



2025

# **OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION INDUSTRY**

**Interim report**

Summary

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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  
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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](mailto: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](http://www.qpc.qld.gov.au).

**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.

# Contents

Foreword	1
Have your say	2
Terms of reference	3
Our approach	7
What stakeholders told us	8
Diagnosing the key problems	13
Preliminary reform directions	18
Improving procurement	19
Improving regulation of land use	24
Improving regulation of building activity	28
Improving labour market operation	33
Other matters	36
Preliminary recommendations, reform directions and information requests	38

## Key points

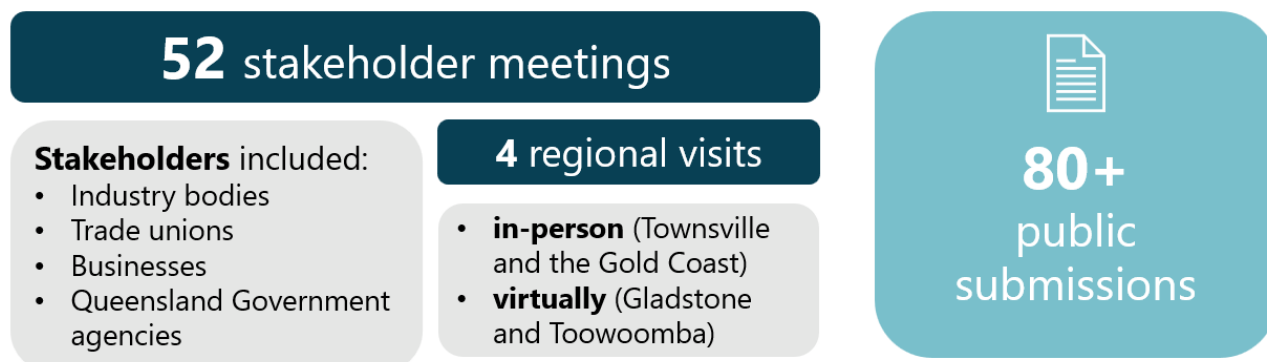
- Queensland's construction industry is facing significant challenges, with rising levels of demand, a tight labour market, ongoing supply chain issues, and declining productivity.
- Productivity growth in Queensland's construction industry has been weak. Although there have been periods of growth, labour 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
- 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 revisions 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 prepared to only 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




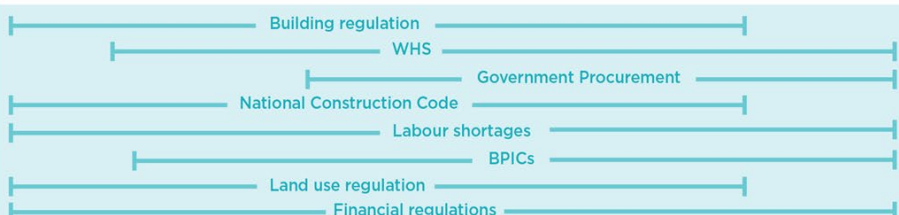
The construction industry is large and diverse with a complex range of issues cutting across sub-sectors of the industry (Figure 2).

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
<b>Project type</b> 	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
<b>Sub-sector characteristics</b> 	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
<b>Key issues identified</b> 	 <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

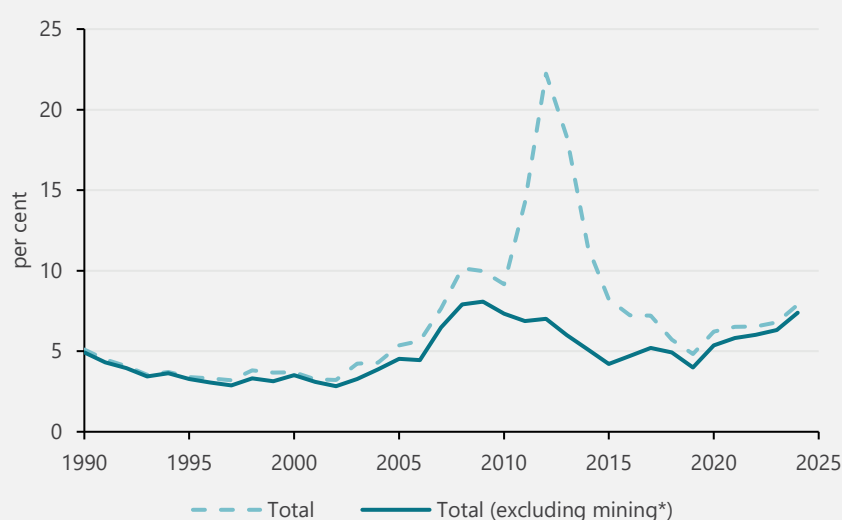
Although demand for construction work in Queensland is high, it is not at record levels. During the liquified natural gas (LNG) investment boom Queensland was able to sustain a higher level of construction activity. As shown in the figure below, the pipeline of works in Queensland is currently around 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).

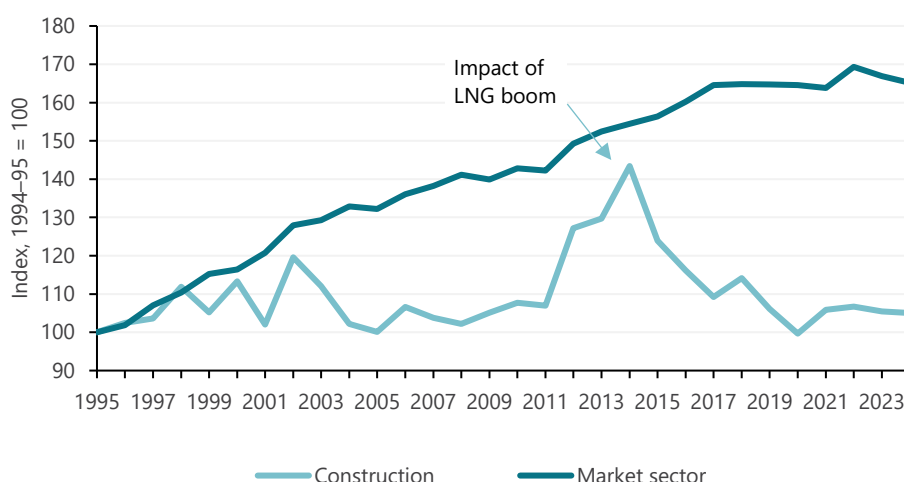


## Productivity outcomes are poor

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



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

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.

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).<sup>1</sup> 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.

<sup>1</sup> 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).<sup>2</sup>

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.

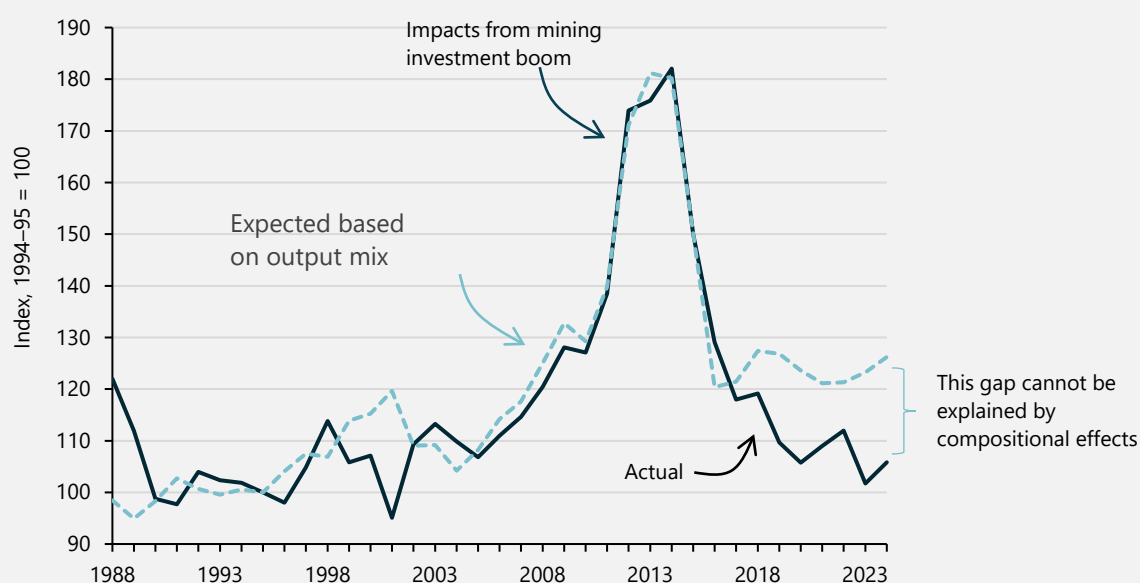
There is no evidence the recent productivity decline has been accompanied by improvements in other outcomes. For example, workplace health and safety data indicate there has been no significant shift in safety outcomes since 2018.

### 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.

<sup>2</sup> 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.

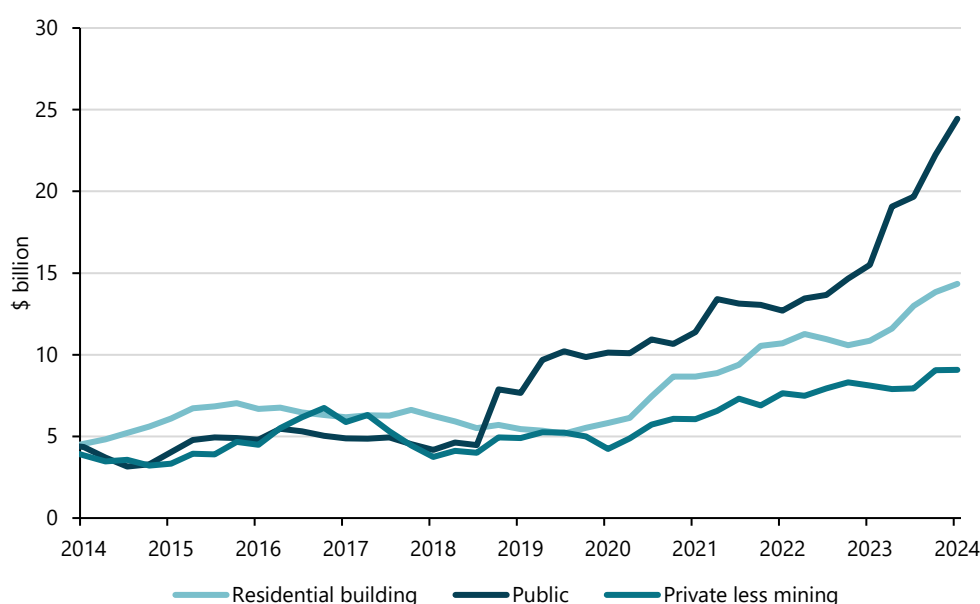
Implementation issues, including prioritisation and sequencing, are not considered in this interim report but will be considered in the final report.

## 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 2025bd.

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.<sup>3</sup> 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
<b>Total</b>	<b>-5,698</b>	<b>-20,588</b>

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 in the full report.

<sup>3</sup> 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 (QDC). 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 to 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 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.<sup>4</sup>

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.

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<sup>4</sup> 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.

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## 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 licensing 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, 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, 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.

# 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 the 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 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

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.





**QPC**

