

Queensland Government response to the Queensland Productivity Commission Manufacturing in Queensland Inquiry

April 2018



In September 2016 the Queensland Government tasked the Queensland Productivity Commission (the Commission) with undertaking an inquiry into Queensland manufacturing, including a review of international reshoring initiatives. In undertaking the inquiry, the government asked the Commission to consider policy options to improve the productivity and competitiveness of the Queensland manufacturing sector, with a focus on opportunities to maximise existing advantages, improve weaknesses and take advantage of emerging domestic and international opportunities.

The Commission presented its final report to the Treasurer, as the responsible minister, on 31 October 2017. The report contained 17 recommendations that relate to improving the productivity and competitiveness of the manufacturing sector in Queensland.

Government action on manufacturing

Since issuing the Terms of Reference, the government has progressed many initiatives dedicated to supporting Queensland's manufacturing sector, including launching the *Queensland Advanced Manufacturing 10-Year Roadmap and Action Plan* (the Roadmap) and the Made in Queensland initiative.

The Roadmap includes 14 actions that target the adoption and adaptation of innovative manufacturing technologies and processes to increase Queensland's manufacturing productivity and international competitiveness. In implementing the Roadmap actions, the Queensland Government has adopted a partnership approach with industry and other stakeholders to ensure the initiatives are effectively achieved. An expert manufacturing advisory group provides the government with strategic advice.

Since the launch of the Roadmap, the government has assisted 338 businesses to complete a business benchmarking process to measure their performance and practices and inform future choices; launched the Bris Makerfest, which showcased advanced manufacturing technologies; delivered four hackathons in regional Queensland to coincide with the rollout of the National Disability Insurance Scheme; established a program to support establishment of new hackerspaces and existing hackerspaces to expand; and delivered three *Design in Manufacturing* seminars to raise awareness of the importance of design in manufacturing.

The Made in Queensland initiative supports manufacturers to adopt innovative processes and technologies. As at March 2018, Made in Queensland has assisted 38 businesses to identify and implement productivity improvements. As a result of the high level of interest received during the first round of Made in Queensland, the government has committed to further funding to expand the program.

In late-2017, the Palaszczuk Government announced it will

establish three manufacturing hubs in the regional centres of Cairns, Townsville and Rockhampton. The hubs will support the building of knowledge capital throughout the supply chain, skilling workers, matching appropriately skilled workers to jobs and helping employers grow their manufacturing businesses in areas of comparative advantage. The manufacturing hubs will be an important pipeline for delivering the actions under the Commission's recommendations.

The Roadmap and Made in Queensland initiatives complement previous Queensland Government actions supporting the manufacturing sector. In 2016, the government established the Industry and Manufacturing Advisory Group comprised of senior industry, peak body and union representatives to provide expert advice on emerging opportunities, productivity and competitiveness, innovation and technology, local content, business costs and industry regulation. This group will be re-constituted to assist government with the effective implementation of the Commission's recommendations through the Roadmap.

The government is also committed to attracting more manufacturing projects and reshoring activities to Queensland, either by supporting entities to relocate their operations here or to establish a new project through the Advance Queensland Industry Attraction Fund.

The government has recently appointed a dedicated Minister for Manufacturing to oversee the implementation of Queensland's manufacturing agenda.

Government response to final report

The government accepts, or accepts in part or in principle, the majority of the Commission's recommendations, except for recommendation 16 which involves establishing a roadmap to reform the state's tax framework. The government agrees that tax efficiency, equity and simplicity are important aspects of the taxation framework. However, future opportunities for reform will require collaboration with the Australian Government and other states and territories.

Queensland will continue to work through the Council of Australian Governments to address vertical fiscal imbalance and identify opportunities for taxation reform.

All other recommendations are accepted or accepted in part or in principal. The following table provides the Queensland Government's response to each of the Commission's recommendations, along with the details of the government's approach to implementation.

Many of the government's responses identify current programs and actions underway or about to commence, which will deliver the objective of the Commission's recommendations.

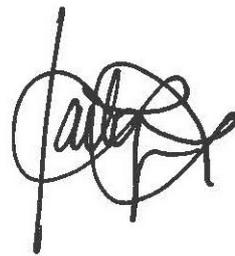
Innovation fostered and supported by Advance Queensland is central to the government's vision to open new frontiers, unlocking the jobs and investment opportunities of the future. Co-designed with industry and based on local and international evidence of what works, Advance Queensland takes a systems approach to fostering innovation throughout the economy. In this regard, the government does not intend to redesign its Advance Queensland initiative, however notes the principles underlying the Commission's recommendations in relation to ensuring that programs are accessible, subject to clear monitoring and evaluation and delivered as efficiently as possible.

The Department of State Development, Manufacturing, Infrastructure and Planning will work closely with other agencies to efficiently deliver on the commitments in this response and will be guided by expert advice from the manufacturing sector and key stakeholders.

The government is confident that the approach proposed in this response will deliver the outcomes identified by the Commission and will support Queensland manufacturing businesses to increase their productivity and international competitiveness.

Government response to specific recommendations

The following table provides a detailed, line-by-line response to the Commission's final report recommendations.



The Hon. Jackie Trad MP

Deputy Premier
Treasurer
Minister for Aboriginal and
Torres Strait Islander
Partnerships



The Hon. Cameron Dick MP

Minister for State Development,
Manufacturing, Infrastructure and
Planning

Queensland Government positions on QPC recommendations

■ Accepted

■ Accepted in part or in principle

■ Not accepted

QPC Ref	Recommendation	Government response
1	<p>Where programs are established on the basis of mitigating capital market failures, the Queensland Government should consider providing assistance through loans and equity investment rather than grants.</p>	<p><i>The government accepts this recommendation in part.</i></p> <p>The Queensland Government maintains a strong focus on fostering innovation and, through the Advance Queensland initiative, is driving innovation across the economy. This builds on our natural advantages and positions Queensland as an attractive investment destination. Advance Queensland includes a range of programs, from business mentoring, commercialisation assistance and grants through to academic fellowships.</p> <p>The government currently provides a range of support for businesses to innovate and become more competitive, including a range of different financing and investment options that address a market failure and meet the specific needs of the business.</p> <p>The Business Development Fund supports emerging and high growth innovative Queensland businesses to commercialise their ideas by co-investing with experienced venture capital firms and investors. As at 31 December 2017, the Business Development Fund has made 23 investments totalling over \$26 million. The Business Development Fund facilitates further development of a sustainable private market for venture capital finance in Queensland. The Biofutures Industry Development Fund provides a repayable fund to help well-advanced industrial biotech proponents to get large-scale projects through the final stage of financial due diligence to secure financing from investors.</p> <p>The government will continue to support programs that provide equity investment and repayable assistance options to businesses where appropriate.</p> <p>The government also recognises that businesses face a range of issues relevant to funding innovation. Data from the Australian Bureau of Statistics indicates that a limited number of manufacturing businesses look to equity investment when seeking finance, with debt finance being preferred. There is little evidence that manufacturing businesses face greater obstacles obtaining debt financing than other sectors. However, the case remains that both debt and equity finance may not always be an optimal, or even feasible, means for small to medium businesses to finance innovation. For example, the dilution of owners' equity can be a deterrent to applicants and may render programs that focus only on equity investment ineffective. The government recognises the need for flexibility in developing programs to address the issues of finance, funding and investment and is confident that current programs, such as Advance Queensland, are responding to identified needs whilst managing the risks to government.</p>
2	<p>To improve management skills, the Queensland Government should, in conjunction with industry associations:</p> <ul style="list-style-type: none"> • identify management and leadership courses available to managers within established SMEs • determine whether the current suite of courses effectively and efficiently deliver management skills (including accessibility and post-training performance) 	<p><i>The government accepts this recommendation.</i></p> <p>Management skills are being increasingly recognised as central to productivity growth. The Queensland Government is actively fostering and investing in skills development, another essential component of the Advance Queensland framework. Current investments in this area include:</p> <ul style="list-style-type: none"> • The Advance Queensland Growing Queensland's Companies program supports ambitious executives of Queensland firms with high-growth potential to lead their businesses to the next level. While not specifically targeted at the manufacturing industry, this program provides highly relevant skills to lift the productivity of manufacturing firms.

<ul style="list-style-type: none"> • create a single portal for management, mentoring and leadership courses provided by government or with government support, and courses from other credible providers, to reduce search costs and improve access. 	<ul style="list-style-type: none"> • Under the Advancing Small Business Queensland Strategy 2016-20, the Office of Small Business delivers a wide range of programs and services to help small business to start, grow and employ. Support provided includes grant programs, mentoring, engagement activities, and tailored information to equip business owners and operators with the tools and skills to succeed. • Mentoring for Growth is an example of practical support for businesses to enhance management skills by matching eligible businesses with business experts who provide insights, options and suggestions relating to business challenges and opportunities. <p>Queensland manufacturers can access information on these programs through Business Queensland, the government’s dedicated website for business and industry. Business Queensland acts as a single destination for business owners and operators to access the wide range of government services and support available. Business Queensland currently captures over 1600 services from 15 Queensland Government departments, and has been used by more than 3.5 million customers in 2017-18 (as at 8 February 2018).</p> <p>The government will facilitate access for the manufacturing industry to a consolidated online information resource to be able to access management, mentoring and leadership courses provided by government or through private registered education and training providers. This resource will be made available through the Business Queensland website.</p> <p>The government, through consultation with manufacturers and the manufacturing advisory group, will get feedback on the effectiveness of management and leadership training and mentoring programs and critical industry and expert advice on the needs of manufacturing businesses. This will be used to inform the training providers of industry needs and ensure the training offering is meeting the needs of industry.</p>
<p>3</p> <p>The Queensland Government should redesign innovation commercialisation programs to incentivise all businesses and universities to collaborate on commercialisation, rather than targeting business sizes, models, technologies, sectors or science priorities.</p> <p>The Department of Science, Information Technology and Innovation should, in conjunction with industry associations, develop and provide information and case study resources on intellectual property and commercialisation to Queensland businesses, including for traditionally lower technology industries.</p>	<p><i>The government accepts this recommendation in part.</i></p> <p>Collaboration between researchers and industry is a key aspect of a successful innovation system, and is one of the primary objectives of a number of the programs delivered under the Advance Queensland initiative. For example, the Innovation Partnerships program has supported research organisations to undertake collaborative research and development projects with industry, small and medium enterprises (SMEs), and other organisations to address significant issues and problems identified by the end user. Research investment priorities are informed by the Advance Queensland 10-Year Industry Roadmaps which are developed in close consultation with industry and other stakeholders, and the Queensland science and research priorities.</p> <p>The Queensland Government supports research efforts that leverage competitive advantages, target industries of strategic importance or global growth potential, and ensure ongoing research activities that address major (local and global) economic, social and environmental challenges. Targeting various features such as business size, models, technologies, sectors or science priorities delivers on priorities of the Queensland Government.</p> <p>There also exists a clear need to maintain flexibility in the design and delivery of innovation programs moving forward, including those that seek to achieve commercialisation objectives. For example, the needs of start-ups vary dramatically from those of SMEs and programs need to be targeted to reflect both the size and growth trajectory of applicants. The government’s experience is that programs that seek to deliver specific interventions relevant to specific businesses in particular sectors are more likely to be effective.</p> <p>The Department of Innovation, Tourism Industry Development and the</p>

		<p>Commonwealth Games (DITID) actively collects and shares stories and case studies of local businesses successfully innovating in Queensland.</p> <p>These businesses cover a broad spectrum in terms of the level and sophistication of technology used. DITID also administers programs that offer individualised business support on topics such as intellectual property (IP) and commercialisation. Innovate Queensland offers workshops and webinars aimed at attracting investment and winning customers. The <i>My Innovation Advisor</i> offers individual sessions to assist Queensland businesses to prepare and implement commercialisation activities. These programs complement the Intellectual Property Info Kit, available through the Business Queensland website, which provides information on effective IP management.</p> <p>To ensure that relevant information on IP and commercialisation is available, the government will continue to present case studies and information resources online and where specific information gaps are identified, particularly for traditionally lower tech industries, will work with relevant industry bodies to develop these resources.</p>
4	<p>The Department of Science, Information Technology and Innovation should continue to collaborate with the Australian Bureau of Statistics and request the redesign and public release of state-based business innovation data. This data should include access to the Business Longitudinal Analysis Data Environment and Business Longitudinal Database and the Innovation in Australian Business publication.</p>	<p><i>The government accepts this recommendation.</i></p> <p>The Department of Innovation, Tourism Industry Development and Commonwealth Games (DITID) is actively working with the Australian Bureau of Statistics (ABS) and the Australian Government Department of Industry, Innovation and Science to leverage the opportunities through the Business Longitudinal Analysis Data Environment to support innovation policy and facilitate evaluation activities.</p> <p>The ABS ended the collection and release of state-based business innovation data, through the Business Characteristics Survey, in 2010. DITID, along with counterparts in other states, has and continues to advocate for the collection and release of this data to support innovation policy and evaluation efforts.</p>
5	<p>To improve the efficacy of innovation policy, the Queensland Government should consolidate its more than 50 innovation and entrepreneurial programs and transparently report on its innovation policy. The consolidated set of programs should target three key areas—beneficial knowledge spillovers, access to information, and coordination problems.</p> <p>For each program, the Queensland Government should publicly and transparently:</p> <ul style="list-style-type: none"> • develop a clear program logic targeting identified problems • establish measurable objectives in relation to mitigating or offsetting the identified problems • measure and monitor the program for performance from commencement • evaluate outcomes within three years and regularly thereafter, balancing precision with administrative and compliance costs. This evaluation should cover: administration costs; whether the 	<p><i>The government accepts this recommendation in principle.</i></p> <p>The Queensland Government will ensure that Advance Queensland continues to operate within the comprehensive governance arrangements in place for the program. The government is investing more than half a billion dollars through Advance Queensland to grow the economy and drive jobs growth through innovation. Co-designed with industry and based on local and international evidence of what works, Advance Queensland takes a systems approach to fostering innovation throughout the economy. This approach involves ‘small bets’ to support Queensland’s innovation system and includes ongoing monitoring to assess the impact and further target future investment.</p> <p>Advance Queensland comprises over 70 programs and activities delivered by nine government agencies. It has a strong policy framework, comprehensive governance arrangements, well-established reporting arrangements and a system-wide evaluation approach based on a broad evidence base. The scope of the Advance Queensland initiative and composition of programs and activities will change over time based on stakeholder feedback, the state of Queensland’s innovation ecosystem and the outcomes of evaluations.</p> <p>The Advance Queensland evaluation approach, informed by work undertaken by Deloitte Access Economics, includes the development of logic frameworks for key elements of the initiative, including individual programs, groups of programs with common objectives, and at the whole-of-initiative level. Evaluations are and will continue to be conducted at these three levels and cover program design (formative), implementation and delivery (process), outcomes and impact (effectiveness) and value for money (efficiency). Prioritisation of evaluation</p>

<p>program achieved its objectives (effectiveness); and whether the benefits exceeded the costs (efficiency).</p>	<p>activity is based on risk and complexity. Large-scale reviews will be externally conducted.</p> <p>All Advance Queensland programs provide regular reports on a suite of key implementation and program measures, including program status, budget, innovators reached, innovators supported, funds leveraged and jobs supported.</p> <p>The government agrees that regular evaluation is important to ensure that programs are delivered efficiently and effectively. Information and program accessibility and ease of use for stakeholders are a critical part of our regular reviews and improvements to our programs to improve these objectives will be implemented as they are identified. For example, the Mentoring for Growth program was comprehensively reviewed in 2017 to ensure it continues to meet the needs for small businesses. The review found the program is still relevant and adds value, and there continues to be a strong demand for it in the small business community.</p>
<p>6</p> <p>To better serve manufacturing firms, students and the wider economy, the Queensland Government should continue to reform and develop the VET framework, with a focus on the effectiveness and efficiency of the VET sector. The Queensland Government should:</p> <ul style="list-style-type: none"> • finalise its strategy for vocational education and training in Queensland (Advancing skills for the future), having regard to issues raised in response to the consultation draft • implement the Queensland VET Quality Framework—and measure and report results • ensure the regulatory and funding system: <ul style="list-style-type: none"> ○ accommodates changing firm and worker needs, choice and thin markets ○ establishes the right incentives for providers—including public and private sector providers—to provide relevant training in an effective and efficient way. 	<p><i>The government accepts this recommendation.</i></p> <p>This recommendation aligns with existing Queensland Government priorities and actions related to assuring an effective and responsive vocational education and training (VET) investment framework that meets Queensland’s industry skills needs.</p> <p>Consultation on the Advancing Skills for the Future draft strategy in 2017 confirmed that stakeholders were generally supportive of VET arrangements in Queensland, but there were opportunities to make these more responsive and easier to navigate. Input from the consultation is helping shape program design and consumer information and support initiatives.</p> <p>The 2017-18 Annual VET Investment Plan (the Plan) outlines the government’s investment in a number of training programs and initiatives that support participation in skills training across a broad range of industries, including manufacturing. The majority of publicly funded VET investment is managed through fully contestable and demand-driven funding arrangements that support responsiveness to a sector’s skills needs. Key features include:</p> <ul style="list-style-type: none"> • investment targeted to qualifications that provide a pathway to employment; • a network of registered training organisations (RTOs) pre-approved as pre-qualified suppliers (PQS) to deliver eligible training and assessment services; • greater choice for individuals and/or employers to select the course and PQS that best meets their needs in terms of delivery strategy, value for money, and employment outcomes; and • published subsidy levels for all subsidised qualifications and skill sets reflecting the level of government contribution toward the cost of training. <p>The Queensland VET Quality Framework was introduced in May 2017 as part of the Queensland Government’s commitment to achieving quality outcomes from the state’s investment in VET. The framework outlines the government’s approach to oversight of publicly-funded vocational training, detailing the integrated measures that work to build confidence in the VET system and investment in skilling strategies. The framework details measures across five key areas:</p> <ul style="list-style-type: none"> • Program design – determining state policy and investment in training, and maintaining purchasing arrangements for state government-funded training focused on meeting the skilling needs of Queensland; • Supplier entry requirements – setting the standards for entry by RTOs seeking to be pre-approved to deliver subsidised training and assessment services as PQS in Queensland;

	<ul style="list-style-type: none"> • Information and support – providing information to assist students and employers to make informed decisions regarding study options and training providers to best meet their needs, and assist PQS to comply with their contractual obligations; • Market performance and oversight – maintaining an ongoing role to monitor the effectiveness of program policy measures that have a positive impact towards meeting the skilling needs of Queensland; and • Compliance – risk-based approach focused on PQS contract compliance to monitor, assess and respond to the integrity of PQS performance. <p>Elevating the perception of the Queensland VET sector as a quality training pathway is a priority for the government. To achieve this, the Department of Employment, Small Business and Training will work in partnership with national jurisdictions and industry to deliver a consumer- focused strategy that celebrates the sector’s success, promotes the benefits of VET and delivers informed and savvy VET consumers and their influencers. The government also recognises there are a significant number of quality RTOs operating in Queensland, and is working to support these RTOs to grow their businesses and provide training opportunities for Queenslanders through longer-term training agreements.</p> <p>Under the Queensland Advanced Manufacturing 10-Year Roadmap and Action Plan, Jobs Queensland is working in consultation with industry to develop a Skills, Training and Workforce Development Strategy. The strategy objectives are to provide a comprehensive skills analysis of the manufacturing sector, and will advise government on current and future skills and training needs, training approaches, workforce planning and development issues as well as apprentice and traineeship programs.</p>
<p>7</p> <p>As a priority under the Queensland VET Quality Framework, the Department of Education and Training should implement a VET funding model based on government subsidy levels that:</p> <ul style="list-style-type: none"> • reflect the spillover benefits from VET to create the right price signals for an efficient and responsive VET sector • provide the right level of support for training with a high proportion of public benefits and minimise incentives to provide/undertake training that has low or negative returns • remove barriers to upskilling and retraining and choice of program and delivery modes • transparently provide for equity-related matters, including for high-needs learners and access for rural or regional participants. 	<p><i>The government accepts this recommendation.</i></p> <p>This recommendation is consistent with Queensland’s vocational education and training (VET) investment model and current activity.</p> <p>The Annual VET Investment Plan (the Plan) is designed to maximise the benefits of government investment and ensure that training delivers growth in employment and productivity. Subsidy levels (government contribution) are informed by the relative priority of the qualification, with qualifications identified as a skills priority subsidised at higher rates, providing price signals to prospective students to encourage the uptake of higher priority courses. The Plan also incorporates:</p> <ul style="list-style-type: none"> • the key principle of co-contribution to the cost of training, in recognition that the benefits of training are shared between individuals, industry and the broader community; • ongoing industry engagement, through a variety of formal and informal mechanisms, to guide the identification of training priorities within the Plan; and • advice provided by Jobs Queensland through research and workforce planning projects to inform future priorities under the Plan. <p>To increase participation levels and remove potential barriers for priority student cohorts, the Plan includes:</p> <ul style="list-style-type: none"> • higher concessional subsidies to enable lower fees and increased training support; • access to flexible supported training pathways through foundation skills training and lower-level vocational qualifications if needed (this training can be delivered fee-free for concessional students); • targeted community-based initiatives which complement mainstream training

	<p>by providing additional tailored support and assistance for learners to achieve qualification and employment outcomes, such as Skilling Queenslanders for Work;</p> <ul style="list-style-type: none"> • various programs and initiatives which provide ‘second chance’ training opportunities for Queenslanders who need new or updated skills for employment; • the requirement for pre-qualified suppliers to implement inclusive practices to support student participation and learning outcomes, consistent with Queensland’s Inclusive Learning Framework – Inclusive Learning: A way forward; and • location loadings, in addition to the government subsidy, to support training delivery into country, regional and remote areas of Queensland. <p>The Queensland Government is reviewing the methodology used to establish subsidies to ensure the subsidy setting process reflects the base costs of delivering quality training and supports achievement of government VET outcomes through the Plan.</p>
<p>To improve regulatory outcomes, the Queensland Government should commission stocktakes of the regulations that affect:</p> <ul style="list-style-type: none"> • food manufacturers • machinery and equipment manufacturers • basic chemical and chemical products manufacturers. <p>The three stocktakes should be undertaken sequentially by an independent body (such as the Better Regulation Taskforce or the Office of Best Practice Regulation) and completed as soon as possible.</p> <p>The three stocktakes should identify priority areas for reform that will contribute to improved productivity for Queensland manufacturers as well as the wider Queensland economy. This includes areas where there is the most scope to:</p> <ul style="list-style-type: none"> • reduce unnecessary regulatory burden and pursue regulatory objectives in more efficient (least cost) ways • better coordinate action across (Australian, state and local) governments to reduce unnecessary overlaps. 	<p><i>The government accepts this recommendation in principle</i></p> <p>The Queensland Government has established the Better Regulation Taskforce (BRT), chaired by the Queensland Small Business Champion. The BRT is tasked with reviewing at least three industry sectors each year and providing advice to the government on improving the regulatory environment for small business, and reform initiatives to address the regulatory burden faced by small businesses.</p> <p>The BRT replaces the former Red Tape Reduction Advisory Council (RTRAC), which in 2016, undertook a review of the small business regulatory environment of the agriculture (fruit growing), manufacturing (light metals), and hospitality (café) sectors. The RTRAC Report 2016 on the findings of the review identified a range of key areas requiring government attention, including regulatory processes associated with taxation (both federal and state-based taxes); employment and wage regulations; regulator engagement with businesses in the sector; Workplace Health and Safety training requirements and risk assessments; audit and inspection processes; land use zoning and planning regulation; compliance with Australian manufacturing standards and codes; and product testing, registration and reporting requirements. A copy of the RTRAC Report can be found at https://www.ditid.qld.gov.au/small-business/better-regulation-taskforce. The government supported 13 of the 14 recommendations in the RTRAC report (and supported the remaining recommendation subject to further investigation), and is continuing to progress a program of work and activities to implement the agreed recommendations, and improve the business operating and regulatory environments in the review industry sectors.</p> <p>While the RTRAC findings relate to the review of the light metals sector, the government considers most of the issues raised are also relevant to other sectors within the manufacturing industry, with some also relevant more broadly to small businesses across the economy.</p> <p>The proposed regulation stocktakes require a very broad review of regulations affecting three specific industry sectors involving complex and lengthy investigations of the regulatory framework. To deliver the outcome sought from this recommendation the government proposes to place regulatory reform as a standing item on the manufacturing advisory group agenda. This will allow regulatory reform priorities or emerging issues to be identified for consideration by government and specific regulatory reform actions to be taken where appropriate. It will also link (via government) the BRT with the manufacturing industry on current regulatory reform actions and future regulatory issues identified.</p>

<p>9</p>	<p>To assist in the development of future structural adjustment policies, the Queensland Government should establish a longitudinal study of retrenched workers who previously received assistance, to identify those programs that have successfully resulted in permanent re-employment.</p>	<p><i>The government accepts this recommendation in principle.</i></p> <p>The government is committed to ensuring structural adjustment policies and schemes are delivering the best practical outcomes for displaced workers. The North Stradbroke Island Workers Assistance Scheme has policies in place to enable collection of data to undertake future analysis of the impact of the scheme. The scheme is operational until May 2021.</p> <p>The government proposes to incorporate formal data collection processes into future worker transition support packages. Affected workers will be asked to voluntarily participate and this information will be used to track the effectiveness of the assistance over time.</p>
<p>10</p>	<p>To minimise the social and economic costs associated with structural adjustment in the manufacturing sector, the Queensland Government should:</p> <ul style="list-style-type: none"> • provide early training assistance as required where there are planned firm closures • remove regulatory barriers to labour mobility across regions in Queensland, particularly in relation to housing, occupational/business licensing and stamp duty, and consider, as part of any structural adjustment package, providing support for relocation in the form of a one-off allowance and time-limited rental assistance • work with the Australian Manufacturing Workers' Union and other key industry stakeholders, including Jobs Queensland, to identify employment opportunities for older, low-skilled manufacturing workers who are displaced. 	<p><i>The government accepts this recommendation in principle.</i></p> <p>As part of the government's commitment to ensuring that workforce adjustment and worker assistance programs are achieving the best possible outcomes, the Department of Employment, Small Business and Training is responding to structural adjustment issues through the Regional Skills Adjustment Strategy (RSAS) initiative.</p> <p>RSAS is a \$10 million two-year initiative supporting TAFE Queensland to increase training opportunities in specific regions and industry sectors facing economic uncertainty. RSAS will target mature-age workers that are at risk of being displaced from traditional industries to gain the foundation, employability and technical skills needed to transition to new employment and the jobs of the future. RSAS will provide proactive support to workers in the manufacturing, resources, infrastructure, food processing and agriculture sectors, and also provide a regional response to workers displaced by significant company closures.</p> <p>Where the government is made aware of planned closures, comprehensive packages have been developed to assist affected workers. A recent example is the response to the planned closure of meat and poultry processors in south east Queensland. However, in most circumstances closures are not advertised or planned with businesses aiming to trade out of difficulty. It is more likely that the closure of a business will only become clear once the business is at the wind-up stage and appropriate worker transition support packages are tailored to meet the specific needs of affected workers. Relevant unions and key industry stakeholders are consulted in the design of assistance programs for retrenched workers.</p> <p>It is acknowledged that transfer duties have been identified as an impediment to labour mobility at the margin. However, many factors will affect a decision to move between regions (e.g. employment opportunities, living costs, social and economic considerations). Transitional costs like stamp duties and moving costs are unlikely to impede people who are strongly influenced to move by other factors like employment opportunities or family reasons. The principal place of residence transfer duty concession in Queensland is supportive of labour mobility. The government is committed to increasing employment opportunities across regional economies through initiatives such as the Jobs and Regional Growth Fund, Advanced Queensland Industry Attraction Fund, the Connecting with Asia Strategy and Works for Queensland program. Such initiatives encourage greater economic participation of individuals and provide employment opportunities that build on the region's competitive strengths to manage economic transitions.</p> <p>The government is committed to improving employment outcomes for all Queenslanders, particularly those who face additional barriers to enter or remain in the workforce.</p>

	<p>The government recently announced a range of initiatives aimed at improving employment outcomes for mature aged workers, including the Back to Work Mature Aged Worker Boost payment of up to \$20,000 for eligible employers who hire an eligible mature aged jobseeker between 1 January 2018 and 30 June 2018. Other initiatives include the appointment of a Mature Age Ambassador to promote and advocate to employers the benefits of employing mature aged workers and an awards program to recognise and showcase Queensland businesses that demonstrate best practice in employing mature aged workers.</p>
<p>11</p>	<p>To promote the long-term interest of electricity consumers, the Queensland Government should avoid policy or regulatory changes that impede the efficiency of the electricity market and place upward pressure on energy prices. It should:</p> <ul style="list-style-type: none"> • complete and implement the Governance Review and Improvement Project as a priority, to develop policy and governance arrangements that maximise the efficiency of government-owned electricity network corporations' capital and operating expenditure • progress additional policy options to limit any potential misuse of market power by government-owned generators in the wholesale electricity market, particularly in relation to their rebidding strategies • encourage manufacturers to pursue demand management opportunities with government-owned electricity network corporations • conclude its review of policy options to improve value for electricity customers in regional Queensland as soon as possible. <p><i>The government accepts this recommendation in principle.</i></p> <p>The government believes in putting Queenslanders first and is using its public assets to drive down electricity prices. The government's Powering Queensland Plan (the Plan) invested \$1.16 billion to ensure affordable, secure and sustainable energy supply for Queensland homes, businesses and industry.</p> <p>The Plan also includes measures to put downward pressure on wholesale prices and directly impact customer retail prices, including:</p> <ul style="list-style-type: none"> • directing Stanwell to alter its bidding strategy in October 2017, which will help put as much downward pressure on wholesale electricity prices as possible • returning Swanbank E gas-fired power station to service <p>The Plan is working, with forward wholesale prices in Queensland for the 2018 calendar year reducing 18 per cent since the announcement (as at January 2018).</p> <p>Late last year the government also announced additional measures in the Affordable Energy Plan to ensure Queenslanders' power bills are pegged to average inflation over the next two years and to cut \$50 a year from bills.</p> <p>This cost of living relief is only possible because Queensland owns its power assets and has the unique ability to reinvest dividends to make electricity more affordable, something other states that have sold off their generators, poles and wires cannot do.</p> <p>The Queensland Government will seek to avoid short-term policy or regulatory changes that impede the efficiency of the electricity market and places upward pressure on energy prices.</p> <p>The government accepts that priority should be given to the Governance Review and Improvement Project, noting that this work is already either underway or complete as part of the government's strengthened shareholder oversight role.</p> <p>A review of the governance arrangements for government-owned corporations (GOCs) has been completed and improvements to the accountability framework between shareholding ministers and the GOCs are being implemented in stages. Currently, the following improvements have been implemented through the GOCs:</p> <ul style="list-style-type: none"> • Shareholder mandates that clearly articulate the shareholders' expectations, including those expectations about business efficiency and savings. • Performance Agreements – The Statements of Corporate Intent, which are the key performance agreements between boards and shareholding ministers, reflect the shareholders' efficiency and savings expectations. <p>Capital network expenditure is subject to the scrutiny of the Australian Energy Regulator (AER) and business case review by Building Queensland, helping to ensure the network GOCs are making the most efficient infrastructure decisions. It is noted that rebidding in the market is covered by the National Electricity Rules (NER). These rules are periodically reviewed to ensure efficient market outcomes. The GOC generators bidding strategies have previously been reviewed by the AER</p>

and have been found to comply with the NER. The AER continues to monitor the bidding behaviours.

The business sector (excluding electricity supply and transport) accounts for over 40% of state net energy consumption, with manufacturing comprising 21.6%. The government has allocated \$16 million to 2020 for the Large Customer Adjustment Program to provide free energy audits and co-contribution for energy efficiency upgrades (up to 50%) for 40 large business customers, including some manufacturing businesses.

The government agrees that improving access to demand management actions has the potential to reduce business energy consumption and costs as well as reduce pressure on the energy network. Manufacturing has been identified as a key sector in the development of both short-term and long-term actions in the Demand Management and Energy Efficiency Strategy under the Plan. The benefits arising from this strategy will be focused in regional Queensland, where many of the manufacturing businesses are located.

The government is currently reviewing policy options for improved value for electricity customers in regional Queensland, noting that the work is well advanced. The government agrees the review be completed as soon as practicable.

To remove gas supply barriers while balancing the needs of landholders and environmental safeguards, the Queensland Government should structure its Gas Action Plan to:

- reduce the costs and impediments to gas exploration and development through, for example, measures to improve land release and tenure management, and cooperation between different mineral and energy regulators
- improve processes to resolve land-use conflicts arising from gas activities (including through providing better information and fair compensation to landholders and an evidence-based approach to regulation)
- increase transparency to improve market efficiency, through measures such as reporting on sector-wide performance and regulatory compliance.

The government accepts this recommendation.

To reduce the costs and impediments to gas exploration and development the Queensland Government is:

- facilitating the exploration and development of new gas fields and has already released 453 square kilometres of land for gas production on the condition that the gas can only be sold in Australia. In addition, a further 6000 square kilometres of land is in the process of being released for exploration with the same condition.
- streamlining assessment processes and investigating statutory timeframes for approvals associated with exploration and production tenures, wherever possible, under the *Petroleum and Safety (Production and Safety) Act 2004*.
- the 2017-18 annual exploration program will include brownfield and greenfield areas, and align to the Queensland Government's focus on the strategic development of state resources. Queensland's annual exploration program provides a schedule of competitive tenders for the year ahead. Certainty assists explorers to make investment decisions.
- working closely with the Australian Government to further unlock Queensland gas resources.

Establishing improved cooperation between energy and mineral regulators could lead to greater efficiencies across the gas supply chain by ensuring that decisions related to upstream development are complementary to objectives for the broader energy sector, for example, in relation to tenure releases or infrastructure development. Through creation of the new Natural Resources, Mines and Energy department, policy making in these areas can be better co-ordinated. The government is also committed to re-introducing an annual gas market review that includes modelling and analysis of a range of factors including gas demand, gas pricing, gas reserves, gas supply and transmission and an assessment of current market issues.

To improve processes to resolve land-use conflicts arising from gas activities the Queensland Government will establish the Office of the Land Access Ombudsman. The office is expected to be operational in 2018 and will be an independent body that will add to Queensland's comprehensive framework for managing resource development and resolving land access related disputes.

To increase transparency to improve market efficiency, through measures such as reporting on sector-wide performance and regulatory compliance, the Queensland Government will support the delivery of the Gas Market Reform Package that was agreed in August 2016 through the Council of Australian Governments (COAG) Energy Council. These reforms will improve gas market transparency through:

- a new information disclosure and commercial arbitration framework for unregulated pipelines took effect on 1 August 2017. Operators of all affected pipelines will publish the first year of financial information by 31 October 2018.
- Setting the Terms of Reference for the Australian Energy Market Commission biennial review on the growth in liquidity in wholesale gas and pipeline capacity trading markets, which will clarify the effectiveness of the COAG Reform Package and the need for any further reforms. The 2018 reporting will set a baseline for assessing market progress in further biennial reports.

Enhanced transparency is also supported by the Australian Competition & Consumer Commission (ACCC) gas inquiry to improve the information on the gas market. From 2017-2020, regular ACCC reporting on the supply, demand and pricing dynamics of Australia's natural gas and gas transportation services is supporting more informed market decisions.

Procurement policy should deliver the best price-quality outcome for the Queensland community. In implementing the Queensland Procurement Policy 2017, the Queensland Government should:

- remove impediments to local firms participating in procurement by:
 - simplifying tendering requirements
 - improving public sector procurement capability
 - publishing a pipeline of supply opportunities
- developing guidelines for implementing the local benefits test that provide practical advice about how it will be used to apply the value for money principle
- clarifying the definitions of 'local' and 'significant' and provide training to procurement agencies about the new framework
- seeking to minimise inconsistencies between the policy and the Australia – New Zealand Government Procurement Agreement
- collecting and publish information on procurement outcomes to assess the impact of the policy.

The government accepts this recommendation in part.

In 2017, the government released the Backing Queensland Jobs – Queensland Government Procurement Strategy, along with a revised Queensland Procurement Policy (QPP). The QPP will prioritise Queensland businesses, support local jobs in regional communities and achieve positive outcomes for Queensland. The procurement strategy will ensure that public funds are invested in a way that delivers lasting value to Queenslanders. The government's position is that delivering the best value for money needs to include more than just choosing the cheapest price. Rather, it involves a broad consideration of cost and non-cost factors, along with the advancement of government objectives. For significant procurements the assessment of value is to include the delivery of local benefits. A clear definition of significant procurement and local supplier are included in the Schedule 1 Definitions of the QPP.

Improved forward planning and providing advance notice of government procurement actions to local industry is a deliverable under the procurement strategy. Forward procurement pipelines have been published for each of the government's six procurement categories. These will continue to be enhanced over time.

The government recognises there is scope for continuous improvement in government purchasing processes. The Office of the Chief Advisor – Procurement has been established to ensure that government delivers consistent and effective procurement outcomes. The office provides guidance materials in support of the procurement strategy and the QPP and delivers resources and training to improve public sector procurement capability. Guidance materials, including a guideline for applying the local benefits test to achieve the value for money principle are available online for both industry and government agencies.

The QPP is complemented by a suite of Queensland Government local content and supply chain development initiatives, which will deliver on the objective of this recommendation and maximise opportunities for competitive local suppliers. Queensland's Charter for Local Content establishes the key principles which are implemented by government agencies to ensure Queensland businesses are provided full, fair and reasonable opportunities to tender for Queensland Government procurements.

The government is removing barriers to participation in procurement opportunities through industry programs, such as the Industry Capability Network (ICN), who are contracted to provide services to suppliers wishing to access major project opportunities, including for public sector projects such as the North Queensland Stadium. ICN services create visibility of opportunities within larger projects which smaller, local suppliers can access through linking lower tier suppliers with lead contractors.

The ICN also undertake contestability assessments and supply market analysis for major projects, develop supply chain maps to identify capable local suppliers as well as identifying supply gaps that may impact the successful delivery of project outcomes.

The government is providing practical assistance to Queensland manufacturing SMEs through tendering for business workshops that help to maximise their chances of winning work, including on major projects. In the last financial year, the Department of State Development, Manufacturing, Infrastructure and Planning has conducted 20 supplier capability development workshops attracting 199 attendees. In addition, seven Defence Business 101 workshops were conducted across Queensland, attracting 204 participants wishing to build capability in tendering into the defence sector.

To ensure that the investment facilitation activities of government agencies, including Trade and Investment Queensland and the Department of State Development, maximise their contribution to investment in Queensland, the Queensland Government should assess the benefits from:

- producing and publishing costs and other relevant information for all firms to access in order to assist them in deciding whether to do business in Queensland
- establishing a single Queensland Government business advisory entity
- leveraging facilitation services to identify opportunities to improve government processes, programs and regulation so that there are fewer government requirements to navigate, at a lower cost.

The government accepts this recommendation in part.

The Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) industry facilitation services target new manufacturing projects at a stage where Queensland has been identified as a firm location for investment. Trade and Investment Queensland's activities focus on international investment, facilitating a company's decision to select Queensland as their location of choice.

DSDMIP is working collaboratively with Queensland Treasury, Trade and Investment Queensland and other agencies to develop improved coordination and referral processes for industry investment and attraction programs to ensure resources are most effectively applied to maximise business attraction and investment.

A coordinated investment and industry attraction initiative has been implemented to facilitate improved coordination and referral processes for investment and industry attraction programs across government agencies delivering these initiatives. Key aspects of this initiative are:

- refinement of the existing coordinated investment and industry attraction initiative to ensure that potential private sector investors are referred to the part of government best able to assist them with their unique opportunity;
- release of an Industry Attraction webpage to market the investment attraction and industry facilitation services for potential investors interested in establishing a value-adding project in Queensland;
- continue to deliver a suite of facilitation services to assist companies to invest and re-invest in Queensland including the provision of tailored information on Queensland's business environment including cost of doing business, infrastructure, skills and access to markets;
- assisting investors with the identification of optimal locations in Queensland for their business; and
- assistance to access government agencies to address regulatory and government requirements, and connect with infrastructure and service providers and suppliers.

DSDMIP provides facilitation to new and expansion projects in the

manufacturing sector that involve complex regulatory approvals. As such, DSDMIP industry facilitation services generally aim to resolve regulatory issues faced by manufacturers on a case by case basis.

The government agrees there is scope to formalise arrangements for addressing regulatory challenges faced by the manufacturing industry. To achieve this DSDMIP will:

- develop and maintain a register of regulatory issues impacting on the manufacturing companies that DSDMIP are providing facilitation services to; and
- establish a senior officer working group comprising DSDMIP and regulatory agencies to identify and progress solutions to these issues where required.

This process would complement the regulatory reform initiatives outlined in response to Recommendation 8, particularly the input from manufacturers and the manufacturing advisory group on industry-wide challenges and potential solutions.

To ensure net benefits from investment attraction activities, the Queensland Government should avoid providing attraction incentives to individual firms or projects unless it can be demonstrated that there are likely spillovers that would otherwise not occur. If the Queensland Government does provide incentives, it should:

- publish the criteria for allocating grants to attract mobile investors
- provide assistance transparently, rather than through less transparent forms such as tax concessions
- link grants to measurable outputs
- publish the number, names and size of firms assisted, the value of assistance provided to each firm, and the details of contracts with individual firms
- report annually the expected outcomes and performance milestones agreed in the case of each grant and the performance of each project against these milestones.

The government accepts the recommendation in part.

The government is committed to both supporting Queensland businesses to reinvest in Queensland and attracting projects to Queensland that would otherwise locate either interstate or overseas. These projects create jobs, support regional growth, increase innovation and develop local supply chains.

Like many other governments across the world, the Queensland Government recognises that its economic future cannot be left to the market alone. There is a well-developed evidence base that supports targeted interventions, like industry attraction, to develop strategic industries that will provide the high-quality jobs for the future.

In addition, as the Commission recognises, Queensland is competing for this investment in an international market where incentives and subsidies are commonly employed to attract direct foreign investment. If Queensland does not participate there is an increased likelihood that investments will go elsewhere. The government's cost benefit assessment of a request for support includes long-term benefits beyond just the immediate value of the capital investment and supply chain expenditure. Consideration is given to the productivity dividend achieved by the increasing number and rate of transactions throughout the broader economy.

The government offers a range of industry attraction and facilitation services to assist industry to establish or expand their operations in Queensland. These proactive services are utilised to attract projects which fill identified market gaps, build local supply chains and strengthen regional and economic development. They provide a positive impact on the configuration of priority industries such as manufacturing, and help to broaden and diversify Queensland's economic base.

The provision of financial incentives through the Advance Queensland Industry Attraction Fund (AQIAF) is one tool within this suite of services and comprises only a small component of the overall investment attraction services provided by government as outlined in relation to recommendation 14 above.

To be eligible for assistance under AQIAF, companies need to demonstrate the project would be commercially viable in the absence of financial incentives, that it will generate net economic benefits to Queensland and that it could be undertaken in multiple locations. Projects are assessed against criteria to determine the extent to which they achieve the Queensland Government's objectives including:

- sustainable increase to employment

		<ul style="list-style-type: none"> • regional development • increased innovation and technology • capturing greater value from global value chains. <p>The government publishes its objectives for the AQIAF program, principles and key assessment criteria on the Department of State Development, Manufacturing, Infrastructure and Planning website.</p> <p>All proposals supported under AQIAF undertake a rigorous assessment process, which is conducted by a whole of government panel and approved projects are managed through a well-defined contract management and reporting framework. All AQIAF incentives are linked to measurable outputs and recipients are required to demonstrate they have achieved the specific target, such as employment or capital investment, before any financial assistance is provided.</p> <p>The overall funding programs are subject to rigorous monitoring and reporting to ensure that the programs are achieving value for money. Program outcomes will be included in the annual report of the Department of State Development, Manufacturing, Infrastructure and Planning. Information on financial incentives provided to individual firms or detailed business information may be subject to confidentiality obligations.</p> <p>In a highly competitive environment for global capital, keeping specific information on financial incentives confidential is essential to ensure Queensland can compete successfully with other jurisdictions to capture catalytic projects. Disclosure of commercial-in-confidence terms would cede Queensland’s competitive advantage to other governments who could target offers to match or exceed our incentives.</p>
16	<p>To improve the business environment, the Queensland Government should establish a roadmap that sets out reform of the state tax system that:</p> <ul style="list-style-type: none"> • removes or reduces distortionary taxes (such as stamp duties and insurance levies) and moves towards less distortionary taxes (such as broad-based land taxes) • has regard for the economic, distributional and transitional impacts of proposed changes, and considers whether all changes should be introduced at once or spread over time. 	<p><i>The government does not accept the recommendation at the current time.</i></p> <p>The government continues to constructively engage with the Australian Government and the Council of Australian Governments on matters of state tax reform and addressing vertical fiscal imbalance. Any reform of state-based taxes needs to be part of broader reform of federal financial relations.</p> <p>Queensland’s tax regime is competitive, with tax collections per person estimated to be \$853 lower than the average of other jurisdictions.</p>
17	<p>The Queensland Government should assign direct responsibility and authority to a Minister or group of Ministers to implement the Manufacturing: Policy Action Plan. The responsible body should:</p> <ul style="list-style-type: none"> • establish a clear commitment and timetable for implementing change • further develop and coordinate implementation of the plan • specify and allocate tasks for implementing the plan 	<p><i>The government accepts the recommendation in principle.</i></p> <p>The Queensland Government is committed to growing manufacturing in this state as a critical driver of innovation and productivity in the economy. The government has recently appointed a dedicated Minister for Manufacturing, as the Minister for State Development, Manufacturing, Infrastructure and Planning. This emphasises the importance the government gives to the manufacturing industry and its significant role in the economy. The Minister for State Development, Manufacturing, Infrastructure and Planning will have direct responsibility for ensuring implementation of the recommendations accepted by government.</p> <p>The government is currently reviewing the Queensland Advanced Manufacturing</p>

<ul style="list-style-type: none"> • ensure that the plan is implemented and achieves intended results • develop measures to review the performance of the plan and evaluate its effectiveness. 	<p>10-Year Roadmap and Action Plan (the Roadmap) and will integrate the relevant recommendations that are supported into the revised roadmap and action plan for the manufacturing industry.</p> <p>Manufacturing in Queensland is diverse, including businesses producing a broad spectrum of products from advanced medical devices through to traditional products such as food and textiles. In 2016, the Queensland Government established the Industry and Manufacturing Advisory Group to provide expert advice on emerging opportunities, productivity and competitiveness, innovation and technology, local content, business costs and industry regulation. The government proposes this manufacturing advisory group will be reconstituted and membership expanded to strengthen northern Queensland representation. An industry advisory body provides critical intelligence on current industry focus and opportunities that will inform the effective implementation of actions under the roadmap. This group is well placed to provide expert advice on the effectiveness of the extensive range of programs and assistance available to the manufacturing sector.</p>
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Queensland
Government