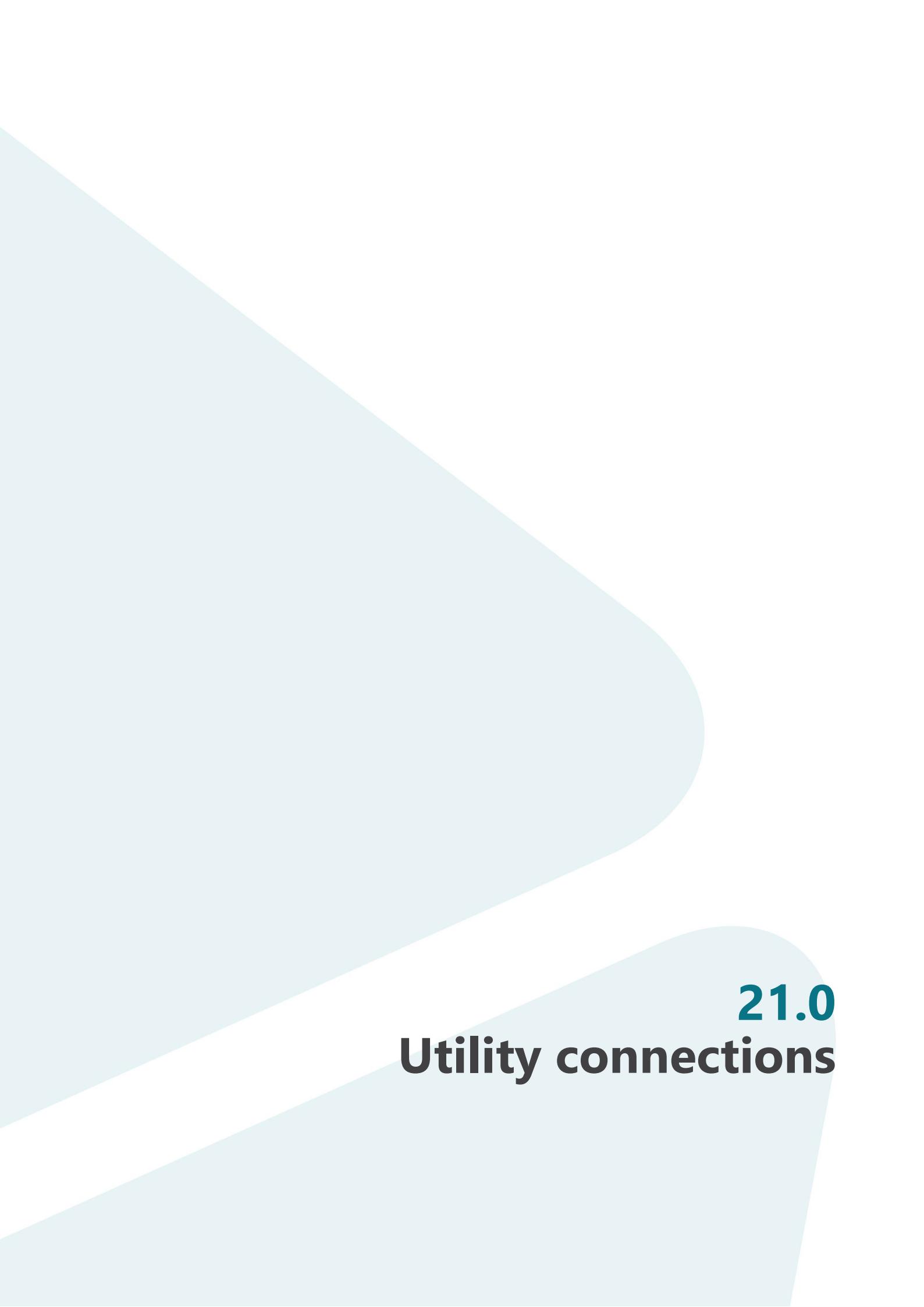
The Commission is seeking further stakeholder views on the extent to which foreign investor taxes are likely to impede housing construction and innovation, and whether recently announced changes will address stakeholder concerns.

20.2 Request for information

i REQUEST FOR INFORMATION – TAXES ON FOREIGN INVESTMENT

The Commission is seeking further information from stakeholders on:

- the extent to which Queensland's foreign investor taxes are likely to impede housing construction and innovation
- whether the recently announced changes to streamline the granting of *ex gratia* relief will address stakeholder concerns
- whether Queensland's additional taxes on foreign investment should be removed.



21.0

Utility connections

21.1 Utility Connections

Development projects, including new builds and subdivisions, often require new connections to utilities such as water, sewerage, and electricity. These connections typically involve a formal approval process, in addition to a development approval.

For many stakeholders, securing utility connections has become a key 'pain point' that is hampering the timely delivery of residential and commercial construction projects and resulting in significant and unplanned additional costs. The two main issues identified were claims that requirements are being applied inconsistently by utility providers (potentially due to differing interpretations) as well as poor coordination and delays.

Inconsistent requirements can lead to less productive outcomes

Stakeholders suggested that different standards were being applied, by Energy Queensland and other industry participants, which deviate from national standards. This is leading to increased costs and delays. Master Builders Queensland (sub. 43, p. 23) stated:

The Connections Manual and Australian Wiring Rules are being applied inconsistently. Different standards are being applied between Energy Queensland the electrical consultants as well as different standards between Energex and Ergon. This can lead to very costly and unplanned for expenses.

Similarly, in relation to the connection of terrace houses, Master Electricians Australia (sub. 37, p. 6) noted:

EQL's interpretation of The Wiring Rules has not been adopted by any regulator or any other Distribution Network Service Provider (DNSP) in Australia as far as we are aware. EQL's requirement leads to delays in connections, changes in design and hesitation to undertake electrical repair work for fear a reconnection will not be approved by EQL.

Some stakeholders also noted there were multiple variations on designs (sometimes midway through a project) and claimed that differing interpretations had led to additional, and in their view unnecessary, infrastructure requirements being imposed. The Housing Industry Association noted (sub. 32, p. 21):

Energy Queensland has significantly expanded the locations that a chamber pad-mounted transformer is required to installed to include most inner-city areas of Brisbane and the Gold Coast. This appears to be a blatant cost shifting exercise aimed at pushing the cost of trunk infrastructure onto new apartment buyers.

Stakeholders are therefore seeking more efficient avenues to review and contest decisions by Energy Queensland in their interpretation of relevant rules and standards (Master Builders Queensland, sub. 43; Master Electricians Australia, sub. 37).

Inconsistent application of regulatory standards and requirements can undermine the effectiveness of, and confidence in, the agreed regulatory framework and create delays, unexpected costs, and unnecessary burdens. Any requirements or conditions applied by utility providers should align, as far as practicable, with existing agreed standards. Where they do not align, the utility provider should offer clear, transparent, and evidence-based justifications for any differing requirements imposed.

Greater coordination may be required, particularly for greenfield developments

Stakeholders raised the issue of prolonged delays on project connections, which they argued exceeded statutory timeframes for delivery (Master Electricians Australia, sub. 37). Stakeholders also provided examples from their members of inefficient processes and poor customer service, such as lengthy and duplicative requests for information and difficulty obtaining clear advice on compliance (Master Builders Queensland, sub. 43). Some stakeholders argued for the establishment of key performance indicators for statutory bodies aimed at setting expectations for timely responses and the efficient connection of utilities (Master Builders Queensland, sub. 43).

It was observed by some stakeholders that many delays are due to poor coordination between utility providers, developers, and local governments. Stakeholders noted that in many instances local governments worked in silos, with limited communication and collaboration with others. It was also noted developers and utility providers may operate on different schedules from each other, with developers wanting to fast-track construction, while utility providers may have longer lead times for planning and installing infrastructure.

However, stakeholders also provided examples in consultation of more serious coordination issues, where developments that had been planned for over a decade were still waiting for key utilities to be connected in time for handover. This misalignment can delay the delivery of essential services, leaving completed developments without utilities or forcing a pause in construction.

These issues are likely to be more heavily felt in greenfield developments, which face different challenges in providing infrastructure, including utility connections, compared to infill projects. For example, data by the Urban Development Institute of Australia (2025) suggests 58 per cent of new homes on residential land in South East Queensland (compared to 33 per cent on average across Australian's major cities) have been stalled due to inadequate infrastructure.

As noted in the land use section of this report, evidence suggests that building new infrastructure in greenfield areas is much more costly than adapting infrastructure in established areas, as these areas often require entirely new infrastructure. These issues may be exacerbated by lack of funding or cost recovery mechanisms for infrastructure provision (see Part B for further discussion on this issue). On the other hand, increased demands from infill can also be strategically leveraged by the renewal of ageing assets, where new infrastructure investments are aligned with the replacement or upgrading of existing assets nearing the end of their useful life.

While the Queensland Government has sought to address some of these infrastructure issues through its Residential Activation Fund, appropriate coordination and collaboration between local governments and utility providers can ensure new dwellings are serviced by the timely and efficient provision of utility services. This supports parallel development of utilities infrastructure and dwelling projects, improving both infrastructure efficiency and dwelling construction times.

An existing tool that appears designed to support this coordination is the use of Water Netserv Plans by water service providers operating in South East Queensland. These plans guide the planning and delivery of future water and sewerage infrastructure and can assist in aligning regional and local development priorities with planned utility provision.

The Commission is seeking further information from stakeholders on the extent to which such coordination already occurs, and where there may be further opportunities to align development approval with timely infrastructure provision and utility connection.

21.2 Recommendations



PRELIMINARY RECOMMENDATION 21 – UTILITY CONNECTIONS

Any requirements or conditions applied by utility providers should align, as far as practicable, with existing agreed standards. Where they do not align, the utility provider should offer clear, transparent, and evidence-based justifications for any differing requirements imposed.



REQUEST FOR INFORMATION – UTILITY CONNECTIONS

Appropriate coordination and collaboration between local governments, utility providers and developers can ensure new dwellings are serviced by the timely and efficient provision of utility services.

The Commission is seeking further information on:

- the extent of coordination and collaboration, between governments, the construction industry and utility providers that already occurs
- where there may be further opportunities to align development approval with timely infrastructure provision and utility connection
- whether existing performance standards and metrics reported against by utility providers appropriately incentivise performance.

22.0

Energy Queensland's Enterprise Bargaining Agreement

22.1 Energy Queensland's Enterprise Bargaining Agreement

Since July 2024, Energy Queensland (EQ), which provides electricity distribution services across Queensland via the Energex and Ergon Energy networks, began operating under the *Energy Queensland Union Collective Agreement 2024* (EQ EBA) (Energy Queensland 2024b). The EQ EBA applies until 2028.

A key change in the new EQ EBA is the requirement under schedule 9, section 1.8 (b) to apply EQ EBA rates of pay and conditions to the employees of contractors and subcontractors carrying out contestable works⁵⁶ on the EQ network, as well as work on assets that will become part of the network (Energy Queensland 2024a). As a result, work on subdivisions, large customer connections and public lighting projects are to be performed in accordance with the EQ EBA rates of pay and conditions.

Numerous stakeholders have raised concerns about this change in the context of:

- increased costs and timeframes of infrastructure delivery
- scheduling difficulties when performing work on EQ assets and other customers
- being captured under EBA terms and conditions that they were not party to, and frustration that despite actively deciding not to tender for BPIC related works, they have indirectly been captured by similar terms and conditions
- the disproportionate impact these changes will have in regional areas, due to the limited number of skilled workers.

These concerns are discussed in more detail below.

Numerous stakeholders have told us that the higher rates of pay and conditions will increase project costs and construction timeframes. The Housing Industry Association (HIA) (sub. 32, p. 16) estimates that new housing allotments will be around \$10,000 more expensive. Master Builders Queensland (sub. 43, p. 24) also estimates that the changes will elicit significant cost increases:

... for these works all accredited contractors must pay all their workers for all work undertaken in-line with Energy Queensland's current EBA. Effectively turning the electrical works on any contestable project into a union site. This will see a 20-30 per cent increase in costs on all contestable projects and on the contestable portion of connection applications and relocation projects (generally limited to the trenching/conduit/civil works portion of these projects).

According to the HIA (sub. 32, p. 16), the higher rates of pay and allowances will even apply to employees delivering non-electrical works, such as retaining walls and excavation trenches.

Master Builders Queensland (sub. 43, p. 24) flagged that these higher rates of pay and conditions may deter some builders from delivering contestable works, which may exacerbate project cost increases and delays due to dampened competition in the market.

Stakeholders also told us that contractors and subcontractors have had to change their processes (for example, Master Electricians Australia, sub. 37, p. 15). This has been a particular issue for firms delivering projects that are now covered under the EQ EBA alongside projects that are not covered.

⁵⁶ Contestable works refer to works that can be done by a third-party provider, compared to non-contestable works that can only be completed by Energy Queensland. Contestable works are "contestable" in the sense that multiple providers can bid to complete these works.

According to stakeholders, these changes have effectively led to employees working on contestable works being paid more for nearly-identical work compared to their colleagues on other projects, leading to intracompany tension. To resolve this, firms are either being forced to provide all their employees conditions that match the EQ EBA, which leads to higher costs on projects the EQ EBA does not apply to, or to coordinate their employees to spend similar time on contestable works.

Stakeholders also reported the higher rates of pay and conditions on contestable works may be incentivising apprentices to seek apprenticeships on these types of projects. This distortion of the apprenticeship market may further exacerbate construction skills shortages in other areas.

As noted in Chapter 6, there appears to be limited, if any, scope for change in the short term for contestable works to be done on terms other than the EQ EBA. The Commission would like to hear from stakeholders on whether the interim stakeholder views are an accurate interpretation of the EQ EBA's impact on productivity across the construction industry and what measures could be taken over the short- to medium-term to ameliorate the impact on housing prices and construction industry productivity more generally.

22.2 Request for information

i

REQUEST FOR INFORMATION – EXTENSION OF ENERGY QUEENSLAND'S ENTERPRISE BARGAINING AGREEMENT RATES OF PAY TO CONTRACTORS AND SUBCONTRACTORS

Several stakeholders have raised issues with the 2024 Energy Queensland Union Collective Agreement (the EQ EBA), stating that it adds unnecessary conditions on subcontractors carrying out contestable works on the EQ network, reducing competition and increasing the costs of housing developments.

Several options have been put forward by stakeholders to address this issue, including that the Queensland Government:

- request EQ to remove the requirement for EQ's EBA rates of pay and allowances to be applied to contestable works (which apply to employees of contractors and subcontractors) when EQ negotiate their next EBA in 2028
- revise the definition of contestable works, so that sub-contractors are no longer covered by the EQ EBA.

The Commission is seeking information on the impact of the requirements and feedback on stakeholder proposals.

Appendices

Appendix A: Terms of Reference

QUEENSLAND PRODUCTIVITY COMMISSION ACT 2025

Section 38

DIRECTION

Direction

Under sections 9(1)(a) and 38 of the Queensland Productivity Commission Act 2025, I direct the Commission to undertake an inquiry and provide a report in accordance with the Terms of Reference set out below.

TERMS OF REFERENCE

OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION SECTOR

Context

An efficient construction sector plays a key role in a competitive and productive economy. The Queensland construction sector contributed \$37.6 billion to total economic output and employed 279,000 people in 2023–24.

The construction sector is broad — it includes residential and commercial building, civil engineering and construction services. The productivity of the sector has a large impact on the state’s housing market and housing affordability, the competitiveness of industries using construction inputs and the delivery and cost of important public infrastructure including transport, energy, education and health facilities.

Construction productivity growth over the last three decades has been weak compared to the broader economy in both Queensland and across Australia. Following the COVID-19 pandemic, the industry has been under substantial pressure, with surging construction input prices, rising insolvencies, and constraints on the supply of labour and materials. At the same time, the ongoing housing shortage and large Queensland Government capital program (including the delivery of Brisbane 2032 Olympics infrastructure) mean lifting construction productivity to deliver increased market capacity is more important than ever.

To ensure the construction sector can meet Queensland’s infrastructure and housing needs, the inquiry will examine policy and regulatory factors that are affecting the productivity of the construction sector in Queensland.

The Crisafulli government has a stated aim of delivering one million new dwellings across Queensland by 2044 (approx. 50,000 per year). Recent annual completions have been below 35,000 dwellings per annum which is in line with completion levels in 1980s when population was half of today’s levels. To meet this target the sector will need to improve its level of productivity.

Further, vacancy rates across the state for rental properties sit around 1 per cent across the major centres. It is imperative that Queensland has the correct regulatory environment and policy settings in place to support productivity and address housing supply and affordability issues and support delivery of public infrastructure projects.

The Inquiry

The Queensland Productivity Commission (QPC) is directed to undertake an inquiry reviewing the factors driving productivity in the Queensland construction sector and make recommendations for reform to improve productivity without compromising quality and safety outcomes.

Without directing the QPC as to the contents of its advice or recommendations in the report, I direct the QPC to investigate and report on:

- current conditions in the housing market, residential development sector, infrastructure delivery and construction sector in Queensland, including in both housing and non-residential construction as they relate to the delivery of additional housing supply and housing affordability

- key trends in the sector including input costs, prices, competition, supply chain developments, productivity, and relevant comparisons with other jurisdictions and, where possible, across Queensland regions
- productivity on residential, commercial and infrastructure construction sites, across a range of typologies and locations, relative to productivity performance in other States
- factors shaping Queensland's productivity performance including commonwealth, state and local government legislation and regulation, industrial relations matters, procurement policies and labour force needs (individually, cumulatively or through duplication) and opportunities for improvement
- the opportunities for improvements in productivity in Queensland including regulatory and non-regulatory mechanism
- priority areas for reform for the Queensland Government to efficiently address identified challenges in the short, medium and long term (including but not limited labour availability, skills availability and market competition, the availability of suitably qualified head contractors and sub contractors etc)
- key recommendations and themes from other relevant productivity reviews, including those relating to productivity undertaken by the Australian Government Productivity Commission
- impact on small and medium scale subcontractors in regional areas to compete for government tenders due to regulatory requirements
- flow on effect across the industry of government regulations to compete for labour and resources on both wages and work conditions.
- factors that limit the availability of suitable labour for building and civil construction, skills development of the labour force, and matching of labour supply with sector demand, and how policy settings can be improved
- how government procurement and contracting arrangements, including Best Practice Industry Conditions, affect productivity in the construction sector, and how practices and policy settings can be improved
- barriers to entry, investment and innovation in the sector, and potential options to address those impediments
- key issues to be considered in implementing reform options identified and views on how recommendations could be prioritised.

In considering policy responses, the inquiry should focus on the key systemic policy and regulatory settings that impact construction sector productivity. Similarly, the inquiry should primarily focus on those areas that can be influenced by the Queensland Government. However, where there are critical issues that fall within the scope of local government or Australian Government policy, the inquiry should identify such issues and provide options to inform the Queensland Government's engagement on these matters.

Consultation

Under section 38(2)(c) I direct the QPC to undertake wide public consultation with stakeholders, including with the general public, industry peak bodies, unions, construction businesses, sub-contractors and consultants, professionals and their associations, customer, business and community advocates, the finance and insurance sectors and regulatory bodies and Queensland Government agencies.

Participants will be granted the option to submit to the inquiry on a confidential basis in writing.

Reporting

The QPC must deliver a report within 6 months of the date of this direction.

For the report, the QPC should consult widely and may issue interim or draft reports for stakeholder feedback to ensure all evidence and views are included in the final report.

Appendix B: Summary of input received

Table B.1 Public submissions

Submission no.	Submitted by
S-001	Miscellaneous comments (Table B.2)
S-002	Bill LeMass
S-003	Australian Network for Universal Housing Design
S-004	Modscape & Modbotics
S-005	Cement Concrete & Aggregates Australia
S-006	Dr John McPherson
S-007	Anonymous
S-008	Myna Australia Pty Ltd
S-009	Sandy Bolton MP
S-010	UrbanTech Plus
S-011	Greater Brisbane
S-012	Camalee Investments Pty Ltd
S-013	Planning Institute of Australia
S-014	Local Government Association of Queensland
S-015	Association of Consulting Architects
S-016	Australian Institute of Quantity Surveyors
S-017	Department of Trade, Employment and Training
S-018	John Tozer – Consulting Engineer Pty Ltd
S-019	Simon McCarthy
S-020	Hughes et al
S-021	Energy Queensland
S-022	Melbourne Disability Institute
S-023	Fire Protection Association Australia
S-024	BuildSkills Australia
S-025	Health Infrastructure Queensland
S-026	Australian Institute of Architects
S-027	National Electrical and Communication Association
S-028	Consult Australia
S-029	Stockland
S-030	Workforce Advisory Lawyers

S-031	Strata Community Association
S-032	Housing Industry Association
S-033	Australian Glass and Window Association
S-034	John Grill Institute for Project Leadership, University of Sydney
S-035	Menzies Research Centre
S-036	Engineers Australia
S-037	Master Electricians Australia
S-038	Manufacturing Skills Queensland
S-039	Australian Constructors Association
S-040	AMPLIFY
S-041	National Electrical and Communication Association
S-042	Building Trusts
S-043	Master Builders Queensland
S-044	Infrastructure Association Queensland
S-045	Australian Steel Institute
S-046	National Fire Industry Association
S-047	Joint Submission – AMCA, NECA & NFIA
S-048	Project BA
S-049	Australian Institute of Building Surveyors
S-050	Dr Judy Matthews
S-051	Infrastructure Sustainability Council
S-052	integratedPRIVATE Pty Ltd
S-053	Water Services Association of Australia
S-054	Australian Flexible Pavement Association
S-055	Q Shelter
S-056	Plumbing Industry Climate Action Centre
S-057	The Summer Foundation
S-058	Australian Sustainable Built Environment Council
S-059	Queensland Unions
S-060	Project Legal
S-061	Australian Environmental Pest Managers Association
S-062	Master Plumbers Association Queensland
S-063	Queensland Law Society
S-064	Erin Dunn

S-065	Green Building Council of Australia
S-066	Queensland Major Contractors Association
S-067	Real Estate Institute of Queensland
S-068	Queensland Renewable Energy Council
S-069	Advantage Project Solutions Pty Ltd
S-070	Association of Wall and Ceiling Industries Australia
S-071	Autodesk [Confidential submission]
S-072	Built Queensland Pty Ltd [Confidential submission]
S-073	Queensland University of Technology
S-074	Construction, Forestry and Maritime Employees Union QLD/NT [Confidential submission]
S-075	Business Chamber Queensland
S-076	The PPW Group
S-077	Queensland Human Rights Commission

Table B.2 Comments

Comment no.	Submitted by
C-001	Foundation Technologies Australia
C-002	Anonymous
C-003	Anonymous
C-004	Anonymous
C-005	Peter Cousins
C-006	Building Products Industry Council
C-007	Liz Woollard
C-008	Intellichoice
C-009	Irrigation Australia Ltd

Appendix C: Modelling of BPICs

Introduction

Background

The stated purpose of Best Practice Industry Conditions (BPICs) is to ensure “quality, safe workplaces for people engaged on major state government projects” by setting out the Queensland Government’s expectations about wages and conditions on these sites (Queensland Government 2024n).

Box C.1 What are Best Practice Industry Conditions (BPICs) and how do they apply?

First introduced in 2018, BPICs initially applied to only parts of the Townsville Stadium project. Over time, the scope expanded to include Queensland Government construction projects valued at \$100 million or more and on ‘declared’ projects.

According to stakeholders, the ability for projects to be ‘declared’ resulted in the policy being extended down to smaller projects including the delivery of schools valued at \$20 million.

BPICs apply through a threshold/mandatory criterion as part of the tender process and apply to all subcontractors as well as the main tenderer. Key conditions include:

- wage rates, including specified penalty rates and allowances for different tasks, projects and building types
- 26 rostered days off (RDOs), requiring full site closure
- explicit stop work conditions relating to inclement weather conditions
- requirements for any changes to rosters, hours of work including overtime, and the selection of subcontractors, to be agreed in accordance with the relevant union.

In addition to these provisions, BPICs provide union delegates significant powers on building sites, including powers to call site meetings, cease work due to safety concerns and review building material and employment records to ensure compliance with the policy.

Contractors engaged on applicable Queensland Government projects are required to have in place legally binding and enforceable workplace arrangements with conditions of employment that meet or exceed the minimum conditions of employment set out in BPICs policies.

Head contractors and subcontractors have as a result entered into enterprise bargaining agreements (EBAs) with the same conditions as outlined in the BPICs policies.

According to stakeholders, BPICs-like conditions have become the industry standard for infrastructure projects in Queensland, because:

- As discussed above, Tier 1 contractors and subcontractors tendering for BPICs projects, needed to have EBAs with BPICs-compliant provisions embedded in order to be eligible for government work. By default, these contractors are also required to provide these provisions to their workers across all projects, regardless of whether they are government projects or not.
- Secondly, the EBAs for Tier 1 firms contain provisions which effectively mean that any subcontractors used by them, must also sign agreements with BPICs-like conditions, regardless of whether the project is for government.

Stakeholders have told us that most of these EBAs are in place until mid-2027.

Citing concerns about the impact of BPICs on the broader economy, on 14 November 2024, the Queensland Government suspended the use of BPICs on all new government funded construction projects. The temporary suspension applies to:

- all new major government-funded projects
- projects that have not reached the procurement stage
- projects in procurement, where future stages have not been finalised, or where there is no approved EBA (or industrial instrument) — on a project-by-project basis.

The temporary suspension is to remain in place until the Commission has completed an assessment of the economic impacts of BPICs and the government has responded (Queensland Government 2024f). However, BPICs still apply on many sites where work was already underway at the time the policy was paused.

The purpose of this appendix is to:

- provide a technical outline of the Commission's modelling used to assess the economic impacts of BPICs on government construction projects
- describe the main mechanisms through which the application of BPICs is likely to impose costs and benefits on the community
- present key results from the modelling.

Approach

This assessment uses a standard cost-benefit analysis (CBA) to estimate the potential impacts of BPICs and reflects the best evidence available to the Commission at the time of writing.

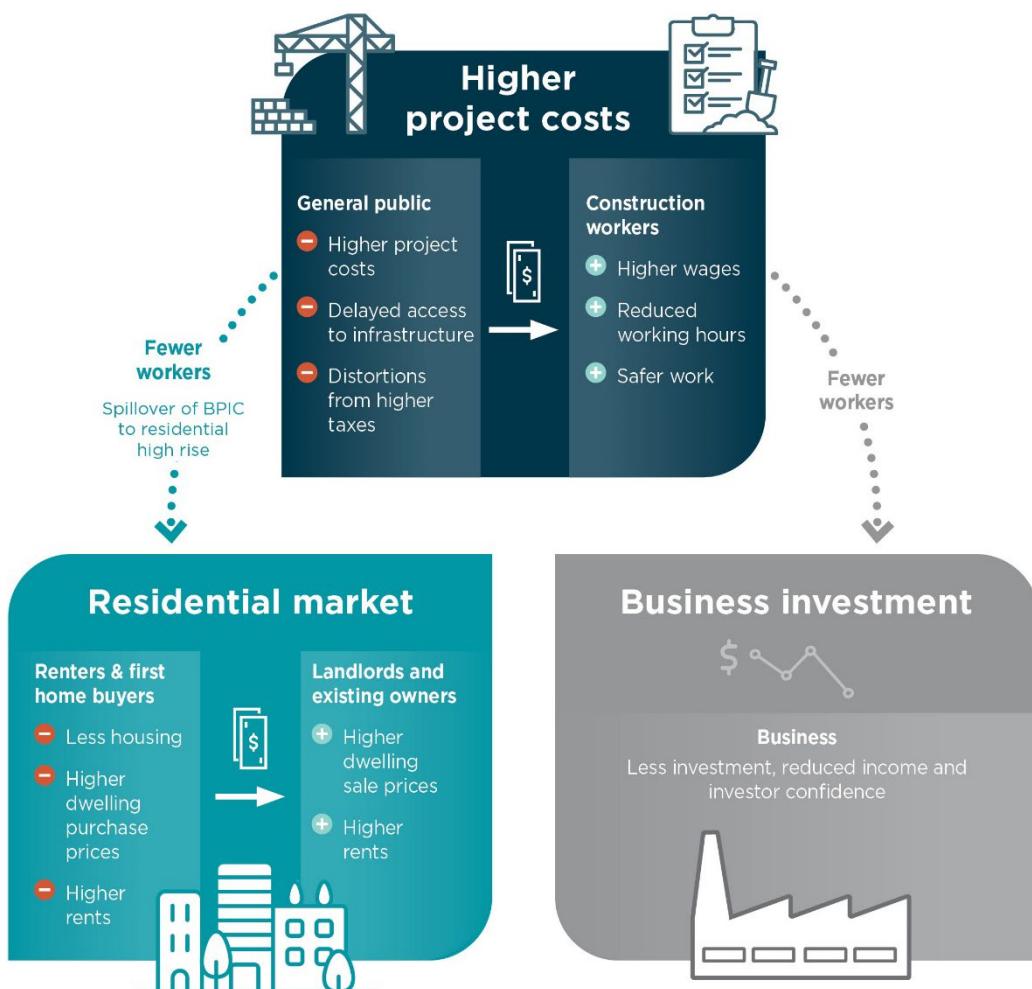
CBA is the most appropriate approach for analysing the impacts of reforms since it:

- allows consideration of impacts on all stakeholders
- provides a well-accepted framework for showing how costs and benefits accrue to stakeholders
- makes key assumptions transparent
- allows for consideration of public benefit.

The CBA looks at four broad impacts:

- the benefits of the policy to construction workers — these include benefits from enhanced wages and conditions, and improved safety outcomes
- the costs and benefits for the community — these include the costs of paying for higher construction costs, as well as costs (and benefits) from any changes in productivity and changes to project timeframes
- impacts on residential construction, and how this is likely to impact renters and first homebuyers
- impacts on other construction, and how this is likely to affect business investment.

The analysis has been conducted to provide an indication of the potential impacts of BPICs over the period 2024-25 to 2029-30 (assuming no pause had occurred). While the analysis has been informed by observed market performance and stakeholder evidence, it is not intended to provide a precise estimate of actual outcomes, but rather to illustrate how BPICs may impact the community if it applies in the future.

Figure C.1 Expected impacts of BPICs

Source: QPC.

Key assumptions

The model incorporates several assumptions:

- All impacts are measured against a counterfactual, which is a world without BPICs. There are significant uncertainties associated with estimating this counterfactual (see below), as the market has already been influenced by BPICs. For example, current EBAs for Tier 1 construction firms reflect the same conditions as BPICs. However, current awards and regulations specify standard industry conditions, such as weather-related operating conditions, which are assumed to operate in the counterfactual (world without BPICs). The impacts from BPICs then, are the difference between the industry standards and the conditions in BPICs. That is, the analysis only considers the additional conditions imposed by BPICs.

- There are unavoidable costs associated with raising funds⁵⁷ to pay for any higher construction costs — these occur where higher project costs result in higher borrowing costs, increased taxation or higher electricity prices (in the case of energy projects). The modelling assumes any increase in the cost of the government's capital program is paid for through higher taxes, but the assumptions would be broadly similar if the modelling had assumed these costs were paid for through borrowings or passed on to consumers as higher energy prices.
- In line with research by Nassios et al. (2019), it is assumed that the excess burden of taxation⁵⁸ is 30 cents per dollar, that is, for every \$1 of tax raised, taxes are assumed to impose a cost of \$1.30 on the broader community. This assumption is consistent with other research on the excess burden of taxation, some of which estimate significantly higher excess burdens (for example see Murphy 2016; Tran & Wende 2017).
- In line with Australian Government guidelines (Office of Impact Analysis 2024), leisure time is valued at its opportunity cost — the trade-off between work and leisure time is approximated by the average hourly wage, including overtime, after tax. The modelling adopts the after tax, average hourly wage for construction workers (\$39.06 in 2024-25 dollars) as the value of any increased leisure time resulting from BPICs.
- Consistent with Queensland Government guidance (Queensland Government 2021) all cost and benefits are presented as net present values (NPV), discounted at 7 per cent, real (fiscal year 2024-25).

Further details on specific mechanisms and assumptions are provided below.

Dealing with uncertainty

There is some uncertainty concerning the impacts of BPICs on government sites because:

- the way many of the BPICs terms or conditions are implemented on the ground are uncertain and may vary from site to site
- there is ambiguity in the extent to which the conditions outlined in BPICs vary from award or industry standard conditions in practice
- there is uncertainty around how some negotiable terms are applied to sites where they are not mandatory — for example, BPICs state that conditions related to inclement weather should be negotiated in regions outside of South East Queensland (SEQ).

More broadly, the extent to which BPICs creates pressure on other building sites to adopt 'BPICs-like' conditions is unclear. Due to tightness in the labour market, sites competing for labour akin to those BPICs projects face pressure to lift wages and offer more worker-favourable conditions.

Lastly, there have been substantial increases in construction costs that are unrelated to BPICs. These have arisen from strong national demand for construction services and a series of international supply shocks. These factors make it difficult in some cases to completely disentangle the effects of BPICs from other underlying conditions in the construction industry.

Because of these difficulties, the modelling adopts a 'cautious' approach to attributing changes to BPICs. That is, the modelling tries to be conservative when it comes to assessing the likely impacts on wages and conditions.

To allow for uncertainty the modelling uses 'high' and 'low' scenarios to test a range of estimates.

Table C.1 provides an overview of the high and low scenarios, and the key assumptions used, with further details provided in later sections.

⁵⁷The modelling could have assumed any extra costs would be paid for by reducing other expenditures, but this was considered unlikely. In any event, any reduced expenditures, such as fewer schools, police or hospitals, would likely impose even higher costs on the community than has been assumed in the modelling.

⁵⁸Excess burdens from taxation arise for two reasons. Firstly, there is an administrative cost of raising taxes, both because government needs to administer its tax collection, and because individuals and firms need to establish systems to account for their incomes and expenditures and pay tax. Secondly, taxes impose costs on the community where they distort behaviour — taxes vary significantly in this regard, but state government taxes tend to be less efficient than for other levels of government. More information on these costs can be found in Nassios et al. 2019.

Table C.1 Summary of key assumptions

	Low scenario	High scenario
Interpretation of BPICs conditions	Flexible interpretation	Rigid interpretation
Uncertainty	Low-cost scenario	High-cost scenario
Key assumptions		
Wages (BPICs sites compared to industry standard)	30 per cent higher	50 per cent higher
Safety	BPICs close 75 per cent of the gap between construction industry WHS outcomes and the industry wide average	BPICs close 100 per cent of the gap between construction industry WHS outcomes and the industry wide average
Weather-related project delays	Temperature and humidity conditions only apply in SEQ, rain stoppages same as award	SEQ temperature and humidity conditions apply to all sites in Qld, strict interpretation for rain stoppages
Rostered days off	Additional 13	Additional 13, with additional impacts from inflexible use of remaining RDOs
Industrial stoppages	No additional stoppages, 2-hour union meeting per fortnight.	6 days lost to industrial action, 2 union meetings per week (2 hours per meeting)
Union involvement	Small productivity increase	Small productivity decrease
Residential	Small cost impacts, shorter delay times, smaller worker shortages	Large cost impacts, longer delay times, larger worker shortages
Commercial (business investment)	Smaller worker shortages	Larger worker shortages
Project delays	5 per cent longer construction times	20 per cent longer construction times

Key caveats

The results presented in this paper are intended to be illustrative — while all attempts have been made to ensure accuracy, there is significant uncertainty around many of the parameters used in the modelling. Where possible the analysis has drawn from publicly available information and industry intelligence, but assumptions are yet to be fully tested with stakeholders.

Nevertheless, apart from the safety assumptions, key assumptions are consistent with initial consultations and submissions from stakeholders.

No assessment has been made of individual projects. Rather impacts are assumed to play out uniformly across all sites.

While every effort to consider impacts has been made, not all direct and indirect impacts have been estimated. For example, the indirect impacts of higher wages on demand have not been estimated. Similarly, any demand-side impacts from additional expenditures on BPIC projects have not been included in this analysis.

These excluded impacts are unlikely to significantly change the results of the modelling.

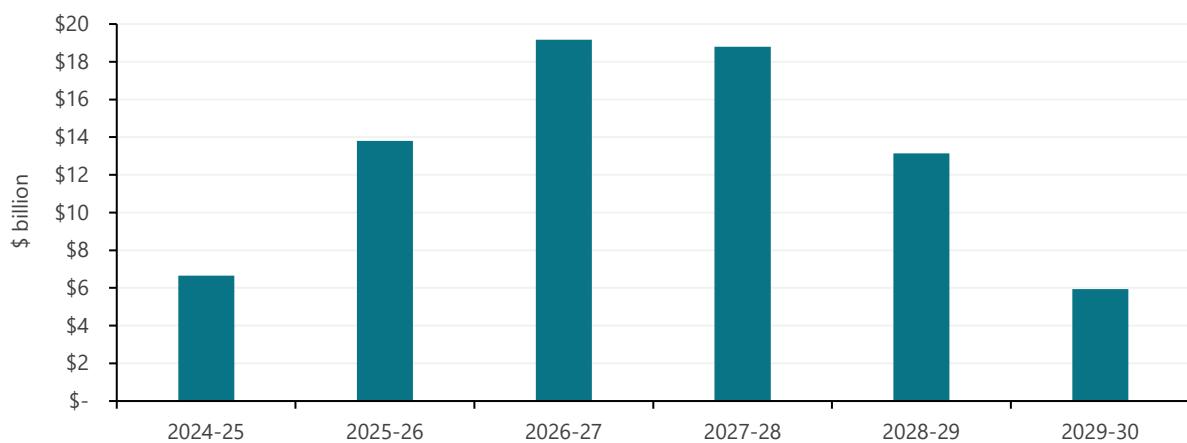
Projects in scope

Given the indicative nature of the analysis, the modelling uses a possible pool of future projects to assess the impacts of BPICs. Given there are some uncertainties about which projects would have been covered by BPICs, and which projects are likely to proceed, there is some subjectivity about selecting projects to include in the modelling.

The following methodology has been used to determine the projects in scope:

- Only projects from 2024–25 to 2029–30 have been considered. Existing projects are included in the analysis, but only those expenditures occurring after June 30, 2023.
- Possible infrastructure projects for inclusion have been sourced from Deloitte Access Economics' (DAE) Investment Monitor for December 2024 (DAE 2024), and were cross checked with publicly available information.
- BPICs are assumed to apply to all government projects where total construction costs are expected to exceed \$100 million or had already been declared as a BPICs site.
- \$7.1 billion in Olympic and Paralympic Games infrastructure projects. The projects included are based on DAE's Investment Monitor, which predates the Games Independent Infrastructure and Coordination Authority's 100-day Olympic and Paralympic Games infrastructure review (Games Independent Infrastructure Coordination Authority 2025)
- All electricity generation projects under consideration from 2026 have been included in the assessment.
- Energy transmission and storage projects expected to commence after 2026 have also been included.
- All other State Government projects in the DAE's investment list were assumed to be in scope whether they were listed as under construction, committed, under consideration or possible.
- Projects listed as possible, but that had not been costed, were excluded from the analysis.
- Project expenditures were allocated evenly across time based on their expected starting and completion times. Where start and completion times were not provided in the DAE Investment Monitor:
 - where available, expected commencement and completions times were sourced from relevant publicly available information (e.g. press releases, Department of Transport and Main Roads planning summaries)
 - where no publicly available information was available, projects start times were chosen to provide a spread of expenditures over the out years (2028–2030).

Approximately \$77 billion in Queensland Government projects is assumed to be in scope (Figure C.2). This value is likely to underestimate projects that would have been subject to BPICs, given the 2025–26 State Budget estimates.

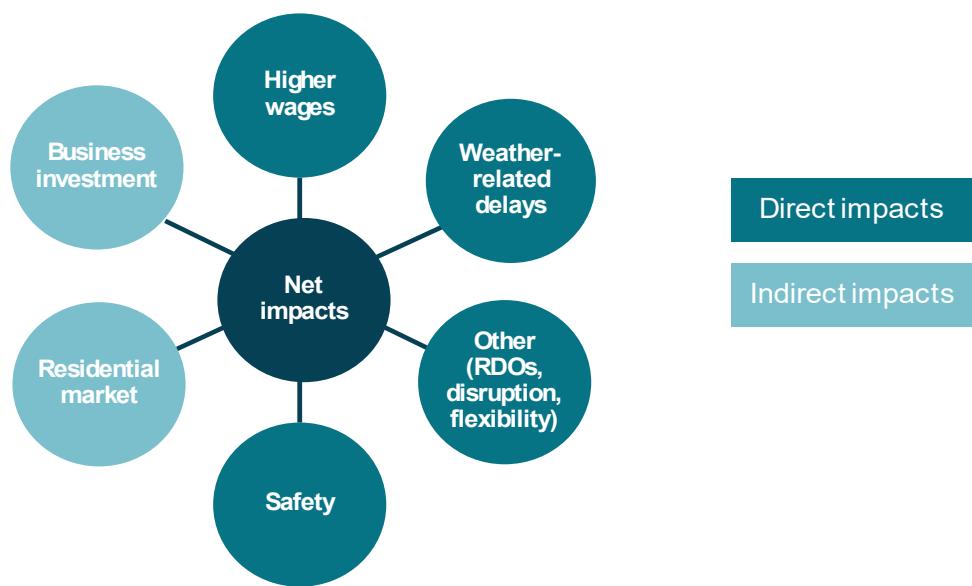
Figure C.2 Value of in-scope projects

Source: QPC estimates based on DAE 2024.

Approach for direct effects

Key channels considered

The key channels through which BPICs may impact project costs are shown in Figure C.3. Each of these channels are discussed in turn.

Figure C.3 Key channels for BPICs impacts

Source: QPC.

Higher-than-standard industry wages

BPICs specify higher wage rates than relevant awards and contain many provisions (such as loading for projects over a certain size) that are likely to result in wage rates significantly above industry norms.

Making a direct comparison between the wage rates listed in BPICs and the market standard is difficult because:

- BPICs contain a significant amount of detail, with specific allowances for different tasks, projects and building types
- detailed data on industry and occupation-specific wage rates is scarce; only available at a high level and subject to significant sampling error
- BPICs have influenced industry wage rates outside of government projects.

The approach used to approximate the magnitude by which BPICs will likely escalate wages rates on affected sites involves:

- building a series of case studies looking at BPICs conditions relative to the relevant award rates of pay
- considering how these case study examples compare with ABS data on average rates of pay (which should capture industry standard rates)
- considering public commentary, intelligence gathered by the Commission and outcomes from previous BPICs site builds to cross check assumptions.

A case study looking at wage rates on a BPICs site with a value between \$300 and \$400 million, with workers required to work at heights over 15 metres is provided in Table C.2 (details are provided in Appendix C1). The results of the case study suggest that BPICs wage rates may be more than double award rates.

Table C.2 Hourly wage rates for workers on projects valued at \$300-400 million, with height allowance over 15m on a multi-storey building over 15 levels, ordinary time earnings (2024-25 dollars)

	BPICs wage	Award wage	Difference
Electrician - apprentice, adult, year 2	\$55	\$27	105%
Electrician - grade 4	\$70	\$30	132%
Electrician - grade 7	\$80	\$38	114%
Electrician grade 10	\$92	\$42	119%
Construction worker- apprentice, adult, year 2	\$51	\$24	114%
Construction worker - level 3	\$69	\$31	123%
Construction worker - level 6	\$75	\$33	125%
Construction worker - level 9	\$80	\$36	126%

Source: QPC estimates based on Queensland Government 2024n and the Building and Construction General On-site Award 2020 (version 27 August 2024).

Industry wages are likely to be significantly higher than award wages, particularly given the current tight labour market for construction workers. There is, however, no standard measure for industry wage rates that provide a perfectly suitable comparison.

The Queensland Unions (sub. 59, p. 12) contends that industry wage rates are around 40 per cent above the award minimum rates of pay. This is consistent with ABS employee earning data, which although an imperfect measure, suggest that industry pay rates are above the minimum award rates (but lower than BPIC rates).

For example, the ABS employee earnings and hours for 2023 show that average construction trades workers' median total hourly cash earnings are in the order of \$43 (including overtime). For comparison, electrical and construction apprentices on BPIC sites in the case study above are paid \$55 and \$51 per hour, respectively, while mid-level electrical and construction workers receive an hourly wage rate of \$70 and \$69, respectively (all rates are ordinary time earnings).

The modelling assumes that wages on BPIC sites are between 30 and 50 per cent higher than the industry standard (Table C.3) — given the above, these values are considered conservative.

Table C.3 Assumed differences in wage rates on BPICs sites compared to industry rate for similar occupations and conditions

Low scenario	High scenario
30% higher	50% higher

Source: QPC estimates.

Higher wage rates are converted to project costs using average labour shares of output for the construction industry. These are sourced from the Victorian University Regional Model (VURM⁵⁹) for Queensland (see Adams et al. 2015 for a complete description).

Table C.4 Estimated labour share of total costs - construction industry

Labour share of total costs – construction industry
23%

Source: QPC estimates from the VURM model.

Safety

A key rationale for BPICs is improved safety outcomes for construction workers.

The quantifiable effect of BPICs on safety outcomes for workers is unclear as there are already a range of safety obligations in current awards and across various regulations — in many cases BPICs appear to duplicate these requirements. Further, there is no safety outcome data where direct comparisons can be made.

Nevertheless, the analysis considers two safety outcomes: worker fatalities and non-fatal serious injuries.

As shown in Table C.5, the construction industry has higher fatal and non-fatal injury claim rates than the whole-of-economy average.

Table C.5 Work related injury fatalities and serious claims, Queensland, 2021

	Construction	All industry average
Fatalities per 100,000 workers	2.1	1.6
Serious injury claims per 1,000 employees	19.2	13.3

Source: OIR 2022.

Based on those differences, the analysis considers two scenarios:

- In the high scenario, BPICs are assumed to bring fatalities and injuries down to the whole-of-economy average.
- In the low scenario, BPICs are assumed to reduce fatalities to within 75 per cent of the whole-of-economy average.

⁵⁹ VURM is a widely used Computable General Equilibrium model of the Australian and Queensland economies.

Under the high scenario, this translates to fewer serious injuries (equivalent to around 25–50 more worker-years available across the industry each year) and around 0.3 fewer fatalities per worker per year.

Conversion to monetary values

The reduction in adverse safety outcomes is converted into a monetary value for employees by valuing:

- the improvement to worker wellbeing due to avoided non-fatal injuries using the median compensation claim from SafeWork Australia (\$15,072 in 2023 dollars)
- the reduction in fatalities using the statistical value of life (\$5.1 million in 2023 dollars) (DPMC Office of Best Practice Regulation 2023).

All values are inflated to 2024 dollars using ABS CPI data.

Weather-related delays

BPICs require that site works largely or wholly cease when certain weather conditions are met, including when:

- the site temperature reaches 35°C or site temperature reaches 29°C and 75 per cent humidity after three hours from commencement of a shift
- particulate matter (PM2.5) exceeds a threshold of 75 $\mu\text{g}/\text{m}^3$ or exceeds a threshold of 50 $\mu\text{g}/\text{m}^3$ for three consecutive hours
- during wet weather (there are requirements relating to work during wet weather in both BPICs and the industry award).

The temperature and humidity-related conditions apply only in SEQ and are to be negotiated by site for projects in the rest of Queensland.

While there are legitimate safety reasons for stopping work due to extreme weather conditions, the analysis identifies that the above conditions exceed the requirements in the *Work Health and Safety Act 2011* (WHS Act), the Building and Construction General On-site Award 2020 (the industry award) and Queensland Health's PM2.5 guidelines.

The analysis however makes no assessment of whether the WHS Act, the industry award and Queensland Health's PM2.5 guidelines are sufficient.

The analysis assumes the industry standard is equivalent to the weather-related conditions outlined in the WHS Act and industry award.

Scenarios

The extent to which weather-related work stoppage conditions may cause project delays and impact site productivity depends on:

- the degree to which weather-related conditions apply on sites outside SEQ
- the extent to which additional rain stoppages occur on BPICs sites relative to non-BPICs sites.

Given this uncertainty, two scenarios are modelled using the assumptions provided in Table C.6.

Table C.6 Weather-related assumptions used in BPICs assessment

Low scenario	High scenario
<ul style="list-style-type: none"> • Temperature and humidity conditions apply only to SEQ sites • No additional rain related stoppages above industry award • PM2.5 related conditions apply to all sites 	<ul style="list-style-type: none"> • Temperature and humidity conditions apply on all sites (including outside SEQ) • Any amount of rain stops work immediately • PM2.5 related conditions apply to all sites

Data and technical approach

To model the impact of weather-related stoppages, the following approach was taken:

- Queensland weather station data containing hourly temperature, humidity, rainfall, and particulate matter levels was sourced from the Queensland Government's live air data portal.
- BPICs projects were matched to their nearest weather station.
- Rostered days off, weekends and scheduled holidays were removed from the data, and observations were limited to between 6am and 4pm.
- Weather conditions (for each scenario) were applied, such that if any relevant weather condition was met, work would stop for the remainder of the day.
- Data was aggregated to determine the total number of work hours lost, as a share of the total number of hours available.

In some cases, relevant weather data was not available — for example, PM2.5 data is frequently not recorded. If data was not available it was assumed that no relevant stoppage occurred for that site (for example, if no PM2.5 is available for a site, it is assumed no material stoppages occurred).

Conversion to monetary values

The volume of reduced work hours was converted to monetary values by reducing the productivity of construction sites. That is, more labour and capital inputs are required to complete the same volume of work.

Other project delays

BPICs may also cause other project delays as they contain provisions for:

- 26 RDOs, rather than the industry standard of 13 RDOs per year
- less flexible RDO rostering, where RDOs on BPICs sites result in full site shutdowns
- employees to attend daily, 2-hour union meetings and participate in other union activities.

The assessment of these provisions draws on observed market performance, evidence and feedback provided by stakeholders during the initial round of consultation and publicly available analysis, including industry reports.

For example, the Commission considered analysis, industry intelligence and stakeholder feedback to consider other impacts of BPICs on site productivity and delays. Based on this information it suggests that on BPICs sites (and sites where BPICs conditions have been adopted):

- RDOs must be all taken on the same day by all workers, meaning sites are shut down for 26 days per year. Prior to the introduction of BPICs, a worker was typically entitled to 13 RDOs, but it was common practice for workers to either not work the additional time required to accrue RDOs or to preference overtime payments over RDOs. There was also flexibility on when and how RDOs are taken so that full site shutdowns were not required.
- The use of work stoppage provisions (such as for union meeting attendance) is being used to disrupt work, and results in contractors increasing tender prices to allow for increased risk. For example, if a stoppage occurs in the middle of a concrete pour, this will result in the dumping of concrete and removal of any partially poured concrete.

Analysis received by the Commission suggests that, on affected sites, there were around 96 working days lost due to the BPIC provisions (not counting for weather-related delays) in 2023-24, whereas the modelling assumes between 19 and 55 working days are lost each year under the low and high scenarios, respectively.

The assumptions used in this analysis, for the low and high scenarios, are provided in Table C.7.

Table C.7 Assumptions used in BPICs assessment

	Assumption used	
	Low scenario	High scenario
Additional RDOs	13 site days lost	13 site days lost
Impact from less flexible RDOs	No impact	6.5 site days lost
Number of union meetings per week	0.5 (equivalent to 6 site days)	2 (equivalent to 24 site days)
Days lost due to increased union activity	No impact	6 site days lost
Days lost due to less flexible work arrangements (weekends)	No impact	4.8 site days lost
Total site days lost	19	55

Source: QPC assessment.

Under the low scenario, it is assumed there is much greater flexibility in the way the BPICs provisions are set on sites. Conversely, the high scenario assumes a much stricter interpretation. However, even under the high scenario, impacts may be lower than has been suggested by some industry stakeholders.

Site flexibility

BPICs also contains a range of other conditions that may be restricting site flexibility. These conditions include:

- enforced quotas on trainees and apprentices
- restricted use of overtime and shift work
- restricted use of subcontractors and labour hire
- reduced operation flexibility.

At the same time, one of the stated aims of BPICs is to facilitate positive, collaborative, and productive interactions among relevant stakeholders until successful project completion.

These conditions could therefore potentially have a positive impact on workplace productivity.

The literature on the impacts of unions on workplace productivity is mixed, with the evidence suggesting that unions harm productivity where they result in the sub-optimal deployment of labour, for example by excessively restricting on-site practices, but may enhance productivity where they promote workplace harmony, reduce turnover or allow improved communication between workers and management (Bath et al. 2020; Doucouliagos & Laroche 2003).

For this reason, the modelling assumes BPICs would either have a mildly positive effect or mildly negative impact, depending on how strictly the conditions are applied Table C.8.

Table C.8 Assumed productivity impacts (not already considered)

Low scenario	High scenario
1%	-1%

Source: QPC assumptions.

Approach for indirect effects

Residential housing market

There are two main mechanisms through which BPICs are likely to impact the residential market:

- because BPICs projects require more labour, all other things held fixed, they reduce the number of construction workers available to undertake residential construction work
- a flow-through of BPIC conditions to larger, competing construction sites — stakeholder feedback suggests that tight labour market conditions, and the fact that many firms operate the same workforce across both government and non-government projects, has meant that firms operating on high-rise projects have needed to enter into EBAs with the same conditions as BPICs.

The reduction in workers available to the residential market is estimated from the modelling of direct impacts discussed above. As noted above, there are numerous conditions where additional workers will be required to complete projects. For example, the requirement for additional RDOs under BPICs is assumed to result in additional demand for workers to keep projects progressing. Similarly, there are numerous requirements in BPICs for additional labour force to meet health and safety and union requirements (such as a requirement for separately employed union delegates).

The estimated workforce impacts of BPIC conditions are presented in Table C.9.

Table C.9 Estimated workforce impacts – per cent reduction in tradespeople for residential work

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Low scenario	0.6%	1.3%	1.9%	1.8%	1.2%	0.5%
High scenario	2.2%	4.9%	6.7%	6.3%	4.0%	1.6%

Source: QPC estimates.

Reductions in workforce availability are assumed to have a disproportionate effect on delay times. For example, if an electrician cannot attend a site, it can delay all other works. This means that delay times are likely to be greater than implied by any reduction in worker availability (that is the relationship is not one for one).

Given the current tightness in the construction market, the modelling assumes a 1 per cent decline in workforce causes residential construction times to increase by 2 per cent.⁶⁰

In line with evidence provided in stakeholder submissions, the modelling assumes BPICs encourage the roll-out of BPICs-like conditions onto high-rise residential construction sites.

Although it seems likely that BPICs have encouraged BPICs-like conditions to be taken up in other parts of the residential market, the modelling does not include any assessment outside of the high-rise market.

In the absence of other information, this analysis uses the cost and delay times for high-rise residential projects noted in stakeholder feedback.

These are listed in Table C.10 and are broadly in line with other market intelligence gathered by the Commission.

⁶⁰ To the best of the Commission's knowledge there are no empirical studies examining the relationship between trades shortages and construction times.

Table C.10 Project cost increases and delay times for affected high-rise residential projects

	Project cost increases	Project delay times
Low scenario	3%	17%
High scenario	33%	50%

Source: Queensland Economic Advisory Solutions 2024 as referred to in Master Builders Queensland, sub. 43, p. 11.

While BPICs-like conditions on high-rise building sites are likely to cause cost and time overruns, there is some doubt as to the extent to which these are directly attributable to BPICs. That is, it is likely that some project cost increases and delays would have eventuated even in the absence of BPICs. Therefore, the modelling assumes that some project cost increases and delays would have eventuated in the absence of BPICs, but these impacts are exacerbated by BPICs terms and conditions. The cost and time overruns outlined in Table C.10 assume 50 per cent of overruns can be attributed to BPICs.

Converting delay times to reductions in housing supply

A business as usual (BAU) (no BPICs) projection of future demand and supply for the housing market has been constructed.

Delays consistent with the assumptions outlined above were then included in the high and low BPIC scenarios.

As shown in Figure C.4, this results in significant reductions in the supply of dwellings relative to the business as usual (no BPICs scenario). Under the high scenario, BPICs prolong the current housing crisis, with supply projected to remain well below demand into 2029–30.

Figure C.4 Cumulative supply imbalance (difference between supply and demand) in Queensland

Source: QPC estimates.

Table C.11 Other assumptions used in estimating residential impacts

	Assumption	Source
Elasticity of supply (dwelling prices)	A 1 per cent decrease in dwellings increases dwelling prices by 2.5 per cent	Reserve Bank of Australia (RBA) model of the housing market (Saunders & Tulip 2019)
Elasticity of supply (rental prices)	A 1 percentage point change in the rental vacancy rate increases rents by 4.4 per cent.	QPC analysis (see Appendix C2 for model detail)
Proportion of dwellings turned over each year	6 per cent	QPC estimate from CoreLogic and Australian Bureau of Statistics (ABS) housing market data
Proportion of buyers who are first home buyers	25 per cent	CoreLogic
Total dwelling stock	2,205,900	ABS total value of dwellings, 2024
Average dwelling sale price	\$853,900	ABS total value of dwellings, 2024
Average rents	\$574 (attached), \$736 (detached)	SQM weekly asking rents, 2024

Source: QPC estimates.

Conversion to monetary values

The impacts of reduced supply are monetised in the modelling in the following way:

- shortage of dwelling stock increases dwelling prices and rents — this is estimated from empirical estimates and data on average dwelling prices and rents (see Table C.11)
- dwelling shortages are assumed to have a larger impact on the rental market
- higher rents are assumed to result in losses for renters and gains for landlords
- higher house prices are assumed to result in gains for existing homeowners selling during the period and losses for first homebuyers
- welfare impacts from fewer dwellings being available are assumed to reflect rents, that is, annual rents are assumed to provide a reasonable measure of the benefits housing provides to households.

The private benefits to construction workers are also included in the analysis. These accrue from the better conditions (predominantly from higher wages and increased leisure time) assumed to be induced by BPICs on high-rise residential building sites and are calculated in a way that is consistent with the direct impacts discussed in the residential housing market section above.

Box C.2 Explainer – dwelling and rental price estimates

Under the high scenario, the model estimates that around 26,500 fewer homes would be constructed than if BPICs did not exist.

The model assumes that 50 per cent of this shortfall is passed through to the rental market. That is, the model assumes this will result in 13,200 fewer rental properties than would otherwise be the case.

The impact on house prices is determined by applying an estimate of the elasticity of supply, sourced from the RBA (Saunders & Tulip 2019), which suggests that for each 1 per cent reduction in supply, dwelling prices will increase by 2.5 per cent.

The impacts on rental prices are determined in the same way, but the elasticity of supply was empirically estimated with respect to vacancy rates (see Appendix C2 for details on the model).

The BPICs-induced change to the vacancy rate is estimated by projecting historical rental stock and rental demand in the base case and then subtracting the BPICs-induced change in rental stocks (i.e. the 13,200 fewer rental properties discussed above). Demand is assumed to be the same under the base case and BPICs scenarios.

Under the high scenario, these assumptions result in rents being 8.3 per cent higher than they would be otherwise.

Business investment

BPICs are likely to affect business investment in much the same way as the residential market. That is, BPICs-induced worker shortages and the spillover of BPICs-like conditions on commercial building sites is likely to introduce higher project costs and delays.

However, the Commission has not received to date any robust market intelligence to guide modelling assumptions for this sector. For this reason, impacts are limited to those arising from worker shortages due to BPICs-affected sites utilising more labour. Like residential impacts, these are calculated from the conditions in BPICs discussed above.

Reductions in investment reflect workforce-induced delays in residential construction activity.

Estimated reductions in business investment are provided in Table C.12. These are estimated using relationships sourced from the VURM (see Adams et al. 2015 for a complete description) — according to the VURM model, construction contributes 61 per cent of total business investment.

Reductions in business investment flow through to reductions in capital stock. Again, these are estimated from parameters in the VURM model reflecting industry specific investment, capital stocks and depreciation rates.

By 2029–30 capital stocks are estimated to be 0.2 and 0.7 per cent lower under the low and higher scenarios, respectively, than the base case.

These impacts are monetised as reductions in the income flowing from capital stocks. These are estimated from returns to capital stocks in the ABS state accounts.

Table C.12 Estimated impacts on business investment

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Low scenario	0.4%	0.8%	1.2%	1.1%	0.7%	0.3%
High scenario	1.4%	3.0%	4.1%	3.9%	2.5%	1.0%

Source: QPC estimates.

Project delays

Where BPICs results in project delays, these will impose costs on the community because the realised benefits from the project will be delayed. For example, if a school or road is delayed, this will impose costs on the community in the form of reduced educational outcomes or increased congestion.

Ideally, the impact of project delays would be estimated on a case-by-case basis, since the impact of a school delay is likely to be different from the impact of a road delay. Estimating impacts on a case-by-case basis is, however, beyond the scope of this analysis.

Instead, project delay costs have been approximated by applying a single assumed benefit ratio to all projects. These have been estimated as follows:

- an average NPV of the expected future benefits for all projects is estimated with project benefits spread over a benefit time horizon (20 years)
- a project delay is introduced, pushing out benefits by the expected delay
- a new NPV of the future benefits is estimated
- the cost is the difference between the expected NPVs of future benefits.

Average project benefits are estimated from Infrastructure Australia's annual performance statement (2024a, p. 9), which provides an assessment of average expected project returns for projects in their portfolio.

Project delays are estimated to reduce project benefits by between 1 per cent (low scenario) and 3.9 per cent (high scenario).

Table C.13 Assumptions used to estimate costs to the community from project delays

	Low scenario	High scenario
Average project delay	5%	20%
Average project benefit-cost ratio	1.2	1.2
Average benefit horizon	20 years	20 years
Average construction time	3 years	3 years
Discount rate	7%	7%

Source: QPC assumptions.

Results

Project cost increases

The modelling implies that BPICs will increase project costs by 10.1 per cent for the low scenario (where BPICs are more loosely enforced and interpreted) and 24.6 per cent for the high scenario (where BPICs are more strictly enforced and interpreted).

The estimated cost increases for each component are shown in Table C.14.

Table C.14 Estimated impacts of BPICs on project costs

	Low scenario	High scenario
Higher than award wages	7.0%	11.6%
Weather related stoppages	0.7%	3.3%
Other stoppages (RDOs, union days etc)	2.9%	9.3%
Other (site flexibility)	-0.4%	0.4%
Total	10.1%	24.6%

Source: QPC estimates.

Note: Numbers may not add due to rounding.

Estimated benefits

The NPV of direct and indirect benefits from BPICs are estimated to be between \$7.4 billion and \$18 billion (Table C.15), with the largest components accruing to construction workers.

These benefits are mostly due to higher wages, and reduced working hours resulting from the application of BPICs.

Although one of the primary rationales for BPICs is that it will improve safety outcomes for workers, the estimated benefits from increased safety are negligible, making up less than 0.2 per cent of the benefits accruing to construction workers.

Construction worker benefits are from both direct (accruing from government BPICs sites) and indirect (accruing from residential sites) effects.

The estimated benefits to landlords and existing homeowners (that sell during the analysis period) accrue from higher rents and house prices, respectively, which in turn are the result of fewer homes being built.

Table C.15 Estimated direct and indirect benefits, \$ million, NPV

	Low scenario	High scenario
Direct benefits:		
to construction workers		
higher wages	4,661	9,278
reduced working hours	695	1,042
safety	12	11
Indirect benefits:		
to construction workers		
higher wages	84	702
reduced working hours	54	71
to landlords	1,416	4,863
to existing homeowners	476	2,069
Total benefits	7,398	18,037

Source: QPC estimates.

Estimated costs

The NPV of the direct and indirect costs of BPICs are estimated to be between \$13.1 billion and \$38.6 billion (Table C.16).

The direct costs to the community total between \$8.2 billion (low scenario) and \$19.9 billion (high scenario) and result from:

- transfers between taxpayers and construction workers
- productivity losses
- the costs of raising funds to pay for BPICs (higher project costs).

The indirect costs from BPICs are likely to be large, estimated to be between \$4.9 billion and \$18.8 billion. These indirect effects are mainly from housing market impacts (\$2.8 billion to \$10.7 billion), although reductions in business investment (\$1.4 billion to \$5.1 billion) and infrastructure delays (\$0.7 billion to \$2.9 billion) also make sizable contributions.

Table C.16 Estimated direct and indirect costs, \$ million, NPV

	Low scenario	High scenario
Direct costs:		
to general community (taxpayers)		
higher wage costs	4,661	9,278
higher costs from productivity loss	1,629	5,996
deadweight loss from taxation	1,887	4,582
Indirect costs		
housing market impacts		
to first home buyers	476	2,069
to renters	1,416	4,863
to purchasers of new units	168	1,405
to those missing out on housing	699	2,390
to businesses		
to investors	1,435	5,140
to community		
infrastructure delays	725	2,901
Total costs	13,096	38,625

Source: QPC estimates.

Net impacts

BPICs create an estimated net economic cost to Queensland of \$5.7 billion to \$20.6 billion (Table C.17) over the period 2024-25 to 2029-30.

The main ‘winners’ of the policy are construction workers and landlords, while the main ‘losers’ of the policy are the general public (as taxpayers and users of public infrastructure), renters, and first home buyers.

Even if spillover effects to the broader private construction market are ignored, benefits to construction workers are only around two-thirds to half of the costs borne by taxpayers.

Table C.17 Estimated net impacts, \$ million, NPV

	Low scenario	High scenario
Construction workers	5,506	11,104
Taxpayers	-8,177	-19,856
Community	-725	-2,901
Landlords	1,416	4,863
Existing homeowners	476	2,069
Renters and first home buyers	-2,760	-10,727
Businesses	-1,435	-5,140
Total	-5,698	-20,588

Source: QPC estimates.

Sensitivity testing

Sensitivity testing has been conducted by varying model parameters within reasonable bounds. Depending on the variable chosen, this can have a sizable impact on the results. Uncertainty on the modelling inputs has been mainly dealt with by varying assumptions under the low and high scenarios. However, the Commission also:

- Conducted a sensitivity test where wage rates on BPICs sites were assumed to be no higher than on non-BPICs sites. The analysis shows that even with wage impacts omitted, BPICs are expected to impose net economic costs on the community of between \$4.4 billion (under the low scenario) and \$18.4 billion (under the high scenario).
- Varied other assumptions by + and – 20 per cent — while this varied the magnitude of impacts, it did not change the key findings of the modelling. That is, under all scenarios conducted, BPICs have a large and negative impact on the community, with net costs being imposed on the community.

Conclusion

While BPICs provide substantial direct benefits for construction workers — primarily in the form of higher wages and greater leisure time — modelling suggests these are more than offset by direct costs to the broader community from more expensive and delayed infrastructure. The safety benefits for construction workers are also small relative to other costs, benefits, and transfers.

More broadly, the negative impact on housing supply caused by BPICs is likely to impose costs on renters (facing higher costs and less secure housing) and prospective first home buyers (who face higher dwelling prices). In contrast, landlords accrue large benefits from increased dwelling prices and higher rents.

In aggregate, the net cost of the policy over the period 2024–25 to 2029–30 years is expected to be between \$5.7 billion and \$20.6 billion dollars (in NPV terms).

Despite significant uncertainty around the direct effects of BPICs, these results are sufficiently robust, as the Commission has conducted sensitivity analysis and uses inputs based on best available information and stakeholder feedback.

Appendix C1: Comparison of wage rates for selected occupations – case study

The 'award' used in this case study is the Building and Construction General On-site Award 2020 (version 27 August 2024).

	Award (\$)- 38 hour week		BPICS (\$)- 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Electrician apprentice – Year two (adult)				
Wage	908.58	23.91	1,479.78	41.10
Travel allowance	42.30	1.11	315.00	7.87
Tool allowance	-	-	-	-
Industry allowance	38.20	1.005	-	-
Project over 300m allowance	-	-	200.00	5.00
Height allowance over 15m	-	-	18.55	0.46
Multi-storey over 15 floors	33.06	0.87	60.80	1.52
Redundancy Payments	-	-	136.00	3.40
Total:	1022.68		2210.13	

	Award (\$)- 38 hour week		BPICS (\$)- 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Electrician – Grade 4				
Wage	1034.74	27.23	2,036.53	56.57
Licence allowance	185.80	4.89	-	-
Travel allowance	42.30	1.11	315.00	7.87
Industry allowance	38.20	1.005	-	-
Tool allowance (22.31/week Grade 5 and above)	-	-	44.10	1.1025
Project over 300m allowance	-	-	200.00	5.00
Height allowance over 15m	-	-	18.55	0.46
Multi-storey over 15 floors	33.06	0.87	60.80	1.52
Redundancy Payments	-	-	126.00	3.15
Total:	1148.3		2800.98	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Electrician – Grade 7				
Wage	1126.30	29.64	2489.56	69.15
Licence allowance	185.80	4.89	-	-
Travel allowance	42.30	1.11	315.00	7.87
Tool allowance	-	-	-	-
Industry allowance	38.20	1.005	-	-
Project over 300m allowance	-	-	200.00	5.00
Height allowance over 15m	-	-	18.55	0.46
Multi-storey over 15 floors	33.06	0.87	60.80	1.52
Redundancy Payments	-	-	126.00	3.15
Total:	1425.66		3209.91	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Electrician – Grade 10				
Wage	1305.1	34.34	2973.24	82.59
Licence allowance	185.80	4.89	-	-
Travel allowance	42.30	1.11	315.00	7.87
Industry allowance	38.20	1.005	-	-
Tool allowance (22.31/week Grade 5 and above)	-	-	44.10	1.1025
Project over 300m allowance	-	-	200.00	5.00
Height allowance over 15m	-	-	18.55	0.46
Multi-storey over 15 floors	33.06	0.87	60.80	1.52
Redundancy Payments	-	-	126.00	3.15
Total:	1604.46		3693.59	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Construction worker apprentice – Year 2 (adult)				
Wage	774.225	20.37	1358.59	33.96
Travel allowance	93.25	2.45	255	6.37
Income protection	-	-	51	1.27
Multi-storey over 15 floors	31.92	0.84	72.40	1.81
Project over 300m allowance	-	-	200	5
Redundancy Payments	-	-	75.60	1.89
Payment to Building Employees Welfare Trust	-	-	12	0.30
Total:	899.395		2024.59	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Construction worker – Level 3				
Wage	1032.30	27.17	1,984.10	49.60
Travel allowance	109.70	2.88	300	7.5
Income protection	-	-	51	1.27
Multi-storey over 15 floors	31.92	0.84	72.40	1.81
Project over 300m allowance	-	-	200	5
Redundancy Payments	-	-	126	3.15
Payment to Building Employees Welfare Trust	-	-	20	0.50
Total:	1173.92		2753.5	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Construction worker – Level 6				
Wage	1126.50	29.64	2,240.64	56.02
Travel allowance	109.70	2.88	300	7.5
Income protection	-	-	51	1.27
Multi-storey over 15 floors	31.92	0.84	72.40	1.81
Project over 300m allowance	-	-	200	5
Redundancy Payments	-	-	126	3.15
Payment to Building Employees Welfare Trust	-	-	20	0.50
Total:	1268.12		3010.04	

	Award (\$) – 38 hour week		BPICS (\$) – 40 hour week	
	Weekly	Hourly	Weekly	Hourly
Construction worker – Level 9				
Wage	1207.80	31.78	2,435.48	60.89
Travel allowance	109.70	2.88	300	7.5
Income protection	-	-	51	1.27
Multi-storey over 15 floors	31.92	0.84	72.40	1.81
Project over 300m allowance	-	-	200	5
Redundancy Payments	-	-	126	3.15
Payment to Building Employees Welfare Trust	-	-	20	0.50
Total:	1349.42		3204.88	

Appendix C2: The relationship between rental growth and vacancy rates in Queensland

Median rents on new bonds by dwelling type (house, townhouse and flat), number of bedrooms, and SA3 are sourced from the Queensland regional database, where they are published as an annual rolling median.

Median rents data is considered preferable to advertised rents as it represents rents on leases agreed rather than rents sought by landlords. While rental bonds do not cover all properties, data on actual rents paid on the stock of dwellings is not available.

These rents are aggregated into a statewide index using a Törnqvist index, such that:

$$\Delta \log Rent_t = \sum_{i \in \{S \times D \times B\}} (\log R_{i,t} - \log R_{i,t-1}) \times \frac{1}{2} \left(\frac{R_{i,t} N_{i,t}}{\sum_{j \in S \times D \times B} R_{i,t} N_{i,t}} + \frac{R_{i,t-1} N_{i,t-1}}{\sum_{j \in S \times D \times B} R_{i,t-1} N_{i,t-1}} \right)$$

Where $R_{i,t}$ is the median rent for period t , and i is a tuple representing a specific region (in S), dwelling type (in D) and number of bedrooms (in B).

The two advantages of using a Törnqvist index are that it:

- better accounts for changes in the aggregate due to changes in the composition of the stock
- is smoother (as true medians tend to cluster at increments of \$25).

As a result, growth in the rental index is likely to be a more robust estimate of growth in rents without structurally differing from the median.

Vacancy rates are sourced from SQM Research and are seasonally adjusted using an X-13 ARIMA process. Seasonal adjustment is necessary to ensure consistency with the QRSIS data, which is already implicitly 'seasonally adjusted' by using a rolling period. These are resampled to a quarterly average.

The rent index is then regressed on the vacancy rate in a simple linear regression, such that:

$$\Delta \log R_t \sim \alpha + \beta \cdot \text{vacancy rate}$$

As expected, the relationship between rent growth and vacancy rates is negative and highly significant – an additional 1 percentage point increase in vacancy rates is associated with quarterly rental growth slowing by 1.1 percentage points. Parameter estimates do not significantly change when post-COVID data is excluded, or when growth in wages or broader consumer prices are included as regressors.

Appendix D: Costs and benefits of planning reforms

Introduction

To illustrate the potential benefits of planning reforms, the Commission has developed a stylised cost-benefit analysis (CBA). The analysis considers the effects of zoning reforms that increase development rights in South East Queensland (SEQ). The analysis does not consider other supply constraints and assumes increased development rights translates into more housing supply and greater density in higher demand locations.

As such, the modelling is not intended to provide a forecast or projection of future dwelling supply. Rather it provides an estimate of the *potential* benefits that could be achieved through planning reforms that increase development rights.

This appendix sets out key assumptions and results from that analysis.

Methodological approach

CBA is the most appropriate approach for analysing the impacts of reforms since it:

- allows for consideration of impacts on all stakeholders
- provides a well-accepted framework for showing how costs and benefits accrue to stakeholders
- makes key assumptions transparent
- allows consideration of public benefit.

The CBA undertaken by the Commission provides analysis of two stylised reform options. In practice, specific reform options would need to be considered in more detail than has been assessed in this study.

The CBA scenarios are designed to provide a sense of the likely scale of impacts of various reform mechanisms and how the costs and benefits are likely to be distributed amongst key stakeholders.

The CBA covers only SEQ because:

- land use regulations are more binding in SEQ because of the scarcity of land available for greenfield development and restrictions that generally prevent increased density
- SEQ accounts for most of Queensland's population (around 72 per cent) and has higher house prices
- data on approved planning supply is available in SEQ but not for other regions.

All scenarios cover the period 2023 to 2043. Full data was available up to 2023.

The base case

All results are presented relative to a base case. The base case reflects a 'business as usual' scenario, where no changes to zoning occur.

Core and alternate scenarios

Given the uncertainties around each policy, the base case involves two scenarios:

- a core scenario, which involves higher population growth and higher dwelling price growth, consistent with a tighter housing market

- an alternative scenario, which involves lower population growth and lower dwelling price growth.

The *alternate* scenarios assume that prices are more responsive to changes in dwelling supply. Population growth is sourced from the Queensland Government population projections under the medium growth scenario.

The higher price responsiveness and lower population projections in the alternate scenarios mean that fewer dwellings are required to remove ‘disequilibrium’ from the housing market — this makes policy responses more muted, and net benefits somewhat lower under the alternate scenarios.

Dwelling construction

New dwelling commencements are based on a 10-year historical average of detached and attached commencements per quarter.

Under the base case, dwelling stock is estimated to increase by roughly 577,000 dwellings by June 2043. Dwelling construction is assumed to be the same under both the core and alternative scenarios.

The spatial allocation of new dwellings is driven by historical trends but is constrained by planned capacity for each LGA. Capacity constraints are sourced from the Land Supply and Development Monitoring (LDSM) report (DSDMIP 2022), and assumed to expand over time, based on historical trends.

Where projected supply hits a capacity constraint, dwellings are reallocated to the closest LGA with spare capacity.

As a result, some markets such as Brisbane are projected to exhaust planning supply, such that dwelling construction is reallocated to neighbouring LGAs with capacity.

It is also assumed that demolitions of existing stock continue to occur consistent with state trends.

New housing supply is disaggregated into attached and detached housing based on historical trends.

Population

Given uncertainties about future population growth and the responsiveness of dwelling prices to housing supply, a core and alternate scenario is considered for each policy option.

The CBA uses QGSO (2023) population projections for SEQ:

- Core scenario: QGSO’s ‘high’ population projection series: the SEQ population is projected to grow from 4.0 million people in June 2023 to 6.0 million people in June 2043 (equivalent to 2.08 per cent per annum⁶¹).
- Alternative scenario: QGSO’s ‘medium’ population projection series: the SEQ population grows more slowly at 1.52 per cent annually to 5.4 million in June 2043.

Over time, the average SEQ household size is projected to continue to decrease in line with historical trends — decreasing by 0.1 persons by 2043 in both scenarios.

Price growth

As the number of dwellings supplied under both base case scenarios is the same, the differences in population growth underpin different price outcome assumptions. Given fixed industry supply in the base case, prices grow more slowly under the lower population growth scenario.

Key price assumptions are:

- Core scenario: Price index grows by 65 per cent on average of the historical price increase 230 per cent that occurred from September 2000 to December 2022 (150 per cent).
- Alternative scenario: Price index grows by 65 per cent of the observed historical price increase 138 per cent, that occurred from September 2000 to September 2019 (90 per cent). The period of strong prices growth from September 2019 to December 2022 is excluded which reduces prices growth in SEQ.

⁶¹ SEQ population growth was 2.17 per cent over the past 20 years and 1.88 per cent over the past 10 years.

- Real prices are calculated by deflating growth in nominal prices by the Brisbane All Groups CPI. Prices growth under the base case varies by LGA and dwelling type consistent with historical trends.

Base case results

Key base case results are shown in the table below.

Table D.1 Summary of base case results, SEQ, 2043

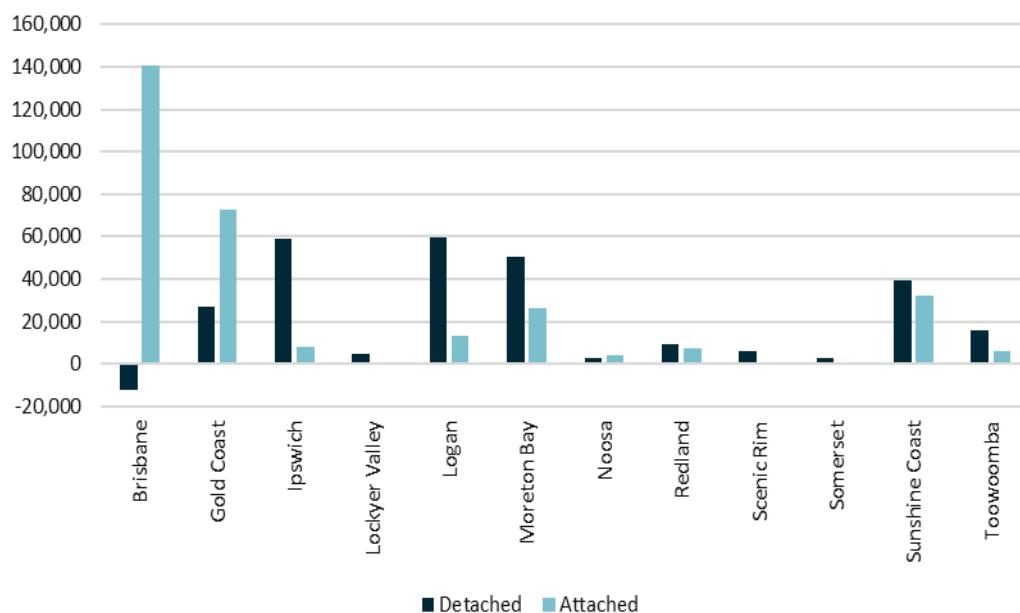
	Core scenario	Alternate scenario
Population change	2,019,402	1,388,377
Number of additional dwellings	577,000	577,000
Brisbane LGA population share	-5.4% pts	-4.1% pts
Real dwelling price index	150% increase	90% increase

Source: QGSO, QPC.

Note: A Fisher price index is used which assumes fixed quantity weights.

The spatial allocation of new dwellings is shown in the figure below. As discussed above, this spatial allocation reflects planning capacity constraints. These capacity constraints mean that only a small proportion (22 per cent) of new housing in SEQ can be accommodated in the Brisbane LGA.

Figure D.1 Base case dwellings projections, cumulative increase



Source: QPC.

Note: Housing demolitions and very little land for greenfield development, lead to Brisbane's detached housing stock declining.

The policy scenarios

In the base case, planning restrictions maintain dwelling construction at historically observed rates. Under this scenario, the market is unable to fully meet future housing demand.

Two policy scenarios are considered, each increasing development rights, which is assumed to translate into new housing:

- Policy 1: Planning reform targeted towards greater infill in well located areas — This option involves easing zoning restrictions across Brisbane, Gold Coast, Sunshine Coast, Noosa, Moreton Bay, Logan, Ipswich and Redlands to allow greater density.
- Policy 2: Dispersed planning reforms allowing both greater density and more greenfield development — This option involves easing zoning restrictions across all of SEQ. This scenario allows more detached housing and less attached housing than policy 1.

Policy 1 increases housing supply relative to the base case, with a greater share of attached housing, and fewer new detached housing on the urban fringe. Policy 2 also increases housing supply, but assumes a more dispersed allocation of new supply, with more attached and detached housing in all regions, except Lockyer Valley, Scenic Rim and Somerset (compared to the base case).

Market responsiveness

The response of the market to the relaxation of planning restrictions is a key determinant of the number of dwellings supplied in each of the scenarios and the estimated net benefits (or costs) under each of the policy reform options.

While the experiences of other jurisdictions can provide some guidance, there remains significant uncertainty concerning the likely scale and nature of market responses to a relaxation of planning restrictions. To help determine the size of the market response, the following issues were considered:

- the scale of the market response (new dwellings supplied) and the extent to which it is consistent with likely demand for new dwellings given population projections and trends in household formation
- the extent to which the market response infers plausible changes to key characteristics of the housing markets in SEQ (such as implied changes to household size, the rate of unoccupied dwellings and rental vacancies)
- whether the scale of the response is consistent with observed responses in other jurisdictions that have undertaken similar reforms
- recent reforms in New Zealand have been well studied and provide a useful case for the possible initial impacts of reforms on Queensland⁶²
- the extent to which changes to dwelling prices and supply cost are reasonable
- The core scenarios assume prices respond to changes in dwelling stocks in line with estimates in the empirical literature.⁶³

⁶² In Auckland where 75 per cent of land was upzoned, the number of attached dwellings consented per year in upzoned areas increased from under 1,000 in 2016 to nearly 10,000 by 2021, while detached dwellings increased from 2,000 to 4,500 (Greenaway-McGrevy & Phillips 2022, p. 6). Building permits more than doubled across the region and additional supply was estimated to be equivalent to 5 per cent of the dwelling stock. The assumed policy responses are lower than the Auckland experience.

⁶³ For example, Saunders and Tulip (2019) surveyed a range of studies and considered that a 1 per cent change in housing stock was associated 2.5 per cent, across international studies compiled by Girouard et al. (2006) the average elasticity was 2.5 per cent, while, Abelson et al. (2005) estimated a 1 per cent increase in housing stock leads to a 3.6 per decrease in prices in Australia.

Other key assumptions

The following factors have been assessed in estimating the cost and benefits of each policy option:

- Changes to consumer surpluses⁶⁴ arising from changes to dwelling prices — the benefits that accrue to consumers from an increase in the number of dwellings and lower prices of dwellings. The changes to consumer surplus are calculated as the number of new dwellings due to the policy change, multiplied by the price change (relative to the base case). Changes in the prices of existing dwellings, however, are excluded since they result in transfers (see below).
- Infrastructure provision costs⁶⁵ — including road, water, sewerage, telecommunications, energy and other infrastructure. Base levels of infrastructure costs are sourced from Infrastructure Victoria (2019) and are inflated using ABS producer price indexes (ABS 2023b). Based on historical trends, infrastructure costs are assumed to grow at 0.2 per cent above CPI.
- Productivity impacts — the spatial distribution of population, and particularly increased density of population around employment centres has been shown to have a positive effect on productivity. Research shows economies of scale accrue as cities increase density (known as agglomeration effects) (Ahlfeldt & Pietrostefani 2019a; Rosenthal & Strange 2004). This suggests a denser spatial distribution of dwellings closer to employment centres would increase productivity and income (including wages). In line with empirical research, it is assumed that each 1 per cent increase in density increases labour productivity by 0.04 per cent.
- Amenity — apart from loss of sunshine from increased density, the direction of benefits and costs from changes to amenity are not clear.⁶⁶ Given that the impact of overshadowing is likely to be a net cost, an estimate of the loss is included in the CBA. The estimate was derived by taking the estimated average loss per new property for Auckland developed by the PwC and Sense Partners (2021) study (\$8,435 undiscounted), adjusting for the number of new attached dwellings under each policy option.
- Transport costs — including travel-related greenhouse gas emissions, vehicle operating costs, air and noise pollution, and travel time. Transport costs are estimated based on empirical estimates in Trubka et al. (2008) and exclude infrastructure. Transport costs differ for inner city development and fringe development. Transport costs are inflated from 2008 by the transport component of CPI.
- Health benefits — higher density living typically allows more use of active transport (walking and biking). In line with estimates from Zapata-Diomedici et al. (2019), increases in medium density housing is assumed to result in health benefits relative to lower density housing.
- Carbon emissions — higher densities can reduce the carbon intensity of cities by reducing commuting times and reducing the energy use of dwellings. Consistent with the literature, we assume attached dwellings have lower emissions. Based on empirical estimates we assume that apartments have 20 per cent per capita lower emissions than detached dwellings, while townhouses, other dwellings and flats attached to other property have 10 per cent lower emissions per person.
- Implementation costs — are assumed to be \$8 million for all policy options. These costs are higher than have been assumed in other similar CBA studies.

The policy scenarios are also likely to provide benefits to the construction industry and related supply chains since they allow for a large increase in construction productivity and activity. These benefits, however, are difficult to estimate without considering whole of economy effects.

⁶⁴ Consumer surplus is the benefit accruing to consumers from an ability to purchase goods for less than they are willing to pay. In this case, a consumer will derive a benefit if they can purchase a dwelling for less than they would be willing to pay. Given dwellings are a subsistence good, willingness to pay tends to be high.

⁶⁵ If it is provided efficiently, the provision of infrastructure should provide benefits at least as great as its cost. For this reason, the cost and benefits of any infrastructure associated with new housing is assumed to net out. However, where the same infrastructure can be provided more efficiently (such as when density rises), net benefits can arise since costs fall relative to benefits.

⁶⁶ For example, increased density can lead to reductions in greenspace in one area but gains in another.

The analysis does not quantify all costs and benefits, including labour mobility, increased access to services, loss of backyard space, changes to public greenspace, urban heat island effects and other social effects (such as crime effects). While the exclusion of these impacts may affect the headline estimates, the evidence suggests the costs and benefits are uncertain, but the magnitude of the impact is likely to be small (relative to the headline net benefits).

Policy results

The two policies assume similar changes to dwelling supply in aggregate (up to 330,000 additional dwellings), but with a different allocation of dwellings across regions and dwelling types.

Table D.2 presents the impact of each policy option on dwelling stock and prices in SEQ over the twenty-year period to 2043.

Table D.2 Dwelling stock and price changes in SEQ, 2043

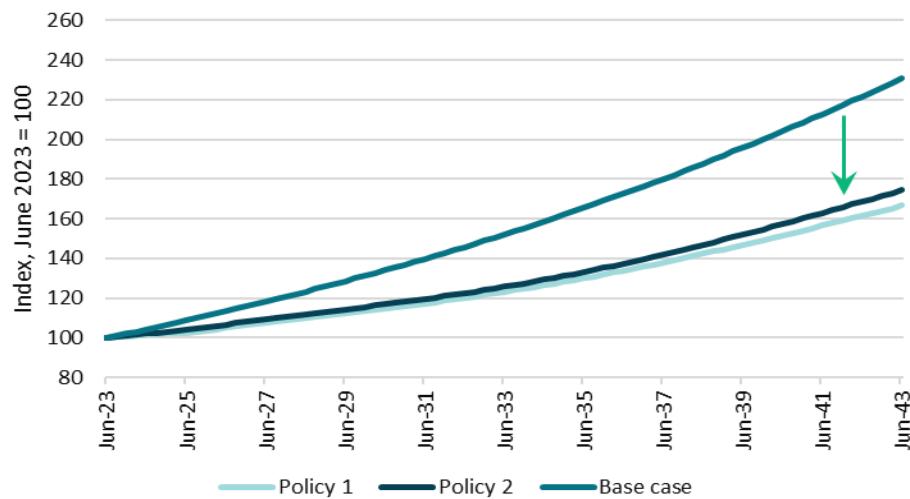
		Core scenario	Alternate scenario
Base case	Dwelling stock	2,170,601	2,170,601
	Per quarter additions	7,210	7,210
	Dwelling price change	+131%	+77%
Policy 1 — Zoning reforms in well located places	Dwelling stock	2,500,774	2,425,000
	Per quarter additions	11,337	10,201
	Dwelling price change	+67%	+23%
Policy 2 — Dispersed planning reform	Dwelling stock	2,498,229	2,428,440
	Per quarter additions	11,304	10,259
	Dwelling price change	+75%	+20%

Source: QPC.

Note: Price changes are weighted averages from 2023 to 2043.

The additional dwellings supplied under each of the policy options results in an easing of dwelling price growth. Both policies have similar broad impacts in terms of reducing price growth compared with the base case. Options that provide mechanisms for larger increases in the number of dwellings, result in a greater easing of dwelling price growth.

Policy 1, under the core scenario, reduces the projected increase in real prices by 64 per cent, compared with 56 per cent for policy 2. These small differences are attributable to compositional differences. Policy 1 has a larger effect in tighter, higher demand markets—Brisbane, Gold Coast and Sunshine Coast.

Figure D.2 Real median dwellings prices, SEQ

Source: QPC.

Removing restrictive zoning constraints in both options results in a redistribution of population. Because they allow greater densities in LGAs that otherwise would hit capacity constraints, the changes allow a greater share of the population to reside in the Brisbane LGA, and fewer on the city fringe. Under policy 1, Brisbane LGA accounts for around 35 per cent of all new dwellings constructed to 2043 compared with 22 per cent in the base case.

Under these policy options there is also a significant shift in the share of people residing in attached dwellings (units, apartments and townhouses) compared to the base case scenario.

Table D.3 New and attached dwellings, core scenario, per cent

	Base case	Policy 1	Policy 2
Brisbane LGA share of SEQ new dwellings	22.3	34.9	25.4
SEQ new attached dwellings share of new dwellings	54.3	78.5	55.9

Source: QPC.

Net benefits

Policy options 1 (Zoning reforms in well located places) and 2 (Dispersed zoning reforms) provide net benefits of between \$18 billion and \$48 billion. Both result in a more concentrated settlement pattern than the base case and more housing. Under the alternative scenario, which involves lower population growth and dwelling construction, benefits remain large for both policy scenarios.

Table D.4 Reform impacts, 2023-24 to 2042-43, net present value, \$billion

	Policy option 1	Policy option 2
Core scenarios	48.1	18.3
Alternate scenarios	41.7	17.8

Source: QPC.

Note: A discount rate of 7 per cent is assumed.

The net benefits for policy 2 are lower, however, because development is more dispersed, resulting in lower densities and lower infrastructure benefits.

For either policy option, there would be significant net benefits, even if the consumer surplus were not included. This illustrates that the benefits from land use regulation reform accrue not just from more housing, but also from more efficient spatial patterns.

Table D.5 Reform impacts, core scenario, NPV, \$ million

	Policy option 1	Policy option 2
Consumer surplus	13,960	11,715
Infrastructure	27,246	6,393
Productivity	1,057	267
Environment	36	2
Transport	5,846	505
Health	1,312	118
Loss of sunshine	-1,364	-691
Implementation costs	-8	-8
Total NPV	48,086	18,303

Source: QPC.

Table D.5 shows that large benefits come from increases in consumer surplus. The increase in consumer surplus accrues because the additional dwellings provide benefits to consumers, both because dwellings are available at a lower price than in the base case, but also because there are additional dwellings available to meet consumer demand.⁶⁷

Larger infrastructure benefits accrue under policy 1 because changes to the spatial distribution of dwellings and increases in density allow more efficient use of infrastructure than would otherwise have been the case. Benefits also accrue to policy 2, but these are smaller in scale due to the more dispersed dwelling pattern.

Benefits also accrue through improvements to productivity, transport and health. These arise because higher densities allow greater knowledge sharing and cooperation, reduced commute times and more physical activity.

These benefits are partially offset by some loss of amenity from overshadowing (loss of sunshine), which arises from increases in building heights.

Policy options 1 and 2 both provide similar benefits in terms of consumer surplus because they result in similar increases in dwelling stock, relative to the base case. However, policy 2 has lower infrastructure and other benefits because it results in a more dispersed distribution of population. Both reforms provide large net benefits (\$48 and \$18 billion, respectively) in NPV terms.

Transfers to home buyers and renters

Under each of the policy options dwelling prices are lower than under the base case, which results in significant transfers from existing owners to home buyers and renters. Policy 2 involves more detached dwellings, which have higher prices and therefore larger transfer of surplus.

⁶⁷ As noted previously, buyers of existing properties are also likely to benefit, but this is offset by losses to existing owners.

Table D.6 Transfers to home buyers and renters, NPV, \$ billion

	Policy 1	Policy 2
Core scenario	202	220
Alternate scenario	188	231

Source: QPC.

As discussed earlier, the price reductions occurring in each of the policy scenarios provide two types of benefits:

- lower prices (relative to what they would have been) on new, policy induced dwellings
- lower prices on the existing stock of dwellings.

The latter benefit accrues to new buyers and renters but imposes an equivalent cost on existing property owners (since they now receive a lower price, relative to if the zoning restrictions were unchanged, for any sale). For this reason, the transfers between new buyers (and renters) and sellers (and landlords) net out and are not included in the headline net benefit estimates.

While not contributing to the headline CBA results, these transfers are likely to be of significant policy interest, particularly because regulations over several decades have altered the distribution of wealth and because they represent improvements in housing affordability.

Unquantified costs and benefits

Land use regulation reforms are likely to result in a range of impacts which cannot be readily quantified, due to lack of data or a lack of consensus in the literature whether impacts are likely to be positive or negative.

For example, while costs due to overshadowing have been included in the CBA, other amenity impacts, while important, are uncertain, subjective and can be either positive or negative, depending on the nature of development.⁶⁸

One of the key concerns raised in relation to increased density is the impact on character values associated with low density traditional tin and timber homes in Queensland.

While potential impacts on character values have not been quantified, the impacts would have to be exceedingly large to offset the benefits estimated here. For example, every household in SEQ would need to be willing to pay around \$35,000 to prevent density in character areas to offset the net benefit for policy option 1.

Similarly, concerns about a loss of greenspace with increased density are likely to be misplaced, and may reflect concerns about how increases in density are achieved rather than increases in density per se. There is little evidence that regulatory restrictions on density have worked to preserve urban greenspace, and sprawl has seen significant loss of farmland, habitat and greenspace on the urban fringe. Further, most research shows that amenity is either unchanged or improves with greater density.

The CBA also does not consider benefits arising from more choice in housing markets or how increased density may increase access to jobs, particularly for women and young people.

Similarly, access to services, access to labour markets, social outcomes, availability of greenspace, impacts on commercial and industrial premises, and compliance and administrative costs associated with regulation have not been quantified.

⁶⁸ In general, the literature suggests increased density is associated with increased amenity. However, moving from low to high density can impose significant transitional costs.

If policy changes reduce housing prices and rents, and improve affordability, then a range of other government expenditure programs and policies may also be reduced (such as some housing assistance). Any deadweight taxation and other benefits from reducing government expenditure (both program and administrative expenditure) have not been quantified in this CBA.

Overall, the Commission's assessment of the literature suggests that unquantified impacts are likely to provide benefits greater than the costs.

Sensitivity testing

Sensitivity testing did not alter the key results — that is, that the policy scenarios produce large net benefits.

Sensitivity testing included adjustments to: the discount rate; population growth assumptions; initial estimates of the gap between dwellings prices and the marginal physical costs of supply (the degree of current inefficiencies in the housing market); dwellings price and cost growth assumptions under the base case; and demand and supply elasticities.

Conclusions

Queensland's housing market is currently experiencing high rents, vacancy rates at historic lows and home ownership increasingly out of reach for aspiring buyers. The fundamental reason for this is that housing supply is not keeping pace with demand.

While there are many reasons for the lack of supply in the housing market, a key reason is that current zoning and land use regulation constrain the ability of the market to supply new housing. It restricts where housing can be built, the forms of housing that may be built and the density.

The CBA presented here provides a stylistic analysis of policy options to relax land use regulation to permit higher density and increase the supply of dwellings in SEQ.

The primary purpose is to provide information on some of the trade-offs of different policy options, obtain a sense of the scale of *potential* net benefits, and explore the sensitivity of those net benefits to various assumptions.

The analysis shows two clear potential benefits of reform — increased dwelling stock, which improves housing affordability, and improved spatial distribution of housing, which improves productivity and reduces a range of costs, particularly in constructing infrastructure.

The quantified impacts provide a clear indication that policy changes that facilitate increased density would provide very large net benefits – depending on the policy option and the assumptions used, net benefits are estimated to be in the order of \$18–\$48 billion. The results hold under widely varying scenarios and are robust to a range of assumptions.

Reforms would also likely benefit aspiring owners and renters, who would otherwise be facing significantly higher dwellings prices (and rents).

Slower growth in dwelling prices may impact existing homeowners, but these are offset by the gains to new homeowners and renters. These wealth transfers are likely to be in the order of \$200 billion depending on the policy option and assumptions adopted.

Large benefits from policy changes, in the order estimated in this paper, generally only ever arise where regulations have significantly impeded market responses to underlying changes in technologies, consumer preferences (valuations) and other conditions over a prolonged length of time. This is the case in the construction and housing markets.

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