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Mr Paul Lindwall
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Productivity Commission
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Dear Commissioner

Queensland Government submission to Inquiry into Transitioning Regional Economies

The Queensland Government would like to thank you for the opportunity to make a submission to the Productivity Commission's Inquiry into Transitioning Regional Economies.

Regional Queensland is, and will continue to be, a key contributor to the performance of the Queensland and Australian economies. However, as the second most resources-intensive state in Australia and with such a decentralised population, regional Queensland currently faces some significant and unique challenges in transitioning to broader based drivers of growth.

That is why the Palaszczuk Labor Government has made regional Queensland a key focus of its efforts to support economic growth and enhance employment opportunities for all Queenslanders. As highlighted in the attached submission, the Queensland Government is implementing a suite of targeted initiatives to promote regional growth, employment and liveability, such as the recently announced $200 million Jobs and Regional Growth Package and the $200 million Works for Queensland program.

The Queensland Government believes the Productivity Commission's Inquiry will help provide valuable insight into the extent to which areas are facing challenges and responding to the ongoing decline in resources investment and other factors currently impacting on some of our vital areas in regional Queensland. The Queensland Government looks forward to considering the Commission's Initial and Final reports.

The Queensland Government's submission is enclosed for your consideration. If you require further information, your officers can contact Mr Patrick Wildie, Director, Economic Strategy,

Yours sincerely

HON. CURTIS PITT MP
Treasurer
Minister for Trade and Investment

Encl.

Cc: Mr John Salerian, Assistant Commissioner, Productivity Commission
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Queensland Government Submission

Productivity Commission Inquiry into Transitioning Regional Economies

Executive Summary

Queensland regions face unique challenges

- Queensland's regions are key contributors to the performance of both the State and national economies. Sustaining economic and employment opportunities in Queensland's regions is critical to maintaining Australia's diverse economic base and maximising the benefits from Australia's natural, agricultural and mineral resources.
- Queensland's population is the most decentralised in Australia, which can increase the sensitivity of regional economies to cyclical or structural changes in key industries. Queensland is the second most resources intensive state in Australia, with around 80,000 Queenslanders directly employed in mining, minerals processing or metals manufacturing, while thousands of additional jobs are supported through the supply chain to the mining industry.
- Despite Queensland's continued robust overall economic performance, three of the State's key regions face unique challenges in transitioning to broader based drivers of growth in the face of cyclical and structural changes related directly and indirectly to the resources sector:
  - The **North West Minerals Province (NWMP)** (centred on Mount Isa) faces short and longer term challenges related to declining ore grades and maturing operations. Importantly, the region continues to have substantial mineral endowments which may offer significant future development opportunity, with the future outlook for the region heavily dependent on the identification and development of new commercial resource projects.

    In November 2015, the Queensland Premier announced the creation of a North West Minerals Province Taskforce, to work in partnership with the Queensland Resources Council and other key economic development stakeholders and identify strategies to respond to these issues. The Taskforce reported in late 2016 and the Government is considering its response to resource sector and broader transitional issues and opportunities.
  - **Townsville**, while having a relatively diverse economy, has substantial supply-chain links to major mining regions (including as the base for significant minerals processing operations and as a source area for a substantial FIFO workforce for the NWMP). Therefore, the ongoing transition of other regions continues to impact on Townsville's economic and labour market performance.
  - **Cairns** has limited direct mining activity, however it is another important base for FIFO workers which may be impacted by potential mine closures in the NWMP in coming years.
- Other key regions heavily dependent on resources-related activity, such as Mackay and Fitzroy may also undergo a period of transition in the face of changing world commodity markets.

Queensland Government's commitment to supporting transitioning regions

- Regional Queensland has been a primary focus of the current Queensland Government. A broad range of policy initiatives and programs with a strong emphasis on providing substantial support and economic stimulus to regions facing transitional challenges have been implemented under the Palaszczuk Labor Government.
- Key Queensland Government initiatives to support improved economic and employment outcomes in regional Queensland include:
  - the $405 million Advance Queensland program, a transformative innovation agenda, designed to enable Queenslanders to adapt and thrive through global change and disruption help create the knowledge-based jobs of the future;

- the $200 million Jobs and Regional Growth package aimed at facilitating private sector growth in regional areas and giving young people in those regions the best chance of finding and securing a job Key elements of the Jobs and Regional Growth Package include:
  - $170 million for a Jobs and Regional Growth Fund – including a $130 million boost to the Industry Attraction Fund – assisting private sector projects to create economic development and employment opportunities in regions with high levels of unemployment. The fund will target businesses in sectors such as agriculture, resources, tourism, manufacturing and construction;
  - $20 million over two years for the new Made in Queensland program providing support to Queensland's manufacturing sector through grants supplementing industry contributions to increase international productivity and competitiveness, and to adopt innovative processes and technologies.
- the $200 million Works for Queensland program to support local councils across the state undertaking job-creating, maintenance or minor infrastructure projects;
- the $375 million Building our Regions program to provide funding for critical infrastructure in regional areas, while also supporting jobs, fostering economic development and improving the liveability of regional communities;
- the $100 million Back to Work regional employment package for regions outside SEQ offering employers grants of $10,000 for hiring an unemployed jobseeker or $15,000 for engaging a long-termed unemployed person. A $20,000 Back to Work Youth Boost is also available to the end of February 2017 for employing a 15-24 year old; and
- enhancing the Queensland Government's Focus on North Queensland, with the appointment of a Minister assisting the Premier on North Queensland and the development of *Advancing North Queensland: Investing in the future of the north*, which identifies five priority areas to develop and diversify North Queensland's economy: roads infrastructure; water security; research and innovation; tourism, trade and investment; and the North Queensland Stadium.

- Climate change policies will also guide policies for transitioning regional communities. The Queensland Government has committed to delivering the Queensland Climate Transition Strategy and Climate Adaptation Strategy to transition and adapt to carbon constrained and climate impacted economic conditions. A particular focus is on supporting regional communities to understand and secure the economic opportunities associated with global market preferences towards low carbon commodities and services. However, there remains a need for greater climate change policy certainty at the national level to support regional communities in economic transition.

Further support required from Australian Government

- It is important all levels of government, including the Australian Government, continue to make sustainable regional economic development a key policy focus. In particular, there are three key areas where enhanced support and policy focus at a national level is critical:

1. *Facilitating investment in productivity-enhancing regional infrastructure*

- The Queensland Government is committed to delivering and facilitating infrastructure in regional areas to support liveability, employment opportunities, productivity and promotion of access to markets, as outlined in the State Infrastructure Plan.
- The Queensland Government notes the importance of complementary Australian Government infrastructure funding and is actively involved with the Australian Government to progress

projects under programs such as the National Water Infrastructure Development Fund and the Northern Australia Roads Programme (NARP). Furthermore, concessional loan arrangements such as the Northern Australia Infrastructure Facility and the National Water Infrastructure Loan Facility are important supporting programs to facilitate infrastructure in regional Queensland. So far no Federal Government funding has been expended on Queensland projects under the National Water Infrastructure Development Fund and the Northern Australia Infrastructure Facility which were first announced on 17 June 2015.

- Moreover, in recent times, there have been instances of Queensland not receiving its fair share of funding through these programs. Further, federal infrastructure funding through National Partnership Agreements can have substantial conditions attached, leaving Queensland with lesser discretion over how and where to spend the funds.
- In particular, regional connectivity and freight access to ports/markets are a key focus for the development of regional economies. Key infrastructure priorities critical to supporting Queensland's regions in this regard include:
  - Queensland's National Land Transport Network (NLTN) is a key priority for the Queensland Government and will require significant support to redress historically inadequate Federal Government funding for maintenance of the NLTN to basic standards of safety and condition.
  - The Flinders and Barkly Highways, stretching over 1,100km from Townsville to the border with the Northern Territory, connects communities and the agricultural and energy sectors across northern and north-western Queensland. While the Federal and Queensland Governments have committed to deliver a number of projects on this corridor under the National Highway Upgrade Programme and Northern Australia Roads Programme and other state-funded initiatives, more investment is required on this key inland link, which connects mining and agricultural producers to regional services and export facilities in Townsville.
  - The Warrego Highway (NLTN component) stretches 760km from Riverview to Morven, connecting communities and the agricultural and energy sectors including the Surat Basin. The Australian and Queensland Governments have committed $635 million towards the Warrego Highway Upgrade Program over five years (2014-15 to 2017-18) to improve the efficiency, safety and reliability of the Highway between Toowoomba and Miles, and $1.6 billion towards the Toowoomba Second Range Crossing. Further investment on this route is critical to connect regional economies across southern and south-western Queensland.

2. *Developing tailored regional solutions aligned with regional strengths*

- In some cases, a specific regional solution, driven by close collaboration between governments, industry, and local communities may be required to alleviate local impediments to investment, employment and growth.
- The Queensland Government would welcome the close collaboration of the Australian Government in identifying and implementing short and medium term strategies to assist the NWMP. Priorities are to help build economic resilience by facilitating resource sector development and further diversify the regional economy, and support the community as the economic environment transitions over the medium and longer term.
- The Queensland Government is supporting of further investigation into innovative models of infrastructure funding, while increased collaboration between all levels of government to improve infrastructure outcomes will play an important role in transitioning regional economics from the resources sector and opening up new industries.

- The facilitation of trade and investment in Queensland regions is another key area in which further Australian Government support has the potential to support regions to transition to a more diversified economy.

3. ***Ensuring appropriate provision of human services***

- The continued provision and adequate funding of essential human services (including in the areas of health, community services, digital literacy, justice and recreation) is vital for retaining a skilled workforce, improving labour productivity and ensuring social cohesion – all of which are critical to the successful transitioning of regional economies.
- The quality and sustainability of these services is determined partly by the adequacy and reliability of Australian Government funding, and the degree of freedom States have to allocate the funding where it will be most useful.
- One key way in which Queensland's capacity to plan for and deliver critical regional services could be improved is through the provision of certainty around future funding arrangements, including the renewal of several National Partnership Agreements expiring in 2017 and 2018.

Key issues in identifying regions facing transitional challenges

- As highlighted by the analysis of Queensland regions, there are a range of factors directly and indirectly impacting on the performance of regions and the extent to which they may effectively transition over time. Therefore, there are significant conceptual and practical challenges in establishing any single economic or social metric for identifying or ranking regions in terms of the extent to which they are experiencing, or likely to experience, challenges in transitioning.
- In particular, while the unemployment rate and employment growth are important headline labour market measures, in isolation they can provide a misleading picture of labour market conditions depending on trends in participation and population growth. Instead, it is best to analyse these data in conjunction with other labour force indicators, such as changes in the proportion of the working age population currently in employment, which accounts for changes in population, employment and participation.
- As such, analysis of recent movements in the employment-to-population ratio provides a useful initial indicator of overall labour market conditions in regions. This analysis suggests Cairns and Townsville present the most immediate challenges, while also highlighting the emerging issues in Queensland Outback, in particular the NWMP.
- Therefore, any analytical framework should draw on a broad range of contextual indicators to take a holistic and comprehensive approach, balancing short term and long term considerations of social and regional development potential.

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1. Introduction

The Queensland Government welcomes the Productivity Commission's (PC) Inquiry into Transitioning Regional Economies (the Inquiry).

Queensland's regions have historically been, and will continue to be, key contributors to the performance of the Queensland and Australian economies. Supporting regional economies as they transition towards broader based drivers of growth and sustaining regional employment opportunities and liveability is therefore vital to maintain a diverse economic base and take advantage of Queensland's and Australia's vast natural, agricultural, and mineral resources.

Queensland faces some unique challenges in terms of its regional economies. Queensland is the second largest jurisdiction in Australia by area, with its population (the third largest of all states and territories) being the most decentralised in Australia. The relative geographical isolation of many of the State's regions, including remote and Indigenous communities, can increase the sensitivity of their economies and labour markets to cyclical or structural changes in key industries.

Regional Queensland has been a key focus of the Palaszczuk Labor Government, with both state budgets delivered under the current Government having a strong emphasis on regional development. The Queensland Government has implemented a broad range of initiatives aimed at supporting growth, employment opportunities and liveability in regional areas as they transition from the resources boom. The Government is also implementing policies to support regions as they respond to ongoing drought conditions in some parts of the State. The Government's commitment to regional Queensland is further evidence through the recent establishment of the Rural Economic Development ministerial portfolio.

The Queensland Government's strong focus on supporting regional areas recognises the growing international consensus that economic growth needs to be inclusive, and that policies need to consider not only the pace of growth, but also the pattern of growth to generate sustained improvements in overall welfare.

For example, many Aboriginal and Torres Strait Islander people face challenges in being able to realise economic opportunities and share equitably in development and employment opportunities. Therefore, stronger regional economies transitioning from the resources boom will also impact positively on Aboriginal and Torres Strait Islander people and enhance their economic participation and employment opportunities.

To achieve inclusive growth for all Queenslanders and Australians, it is clear the progress of regions in transitioning from the resources boom must be a continued focus. Therefore, in addition to the Queensland Government's ongoing strong focus on supporting regional economies and employment, it is critical all levels of government, including the Australian Government, make sustainable regional economic development a key policy focus.

2. The resources sector in Queensland

Contribution to the broader economy

Queensland is the second most resources intensive state in Australia, behind Western Australia. In 2015-16, Queensland accounted for 19.0% of the nation's total mining output while Queensland's mining industry accounted for 7.4% of the State's total industry gross value added. In the same year 59,500 Queenslanders (2.5% of total employment) were directly employed in the mining industry, and a further 19,800 (0.8% of total employment) were employed in mineral processing and metals manufacturing.[1]

The majority of these jobs are located in regional areas. In 2016, 71% of those employed in the Queensland mining industry were located outside South East Queensland.[2] In addition, the industry has historically supported, and continues to support, thousands of additional jobs through the supply chain.

The Queensland mining industry is a major source of export earnings, accounting for around two thirds of the value of the State's merchandise exports in the year to November 2016, and makes a substantial contribution to capital investment and regional development. Mining also provides a base for a number of the State's leading value added industries.

Within particular regions, conditions in the resources sector are the most significant contributor to economic outcomes.

Overview of Queensland's resources industry

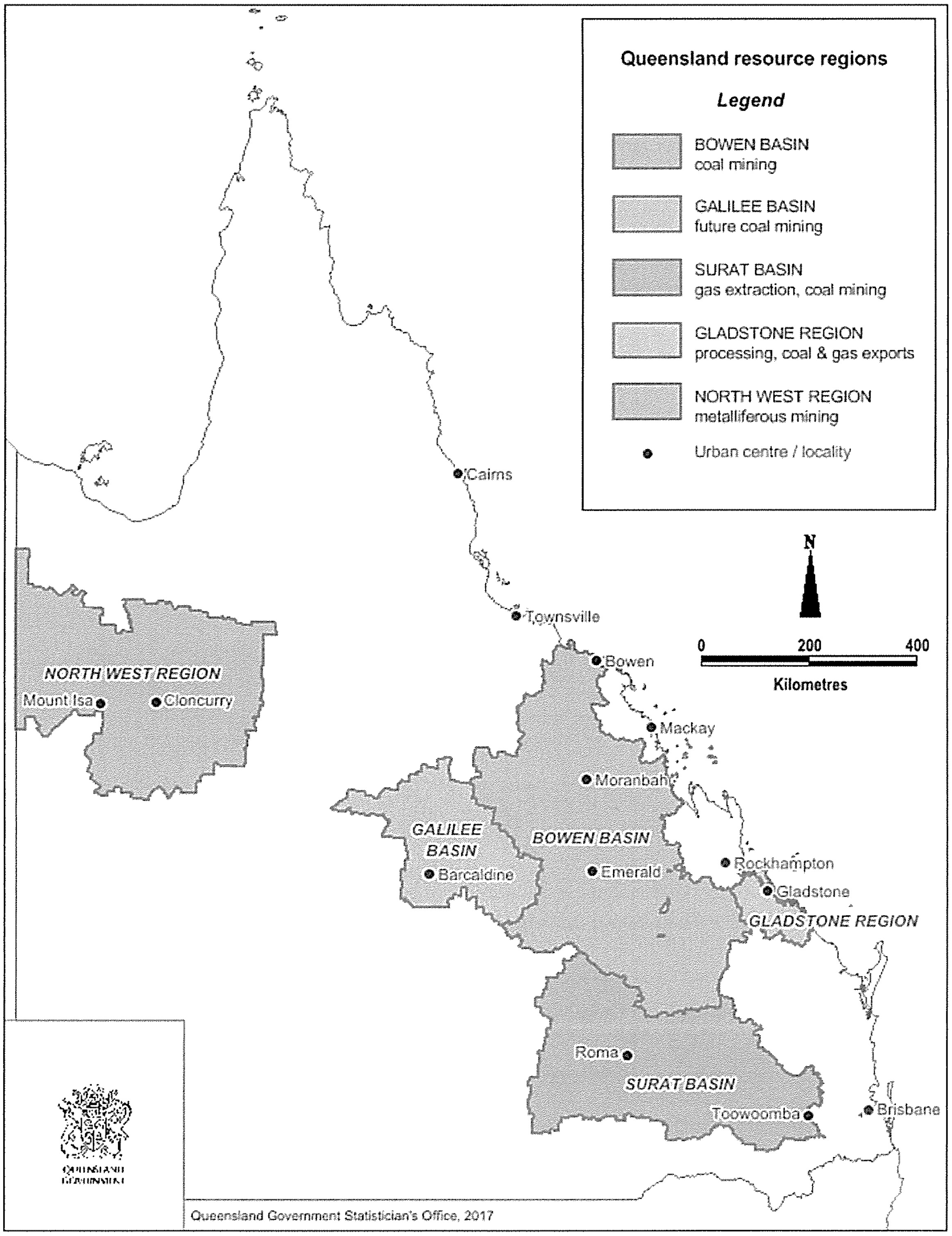
The resources industry in Queensland can be broadly categorised into three sub-sectors, which broadly operate in different regions:

- The coal industry centred on the Bowen Basin and the related regional centre of Mackay, with the largely undeveloped Galilee Basin offering significant development opportunity;
- The CSG-to-LNG industry, where gas extracted from coal seams in the Bowen and Surat basins is piped to Gladstone for processing at the LNG plants and then shipped overseas; and
- The metals mining and processing industry, with mining centred on Mount Isa and the broader North West Minerals Province (NWMP), but supported by processing and port facilities in Townsville. Townsville and Cairns are also key support regions for both labour and materials supplied to the NWMP and Cape York.

A map showing the approximate location of these regions, as well as key regional centres, is provided in Figure 1.

[1] ABS data. Employment figures refer to total full- and part-time employment
[2] Regions outside South East Queensland are defined as Cairns, Darling Downs – Maranoa, Fitzroy, Mackay, Queensland – Outback, Townsville and Wide Bay.

Figure 1 Key Queensland resource regions



Note: The above map is intended as an approximate guide to the geographic location of Queensland's resources regions. Region boundaries are indicative only. In particular, the NWMP includes the local government areas of Mount Isa, Cloncurry, McKinlay, Richmond, Flinders, Etheridge, Croydon, Carpentaria, Burke and Doomadgee, not all of which are encapsulated in the North West region in the above map.

Recent developments in the resources sector and impacts on key regions

The resources boom in Queensland saw prices for key commodities surge beyond their long-term average from around 2005. While prices fluctuated over the years on the back of global and domestic events, including natural disasters, overall they remained high over the decade – encouraging substantial new investment. In Queensland, this growth in investment was concentrated in coal, rather than in the base metals. Global prices for Queensland's coal exports fell substantially between the 2012 to 2015 period, prompting many firms in the industry to cut production levels and associated employment.

The resources boom in Queensland was also characterised by investment in three large coal seam gas to liquefied natural gas (CSG-to-LNG) projects with a combined value of more than $60 billion. With the final LNG project completed at the end of 2016, engineering construction expenditure in Queensland appears to have returned to a more sustainable level, after declining around 70% from the peak in 2013-14.

More recently, these trends have started to unwind, with investment stabilising and commodity prices, particularly coal prices, showing signs of recovering. Boosted by the ramp-up in LNG exports, Queensland's economic growth is forecast to strengthen to 4% in 2016-17. However, with LNG exports less labour intensive than construction, employment and labour income growth will be softer than this strong headline economic growth may suggest.

As outlined above, the impacts of the resources boom and the more recent developments in the resources sector differed significantly in timing, scope and magnitude across commodities, and consequently across regions.

Analysis suggests the Statistical Areas (SA4) of Queensland Outback, Townsville and Cairns are the primary regions facing challenges in transitioning to broader based drivers of growth.

- Queensland Outback, which includes the NWMP, faces short and longer term challenges related to declining ore grades and maturing operations, with a number of mines recently closing and a decline in mining activity expected in the region over the coming decade. While the region continues to have substantial mineral endowments, the future outlook for the region is dependent on the identification and development of new commercial resource projects and economic diversification opportunities.

- Townsville, despite having a relatively diverse economy, is a key base for FIFO workers employed at mines in the NWMP, the location for significant metals manufacturing and the location of the export port for most of the mineral output from the NWMP. Therefore, a continued focus on supporting economic growth and jobs will be critical to help support Townsville capitalise on its regional strengths and navigate through this period of transition.

- Cairns has limited direct mining activity, however it is another important base for FIFO workers. Labour market conditions, including youth unemployment, in Cairns have remained challenging over the past year. However, some recent improvement in regional tourist numbers should help support economic activity and provide further employment opportunities. In the longer term, similar to Townsville, potential mine closures in the NWMP by early next decade may present challenges to the Cairns economy through the impact on FIFO workers.

Mackay and Fitzroy are other key regions that are heavily-dependant on the resources sector and may also undergo a period of transition in the face of changing world commodity markets. However, these regions have shown some positive signs of adjustment, with labour market conditions in these regions appearing relatively robust.

Detailed analysis of the development of Queensland's resources sector during the resources boom and in more recent times, as well as a discussion of the current economic conditions and outlook of each of the State's key regions, is included in the attachment to this submission as part of the detailed responses to each of the Inquiry's specific terms of reference.

Key points

- The impact of the resources boom in Queensland varied substantially across commodities, with these varied impacts meaning that the extent to which regions are successfully transitioning differs between key resource regions.
- Analysis indicates the key regions facing challenges in transitioning to broader based drivers of growth related directly and indirectly to the changes in the resources sector are the NWMP, Townsville and Cairns.
- Two other key regions, Mackay and Fitzroy, may also undergo a period of transition as the broader Queensland economy transitions in the face of changing world commodity markets.

3. Queensland Government support for transitioning regions

In some circumstances, the economic and social challenges that face transitioning regions can be exacerbated if the transition occurs over a short period of time. Therefore, in addition to helping support and facilitate ongoing investment and activity in the mining industry, where appropriate and beneficial, it is vital policy makers focus on a broad range of policy areas to facilitate a smooth transition to more-diversified drivers of growth.

In line with its Economic Framework, as outlined in the 2016-17 State Budget, the Queensland Government is continuing to provide strong support for regional economies' transition towards broader based drivers of growth through a range of policy initiatives which can broadly be categorised into three key areas:

- policies aimed at diversifying and strengthening Queensland's economy overall and supporting broader employment growth, including policies that facilitate the growth of new innovative industries and areas of existing comparative advantage;
- targeted support, including specific policies to support and improve employment outcomes, in regional areas of Queensland where the transition has been more challenging; and
- reforms to support and strengthen the competitiveness of the resources industry which, despite recent trends and challenges, continues to be a key component of Queensland's economy.

Key initiatives implemented by the Queensland Government in these areas are outlined below.

Policies to diversify and strengthen Queensland's economy

- **Advance Queensland –** a $405 million transformative innovation agenda, designed to enable Queenslanders to adapt and thrive through global change and disruption. It is internationally recognised that innovation drives productivity and increases global competitiveness, with research showing that innovative firms are more likely to grow, employ and export.

  Advance Queensland includes a range of initiatives targeting areas of market and system failure in the Queensland innovation system to help create the knowledge-based jobs of the future which will attract and retain world-class scientific and entrepreneurial talent, including:

  - *Advance Queensland Industry Attraction Fund* – a $40 million fund aimed at assisting businesses to expend or relocate to Queensland from interstate or abroad. The fund is targeting priority industries such as biofutures, advanced manufacturing, defence and aerospace, mining equipment, technology and services (METS), biomedical and life-sciences, alongside areas of traditional strength such as agribusiness.
  - *Advancing Small Business Queensland Strategy 2016-20* – a coordinated strategy focussing on stronger advocacy for small business, simplified, coordinated service delivery connecting small businesses to opportunities. It puts in place a range of new and expanded programs to help small businesses start, grow and employ.
  - *Advancing Tourism 2016-2020* – a comprehensive tourism strategy with significant investment in four key areas: quality products, events and experiences; investment in infrastructure and access; building a skilled workforce and business capabilities; and seizing the opportunity in Asia.
  - *Industry Roadmaps and Action Plans* – a series of industry roadmaps in the areas of biofutures, advanced manufacturing, defence, aerospace, METS and biomedical and life sciences, are being developed, which build competitive strengths, diversify the economy and create knowledge-based jobs of the future. Further, the Government is exploring additional opportunities for development in industries such as agriculture and food research.
- **State Infrastructure Fund –** a $2 billion fund to build infrastructure needed to support economic growth and liveability into the future. The fund will provide $300 million towards

the Priority Economic Works and Productivity Program, $180 million towards the Significant Regional Infrastructure Projects Program, $200 million towards the Works for Queensland program and $20 million towards Maturing the Infrastructure Pipeline.

Also funded under the SIF is $50 million to establish the Cross River Rail Delivery Authority, $800 million allocated in-principle towards the delivery of Cross River Rail and $44 million towards the upgrade of the Pacific Motorway (M1) between Mudgeeraba and Varsity Lakes (pending 80%contribution from the Australian Government). The balance of the fund will allocated over the next four years, to be informed by independent advice from Building Queensland.

- **Market led proposals –** a signature initiative of the government's economic plan to create jobs and stimulate the economy. Market let proposals are a way to harness good ideas from the private sector and deliver projects that benefit Queenslanders. For example, the market lead proposals process has delivered a $512 million enhancement for the Logan Motorway, and there are a series of other projects in the pipeline that will deliver good outcomes for Queensland.
- **Skilling Queenslanders for Work (SQW) –** $240 million over four years to help an estimated 32,000 jobseekers train for and secure jobs. So far, over $97 million has been invested in Queensland under the initiative, helping to assist over 13,400 people including over 5,200 who have gained employment following participation in SQW.
- **Payroll tax rebate –** The Queensland Government has doubled the payroll tax rebate from 25% to 50% for employers hiring trainees or apprentices. Over 3,550 businesses have so far taken advantage of concessions worth $19.7 million.
- **Queensland Climate Transition Strategy and Climate Adaptation Strategy –**, the Government has committed to delivering two new strategies to support communities to transition and adapt to carbon constrained and climate impacted economic conditions. A particular focus is on supporting regional communities to understand and secure the economic opportunities associated with global market preferences towards low carbon commodities and services.
- **Jobs Queensland** – an independent body set up by the Palaszczuk Labor Government to drive industry advice to the government on skills demand and long-term workforce needs in Queensland, ensuring that sectors and regions across the state have access to the skilled workforce they require now and into the future.
- **Moving Ahead** – a whole-of-government strategy to improve economic participation for Aboriginal and Torres Strait Islander Queenslanders. The strategy focuses on five priorities: building a more skilled and diverse workforce; focusing on youth, and planning for future success; building our partnership with industry; increasing entrepreneurship, business growth and innovation; and overcoming barriers and realising opportunities to completion.
- **Trade and Investment Strategies** – The Queensland Government, through Trade and Investment Queensland (TIQ), has developed a number of strategies to support diversified exporting from, and international investment attraction to regional Queensland, such as the *International Education and Training (IET) Strategy to Advance Queensland 2016-2026,* released in November 2016.
- **Enhancing the manufacturing sector** – The Queensland Government has directed the Queensland Productivity Commission (QPC) to undertake an inquiry into Queensland's manufacturing sector. As part of this review, the QPC is looking to identify policy options to improve the productivity and competitiveness of the State's manufacturing sector. Of particular relevance is that the QPC will look at how to build on existing competitive advantages and advanced manufacturing niches; take advantage of emerging opportunities; and address challenges, especially for businesses and workers less able to adapt and reposition themselves in a changing world.

Targeted support of regional areas

- **Focus on North Queensland** – the Queensland Government has made North Queensland a concerted focus, with the appointment of a Minister assisting the Premier on North Queensland and the development of *Advancing North Queensland: Investing in the future of the north*, which identifies five priority areas to develop and diversify North Queensland's economy: roads infrastructure; water security; research and innovation; tourism, trade and investment; and the North Queensland Stadium.
- **Building our Regions** – a $375 million targeted regional infrastructure program providing funding to local governments for critical infrastructure in regional areas. The primary purpose of the Building our Regions program is to provide funding for critical infrastructure in regional areas of the state, while also supporting jobs, fostering economic development and improving the liveability of regional communities. As at 31 December 2016, funding has been approved for 93 successful projects estimated to support almost 1,300 jobs.
- **Jobs and Regional Growth Package** – a $200 million package of measures aimed at facilitating private sector growth in regional areas and giving young people in those regions the best chance of finding and securing a job. Key elements of the Jobs and Regional Growth Package include:
  - $170 million for a Jobs and Regional Growth Fund – including a $130 million boost to the Industry Attraction Fund – assisting private sector projects to create economic development and employment opportunities in regions with high levels of unemployment. The fund will target businesses in sectors such as agriculture, resources, tourism, manufacturing and construction;
  - $20 million over two years for the new Made in Queensland program providing support to Queensland's manufacturing sector through grants supplementing industry contributions to increase international productivity and competitiveness, and to adopt innovative processes and technologies;
  - $500,000 for Local Jobs First to establish roundtables with private sector stakeholders to identify barriers to employing local jobseekers;
  - $300,000 to establish a statewide Youth Tourism Leaders' Network as a forum for young people working in tourism to encourage others to choose the sector as a career path; and
  - $600,000 for a Jobs Retention Program to develop, trial, and evaluate a pilot scheme in Cairns and Townsville for increasing employment retention rates for young people.
- **Works for Queensland Program** – $200 million from the State Infrastructure Fund to support local governments outside of South East Queensland to undertake job-creating maintenance and minor infrastructure projects during 2017 that improve the condition, quality or lifespan of Local Government assets.
- **Back to Work** – a two year $100 million package giving businesses the confidence to employ jobseekers in Queensland's regions and providing an economic boost to regions facing challenging times. The initiative provides support to employers to build confidence to take on employees; support for regions doing it tough; and support for jobseekers to build confidence, upskill and retrain for jobs in a more agile Queensland economy. As at 27 January 2017, the following outcomes have been delivered:
  - 574 employers from across regional Queensland have successfully applied for a Back to Work employer support payment, with funding of $5.4 million already paid to these businesses. 1,227 jobseekers have been employed as a direct result of Back to Work, with 482 of the employees previously long term unemployed (i.e. unemployed for 52 weeks or more).
  - a further 55 employers from across regional Queensland have successfully applied for a Back to Work Youth Boost payment, with funding of $375,000 already paid to these

businesses. 72 young jobseekers have been employed as a direct result of the Back to Work Youth Boost.

- **Rural Assistance and Drought Package** – $77.9 million to help rural producers and communities across the State affected by debt and drought.
- **NWMP Taskforce** – The NWMP is one of the world's richest mineral producing regions and has delivered significant economic benefits to Queensland for decades; however the region now faces a decline in mining-related activities. To appropriately support and facilitate the transition of the region's industries, workforce and community to a more diversified economy over time, the Government commissioned this partnership with the Queensland Resources Council (QRC) and other key economic development stakeholders, to identify strategies to respond to these issues. The Taskforce reported in late 2016 and the Government is considering options to support a long-term transition for the regional economy and community to a changing economic environment.
- **Support for Regional electricity prices** – The Queensland Government supports regional and rural Queenslanders by subsidising them for the additional costs involved in supplying electricity outside SEQ, through payments to Ergon Energy. This subsidy is called the CSO payment. For 2015-16, the total CSO to support regional and rural Queenslanders was $498.4 million.
- **Regional business package –** The Queensland Government recognises the challenges facing all electricity customers, particularly in the agricultural and farming sector including cane growers, where energy use is very dependent on variations in crop and climate. This is why the Government announced in late-2016 a $10 million regional business customer support package. The package is made up of five initiatives designed to assist businesses on transitional and obsolete tariffs to understand their electricity use, minimise electricity costs and make informed choices about future tariff options. The Support Package has been designed in consultation with regional businesses, industry bodies, including Queensland Farmers Federation, Energy Queensland, and Canegrowers. It will complement existing Government funded schemes like the Energy Savers Plus program which provides information and tools to support improvements to on-farm energy usage.
- **Solar 150** – Queensland has attracted solar projects totalling 300 megawatts (MW) of renewable energy capacity recently receiving Australian Renewable Energy Agency (ARENA) funding. The projects will create around 600 direct jobs and hundreds more indirect jobs in regional Queensland, boost investment by $637 million, and produce enough electricity to power 120 000 homes. Through its Solar 150 initiative the Queensland Government is supporting four of the projects, representing nearly 150 MW, through long-term revenue contracts. The projects supported by Solar 150 are:
  - Oakey Solar Farm (Canadian Solar, 25 MW);
  - Longreach Solar Farm (Canadian Solar, 15 MW);
  - Kidston Solar Project (Genex, 50 MW); and
  - Whitsunday Solar Farm (Whitsunday Solar Farm consortium, 58 MW).
- **Accelerated Works Program** – bringing forward of more than $440 million in capital projects in regional areas experiencing subdued economic growth in order to support employment in targeted regions.
- **Advancing Regional Innovation Program (ARIP)** – aims to turn Queensland's regions into hubs for innovation and enterprise. It enables local entrepreneurs, business leaders and key industries to collaborate closely with government to harness innovation and unlock business potential, strengthen existing industries and prepare regional Queenslanders for jobs of the future.
- **Myriad Festival –** regional startups and entrepreneurs will be supported through Advance Queensland funding to attend the Myriad Festival in Brisbane on 29-31 March 2017.

Regions will be supported to showcase local technologies at the Festival to a national and global audience.

- **Worker assistance and transition schemes** – targeted assistance for workers affected by closures of major regional employers (such as in Townsville and Stradbroke Island), including job search support, training and skills support, counselling and financial assistance.
- **Remote Kindergarten Pilot and eKindy** – the delivery of kindergarten programs in rural and remote state schools to make face-to-face kindergarten opportunities available to more Queensland children. The Pilot builds upon the distance kindergarten programs provided through eKindy.
- **Rural Telehealth Service** – access for rural residents to emergency staff and other clinicians at the best hospitals in the State via telehealth services.
- **Patient Travel Subsidy Scheme** – financial assistance to patients who need to access specialist medical services which are not available within their local area. The Scheme provides a subsidy towards the cost of travel and accommodation for patients.

Reforms to strengthen the resources industry

- **Queensland Gas Supply and Demand Action Plan** – The Queensland gas industry is undergoing significant transition with a number of opportunities and risks to the state emerging. The Queensland Gas Supply and Demand Action Plan will complement Australian Government and neighbouring jurisdiction initiatives to increase competitive supply, improve liquidity, transparency, price discovery in trading markets and shore up the industry's social licence to operate.
- **Tenure Reform** – The Queensland Government is currently undertaking a major tenure reform project, to modernise and streamline Queensland's mineral and energy tenure framework. In 2017, the Government will continue extensive consultation with the resources sector and engagement with community and native title groups on the benefits that the new framework can deliver.
- **Financial Assurance Review** – The Queensland Government is currently reviewing the State's financial assurance regime to assess whether there are more effective ways to reduce costs on the resources sector.
- **METS 10-Year Roadmap and Action Plan** – Queensland's METS sector generates over $21 billion in revenue annually, is a major exporter, and supports a substantial number of high-quality, knowledge-based jobs. A 10-Year Roadmap and Action Plan is being developed for the METS sector to identify how Queensland can build on its competitive strengths in the METS sector and create the jobs of the future.
- **Other initiatives to encourage and facilitate investment, innovation and exploration** – a range of other Queensland Government initiatives will help support and facilitate ongoing investment in mining over the longer term including: the appointment of a resources investment commissioner; continuing development of geoscience programs through the Geological Survey of Queensland; and support for a METs Growth Centre at the Queensland University of Technology.

Key points

- The Queensland Government has a broad suite of policies and initiatives which are supporting transitioning regions through: diversifying and strengthening the Queensland economy overall; providing targeted support in response to regional issues; and supporting and strengthening the competitiveness of Queensland's resources industry.
- Key Queensland Government initiatives to support improved economic and employment outcomes in regional Queensland include the: $405 million Advance Queensland program; $375 million Building our Regions program; $200 million Jobs and Regional Growth package; $200 million Works for Queensland initiative; and the $100 million Back to Work regional employment package.

4. What more can be done

As outlined above, the Queensland Government has been strongly focused on assisting regions to navigate the transition from the mining investment boom to broader-based growth. However, more action from all levels of government is required to continue to support economic growth and job creation in regional areas to enable them to successfully manage this transition.

In particular, there are three areas where enhanced support and policy focus at a national level is critical:

1. Facilitating investment in productivity-enhancing regional infrastructure;
2. Developing tailored regional solutions aligned with regional strengths and opportunities; and
3. Ensuring appropriate funding and provision of key human services to support regional communities.

1. Facilitating investment in productivity-enhancing regional infrastructure

The development of new infrastructure will play an important role in assisting regional economies transition from the resources boom and opening up new industries, especially those that harness the competitive strengths of regional Queensland. This includes both physical and digital infrastructure that supports new economic activity across the industries such as agriculture, tourism and renewable energy.

The Queensland Government is committed to delivering and facilitating infrastructure in regional areas to support liveability, employment opportunities, productivity and promotion of access to markets, as outlined in the State Infrastructure Plan (SIP). The 2016-17 Queensland State Budget delivered $10.7 billion for capital works in Queensland, with almost half of this ($4.9 billion) targeted at regional Queensland.

In addition to the State's existing commitment, it is important that more is done to promote investment in productive infrastructure, including road, rail, water, energy and digital infrastructure, that will help support long term economic activity. This includes increased Australian Government funding for infrastructure in Queensland regions. Well-targeted Australian Government funding based on economic return and with due regard for regional impacts is critical in promoting economic growth in regions transitioning from the resources boom.

Supporting long term growth in key regional centres will need increasing investment in appropriate urban infrastructure as these centres face the challenges of urbanisation and develop more diverse local economies. In contrast to growing regional centres, some centres face the implications of contracting population and economic activity and may require help to transition and diversify now or in the future.

Digital infrastructure, particularly high-speed broadband, is also a critical component in transitioning regional economies. Most regional economies are planning to embrace knowledge-intensive industries to replace the slowing activities in mining and other industries. The availability of reliable, inexpensive and high-capacity telecommunications infrastructure is essential to the transition process.

The Queensland Government notes the importance of complementary Australian Government infrastructure funding and is actively involved with the Australian Government to progress projects under programs such as the National Water Infrastructure Development Fund (NWIDF) and the Northern Australia Roads Programme (NARP). Furthermore, concessional loan arrangements such as the Northern Australia Infrastructure Facility (NAIF) and the National Water Infrastructure Loan Facility (NWILF) need to be supporting programs to facilitate infrastructure in regional Queensland.

However, in recent times, there have been instances of Queensland not receiving its fair share of funding through these programs. For example, the 2016-17 Federal Budget notionally allocated $375 million (based on an equal per capita basis) in NARP funding for Queensland. However, of the 26 projects nominated for funding, only 10 projects, totalling $223.8 million in federal funding under the NARP were announced – $151.3 million short of what was promised – leaving vital projects unfunded.

Another example is the Australian Government's decision to only release NWIDF funding to approved projects in arrears, thus requiring the Queensland Government to step in and provide interim funding to allow these projects to proceed. Adequate and timely provision of Commonwealth funding for water infrastructure has potential to unlock significant economic opportunities in regional areas through increased agricultural production and facilitation of greenfield resource projects.

The Queensland Government is also facilitating major projects in regional areas through the State's Coordinator General, as part of its efforts to support and facilitate the sustainable development of crucial, job-creating infrastructure across regional Queensland in a balanced and responsible manner.

The biggest of these major projects remains the Adani Carmichael Mine, Rail and Port Project, which the Queensland Government has declared Critical Infrastructure and a Prescribed Project under the powers of the Coordinator General.

The Queensland Government encourages private proponents including those in the Galilee Basin to consider applications for the NAIF or other Commonwealth funds such as the NWIDF, provided those applications are for genuine third party access infrastructure to facilitate regional development.

Further, federal infrastructure funding through National Partnership Agreements can have substantial conditions attached, leaving Queensland with lesser discretion over how and where to spend the funds. This can mean that important decisions about Queensland infrastructure are far removed from the specific regions where their impact will be felt.

A recent example of the conditions attached to infrastructure funding is the $5 billion Asset Recycling Initiative (ARI), which offered infrastructure funding to States that sold their assets and reinvested the funds in new infrastructure. As the Palaszczuk Government was elected with a mandate to keep essential income-earning and strategic assets in public hands, Queensland did not participate in the ARI and as a result did not get its fair share of this $5 billion of critical infrastructure funding. This funding could have been used to invest in infrastructure projects in regional Queensland that would have supported jobs and eased the economic transition.

A range of opportunities to encourage sustainable economic growth in regional Queensland through productivity-enhancing infrastructure investments have already been identified. For example, Infrastructure Australia's (IA) Infrastructure Priority List (IPL), updated in January 2017, identifies a range of priority initiatives in regional Queensland.

In addition, Building Queensland, Queensland's independent statutory authority advising on infrastructure, released its second Infrastructure Pipeline Report in December 2016, which identified 20 priority infrastructure projects, eight of which are in regional Queensland. These projects will continue to be developed and key regional connectivity and freight access projects will likely require Federal Government support if they are to proceed.

The Queensland SIP was released in March 2016 and focuses on regionally significant infrastructure led by the State government. The SIP outlines Queensland's future infrastructure needs by identifying opportunities across a 15 year horizon, while recognising the variation in needs between South East Queensland and regional Queensland.

A key aim of the SIP is to coordinate and integrate infrastructure across government agencies, align national, state, regional and local infrastructure, economic strategies and land-use plans, and leverage the role the private sector plays in financing, building and operating infrastructure. With these long term infrastructure needs in mind, the Queensland Government recently put forward a list of key infrastructure priorities to IA for the next major update of the IPL.

Regional connectivity and freight access to ports/markets are a key focus for the development of regional economies. Key infrastructure priorities critical to supporting Queensland's regions in this regard include:

- Queensland's National Land Transport Network (NLTN) comprises 4,991km of the total 33,343km state-controlled road network. Delivering sustainable asset maintenance, preservation and operations program on Queensland's NLTN is a key priority for the Queensland Government and will require significant support to redress historically inadequate Federal Government funding for maintenance of the NLTN to basic standards of safety and condition.

- The Flinders and Barkly Highways stretch over 1,100km from Townsville to the border with the Northern Territory, connecting communities and the agricultural and energy sectors across northern and north-western Queensland. While the Federal and Queensland Governments have committed to deliver a number of projects on this corridor under the National Highway Upgrade Programme, Northern Australia Roads Programme and other state-funded program initiatives, more investment is required on this key inland link, which connects mining and agricultural producers to regional services and export facilities in Townsville.
- The Warrego Highway (NLTN component) stretches 760km from Riverview (east of Ipswich) to Morven (180km west of Roma), connecting communities and the agricultural and energy sectors including the Surat Basin. The Australian and Queensland Governments have committed $635 million towards the Warrego Highway Upgrade Program over five years (2013-14 to 2017-18) to improve the efficiency, safety and reliability of the Highway between Toowoomba and Miles, and $1.6 billion towards the Toowoomba Second Range Crossing. Further investment on this route is critical to connecting regional economies across southern and south-western Queensland.

As with all key infrastructure proposals, rigorous assessment processes, including business case development and thorough cost-benefit analysis, are vital to ensure that scarce public funds are put to the best use possible. In order for the timely delivery of productivity-enhancing infrastructure, governments of all levels should seek to facilitate the urgent progression of key projects through these assessment processes in an impartial and transparent manner.

Key points

- The development of new infrastructure will play an important role in assisting regional economies transition from the resources boom and the opening up of new industries, especially those that harness the competitive strengths of regional Queensland.
- In addition to the Queensland Government's commitment to productivity-enhancing infrastructure, it is important that more is done to help support long term economic activity in regional areas, including through increased Australian Government funding.
- In recent times, there have been instances where Queensland has not received its fair share of funding through Australian Government programs, or where funding has been tied to restrictive conditions. This funding could have been used to invest in infrastructure projects in regional Queensland that would have supported jobs and eased the economic transition.
- Regional connectivity and freight access to ports/markets are a key focus for the development of regional economies. Key infrastructure priorities critical to supporting Queensland's regions in this regard include: maintenance of Queensland's NLTN; further investment in the Flinders and Barkly highways; and further investment in the Warrego highway.

2. Developing tailored regional solutions aligned with regional strengths and opportunities

The underlying causes behind a particular region's adjustment challenges can vary significantly from region to region. Therefore, in some cases, a tailored regional solution may be required to alleviate local impediments to investment, employment and growth.

The Queensland Government is supportive of closer collaboration between all levels of government and other stakeholders to develop tailored regional solutions where deemed appropriate. Close collaboration is vital to ensure that implemented initiatives are complementary and maximise regional economic and employment benefits.

A good example of close collaboration between governments relates to the proposed Mount Isa to Tennant Creek rail link (MITCR). The Queensland Government is working with the Northern Territory Government to develop a joint investment framework that considers the priorities of each government to determine the optimal rail investment. In order to progress the MITCR project, the Australian, Queensland and Northern Territory government have entered into a Memorandum of Understanding (signed in July 2016) for the procurement of a work program to analyse the strategic, policy, economic and commercial issues relating to the development of the MITCR in the context of the Townsville to Darwin supply chain and transport corridor.

One particular area where close collaboration and coordination between the Queensland and Australian governments will be critical is in the NMWP, which faces unique challenges due to the nature of the economy, in particular its dependence on the exploration, mining and mineral processing industries, as well as its geographical location. These characteristics mean the NWMP is relatively sensitive to any downturn in resources activity.

Despite the recent closures and the ongoing depletion of current operations in the region, the NWMP still possesses substantial mineral endowments which may offer significant future development opportunity. Therefore, the future outlook for the region is heavily dependent on the identification and development of new commercial resource projects and economic diversification opportunities.

The Government would welcome collaboration with the Australian Government in developing and implementing key policy initiatives and programs to ensure any interventions are well-targeted and leverage off complementary programs to deliver the best possible outcomes for the NWMP.

In recent years there has been growing global interest in models to decentralise infrastructure investment decisions so that they are made by decision-makers closer at hand to the relevant issues. A key example is in 'City Deals', first implemented in the UK and recently introduced in Australia. Here, City Deals give local authorities greater involvement in the coordination of investment in infrastructure across all three governments. They also enable local governments to leverage off other government funding programs which are geared towards better economic and transformative outcomes for their region.

For example, through the Townsville City Deal, the first to be signed in Australia, governments will work with the private sector to promote Townsville's advantages by revitalising the city and Waterfront Priority Development Area, growing the Townsville Port and attracting investment to the State Development Area. The deal will be underpinned by a new approach to investment which will enable stronger partnerships between the public and private sectors to deliver more infrastructure and better outcomes for the community.

The Queensland Government is supportive of continued investigation into innovative models of infrastructure funding and increased collaboration between all levels of government to improve infrastructure outcomes for all regions of Queensland and Australia.

Another important factor behind the ability of regions to transition to a more diversified economy is the extent of trade and investment. Expanding access to markets for business in regional areas can lead to stronger growth rates and higher profits, as well as improved efficiencies created by competition and economies of scale.

While regional Queensland's strengths have historically been in food and agribusiness, tourism and mineral and energy resources, the regional opportunities in the international education and training industry are considerable and will contribute to diversification and growth. Increased facilitation of trade and investment, including by the Australian Government, should therefore be a priority in assisting regions to transition to a more diversified economy.

There is also a role of cultural tourism in transitioning regional economies to reflect Tourism Australia's finding that half (51%) of all International visitors to Australia are cultural and heritage visitors and the need to invest in knowledge and skills building for regionally based cultural tourism enterprises to better understand and connect with Asian tourism markets.

Arts Queensland also notes the potential for regional economic development opportunities through the supply of localised cultural 'immersion' experiences for national and international visitors resulting from sister city and other international relationships, such as the 25 year strategic partnership between Australia and Singapore around military training and the major investment to occur around Townsville and Central Queensland.

The Queensland Government notes and welcomes the Australian Government's recent announcement of the $220 million Regional Jobs and Investment Package (RJIP), which will provide 10 pilot regions across Australia with grants to unlock untapped potential and secure their economic future. Three of these pilot regions are in Queensland: the Bowen Basin, Wide Bay-Burnett and Cairns, with a total of $70 million allocated to these regions.

The selection of these regions as pilot regions under the RJIP is welcome and appropriate. However, there are other regions in Queensland also experiencing adverse conditions that could appropriately be included as pilot regions under the RJIP.

While the Government acknowledges that, by definition, only a selection of regions can be chosen for pilot program implementation, the exclusion of these regions is perhaps reflective of the inherent difficulties in making an objective judgement of when a region's circumstances are sufficiently unfavourable to warrant intervention. The Queensland Government looks forward to the Productivity Commission's views on how such judgements can be made in an accurate, transparent and objective manner as part of its response to the terms of reference for this review.

Key points

- In some cases, a tailored regional solution, driven by close collaboration between governments at all levels, industry and local communities, may be required to alleviate local impediments to investment, employment and growth.
- The development of new infrastructure, innovative models of infrastructure funding and increased collaboration between all levels of government to improve infrastructure outcomes will play an important role in transitioning regional economics from the resources sector and opening up new industries.
- The Queensland Government would welcome the close collaboration of the Australian Government in formulating and implementing complementary policies and programs that facilitate economic resilience through resource sector development; further diversification of the regional economy; and support the community as the economic environment transitions over the medium and longer term.
- The facilitation of trade and investment in Queensland regions is another key area in which further Australian Government support has the potential to support regions to transition to a more diversified economy.

3. **Ensuring appropriate funding and provision of key human services to support regional communities**

The successful transition of regional economies to a more sustainable economic base will require the continued provision and adequate funding of essential human services including health, education and training, and housing and homelessness assistance to local communities. In addition, digital inclusion, measured through access, affordability or digital literacy, is increasingly becoming an integral factor in regional development and community well-being.

Such services are essential for social development, labour productivity and the ability for individuals to actively contribute to regional and local economies; particularly as the economy continues to transition, technology transforms industries and working life becomes more fluid. These trends highlight the need to equip Queenslanders for the jobs if the future as regional economies transition. In Queensland, this task will be guided by advice on skills demand and future workforce planning by Jobs Queensland.

For Queensland, delivery of critical services effectively and efficiency is complicated by the challenges of distance, isolation, coordination, cost and unique community characteristics, including many remote Aboriginal and Torres Strait Islander communities. As a result, there are some inherent challenges relating to regional and remote communities, for example early childhood and educational outcomes tend to be lower for regional and remote communities as compared to urban communities.

The quality provision of human services also needs to be supported by appropriate physical infrastructure that helps to sustain and promote growth and liveability, especially in regional communities. The Strategic Infrastructure Documents committed to in the SIP include the development of a Strategy for Social Infrastructure that will illustrate how innovative ways of approaching social infrastructure, in both existing and greenfield sites, can result in better services for the community.

Current conditions in some transitioning communities are placing greater pressure than normal upon these services, with a growing need for community, domestic and family violence, mental health and homelessness services.

High rates of long term youth unemployment are particularly concerning and making the transition from school to work difficult. As a result, more young people can become bored and disengaged, thereby increasing their risk of becoming involved in crime, substance abuse or developing mental health issues. This imposes significant cost on communities and governments through the need for greater criminal justice system resources and health services.

That is why the Queensland Government believes the delivery and access to the right education and skills training needs to be a key focus. Developing a highly skilled and educated workforce assists with building the resilience of a region and attracting new and expanding industries. Individuals with greater education and skills can pursue a wider range of employment opportunities and adapt to new processes and technologies.

A core element of the Queensland Government's *Working Queensland* jobs plan, including through establishment of Jobs Queensland in providing strategic industry advice to government on skills demand and future workforce planning, is ensuring all Queenslanders have access to quality training programs that deliver effective skills to meet the employment and business demands of regional economies.

Queensland has performed strongly in this regard relative to other jurisdictions in recent years, recording the second highest number of students completing VET qualifications in 2015, and since 2011, the second highest improvement in the proportion of qualification completions achieved at certificate III level or above.

The *Annual VET Investment Plan* details the Queensland Government's investment in vocational education and training (VET) in the financial year, which reflects industry and regional training priorities.

Funding arrangements and investment programs within this plan demonstrate the Queensland Government's commitment to providing Queenslanders, including disadvantaged groups, with subsidised training opportunities to access vocational education and training and complete formal qualifications. Training delivery is encouraged in country and remote areas through the payment of an additional location loading. Under the plan, eligible Queenslanders have access to the skills and support they need to successfully participate in the workforce and their local community through a range of programs.

This will not only improve labour productivity, innovation and living standards, but also allow disadvantaged groups the chance to upskill, participate and contribute fully to the modern economy. Critically, evidence-based approaches to skills training which match the needs of regional industry is needed.

Complementing this, the provision of high quality, well-coordinated human services (including in the areas of health, community services, digital literacy, housing and homelessness assistance, justice and recreation) is vital for retaining a skilled workforce, improving labour productivity and ensuring social cohesion. Such services enable a stable and attractive investment environment, ensure discrimination and exclusion does not inhibit individuals attaining their full productive potential and help address intergenerational poverty.

These services are funded, to some extent, by the Australian Government. The quality and sustainability of these services is determined in part by the adequacy and reliability of Australian Government funding, and the degree of freedom States have to allocate the funding where it will be most useful. Many of these services are currently subject to funding agreements with the Australian Government that come with strict conditions and are time limited, with several due to expire in the next year or two.

For example, the National Partnership Agreement on Skills Reform is due to cease on 30 June 2017, with no certainty regarding future funding arrangements. The lack of funding certainty has a significant impact on the capacity to plan for and deliver critical regional services. As such, clarity on future funding arrangements would be welcome.

Another example is the National Partnership Agreement for Homelessness (NPAH), which has had several iterations since 2009 and funds services which have become critical to addressing homelessness in Queensland regions. The Australian Government recently announced its intention to extend funding through a 12-month Transitional NPAH, commencing in July 2017, while state and territory governments continue to work together on long-term homelessness reforms. Provision of long-term certainty for initiatives funded through this agreement is essential to ensure critical regional services continue to be delivered.

Similarly, National Partnership Agreement funding has played an important role in building critical health infrastructure and providing a range of services, often in regional areas of Queensland. Uncertainty around ongoing Commonwealth funding can adversely affect planning for and ongoing provision of these services. For example, the Commonwealth did not continue the National Partnership Agreement on Supporting National Mental Health Reform, which expired on 30 June 2016. Programs under this National Partnership Agreement supported around 188 people with severe and persistent mental illness and complex needs, many in regional areas.

The proposed new National Partnership Agreement on public dental services, announced by the Commonwealth Government in December, will result in an approximately 30% reduction in Commonwealth funding compared to 2015-16. This potentially means that an estimated 14,500 Queenslanders, including many in regional areas, who would otherwise have received public dental care will no longer do so, risking longer waiting times to access services.

Key points

- The continued provision and adequate funding of essential human services (including in the areas of health, community services, digital literacy, housing and homelessness assistance, justice and recreation) is vital for retaining a skilled workforce, improving labour productivity and ensuring social cohesion – all of which are critical to the successful transitioning of regional economies.
- The quality and sustainability of these services is determined largely by the adequacy and reliability of Australian Government funding, and the degree of freedom jurisdictions have to allocate the funding where it will be most useful.
- One key way in which Queensland's capacity to plan for and deliver critical regional services could be improved is through the provision of certainty around future funding arrangements, including the renewal of a number of National Partnership Agreements due to expire in 2017 and 2018.

Attachment 1: Detailed response to terms of reference

Detailed information and discussion of issues related to each of the specific terms of reference of the Inquiry are outlined below.

> **Terms of reference 1**
>
> Identify regions which are likely, from an examination of economic and social data, to make a less successful transition from the resources boom than other parts of the country at a time when our economy is reconciling the impacts of globalization, technological and environmental change.

> **Terms of reference 2**
>
> For each such region, identify the primary factors contributing to this performance. Identify distributional impacts as part of this analysis.

In order to assess the progress of regions in transitioning from the resources boom, and identify the factors which are contributing to this performance, it is first necessary to understand the progression of the resources boom in Queensland. This understanding is key due to the non-uniform impacts of the resources boom across various commodities, and the consequences of this for regions.

Development of the resources boom in Queensland

Following a sustained period of relative stability in the two decades to the early 2000s, global commodity prices surged in 2005. The weighted average price of major mineral and energy products exported from Australia rose 75% above its long term historic level in 2005, and hard coking coal contract prices more than doubled to US$125/tonne.

In response to these higher prices, investment in new coal mines and transport infrastructure (ports and rail) surged in the following few years, driving a near-tripling in nominal mining capital expenditure between 2004-05 and 2008-09. Rising overseas demand also saw a significant increase in base metal prices between 2004 and 2007.

The global financial crisis (GFC) resulted in a sharp fall in mineral and energy prices in 2009. However, attracted in part by this decline in prices, China stepped up its global resource procurement program which brought mineral and energy prices back to their pre-crisis levels by 2010. Expectations of continued growth in demand for minerals and energy from China drove a further global supply response.

In Queensland, this growth in investment was concentrated in coal, rather than in the base metals. For example, over the decade to 2013-14 (when investment peaked), employment in coal mining in Queensland rose 171% (or 17,300 persons) while the real value of coal exports rose 57%. However, significant benefits were also realised in metals mining and processing over the same period, where employment rose by 28% (7,600 persons), and real export values rose 25.7%.

Queensland's mining production was severely impacted by heavy rain and cyclone Yasi in 2010-11. Since then industry output has rebounded, growing at an average annual rate of 7.8% in the five years to 2015-16.

Global prices for Queensland's coal exports fell substantially between the 2012 to 2015 period, prompting many firms in the industry to cut production levels and associated employment, as well as exploration and development expenditure in an attempt to maintain profitability.

The mining boom in Queensland was also characterised by increased investment in new and existing projects, most notably three large coal seam gas to liquefied natural gas (CSG-to-LNG) projects with a combined value of more than $60 billion. This investment led to engineering construction related expenditure rising to unprecedented levels, peaking in 2013-14 at $36.6 billion. With the third and final

LNG project completed in late 2016, engineering construction expenditure appears to have returned to a more sustainable level, after declining around 70% from the 2013-14 peak.

Despite other sectors of the domestic economy continuing to grow, this decline in LNG-related investment resulted in a decline in state final demand throughout much of 2014 and 2015. When combined with sustained weakness in commodity prices, it also contributed to a decline in mining-related employment in the State.

More recently, these trends have started to unwind, with investment stabilising and commodity prices, particularly coal prices, showing signs of recovering. As the impact of the LNG investment wind-down passes and non-resources investment recovers in line with improving household sector activity, business investment is expected to return to a more sustainable growth path from 2017-18 onwards. Boosted by the ramp-up in LNG exports, Queensland's economic growth is forecast to strengthen to 4% in 2016-17.

However, with LNG exports less labour intensive than construction, employment and labour income growth will be softer than this strong headline economic growth may suggest. In particular, despite the overall strength of Queensland's economic performance, there are some key regions of the State where the recent and ongoing transition from mining-related activity and investment to a more diversified economy is having significant impacts.

Recent developments in Queensland major commodity industries

As outlined above, the impacts of the mining boom differed significantly in timing, scope and magnitude across commodities. Given Queensland's natural resources are broadly geographically distinct, and thus regional reliance on resource activity tends to be concentrated in a single commodity, the section below provides additional context for the development of Queensland's major resource commodity industries during the resources boom and in more recent times.

Coal

Prices for Queensland coal peaked in late 2008, with significant flooding during the year causing prices to surge. After falling back towards pre-flood levels during the GFC, coal export prices trended upwards over the next couple of years due to increasing procurement from China. The upwards trend in prices was exacerbated by significant weather events in both 2010 and 2011.

Global prices for Queensland's coal exports fell substantially between the 2012 to 2015 period, although the impact on domestic prices was partially offset by the depreciation of the AUD. Lower prices and weaker demand for resources prompted many firms in the industry to cut production levels and associated employment, as well as exploration and development expenditure in an attempt to maintain profitability.

However, more recently, some of these trends have started to turn around, with substantial rises in coal prices in late 2016. A fundamental shift in China's coal procurement strategy (in an attempt to rationalise their coal industry), flooding in major coal producing regions in China along with disruptions in some coal supply chains in Australia saw metallurgical coal prices surge, peaking at more than $US300/t. In late 2016, several coal mining firms announced their intention to restart production (e.g. Cockatoo Coal and Glencore) and some that were placed into care and maintenance in 2014, resumed production in 2016 (e.g. Isaac Plains).

These supply driven price rises will likely support further growth in export values and ease the pressure on current operators over the short term. However, they are unlikely to induce substantial new investment as they are expected to be temporary. In particular, recent announcements by the Chinese government to allow higher domestic coal production and implement a new pricing arrangement have resulted in a correction in thermal coal prices, with hard coking coal spot prices falling to below US$200 in early January 2017.

In the longer-term, the coal industry, particularly thermal coal, faces challenges related to changing energy generation technologies and global decarbonisation efforts.

CSG-to-LNG

Commencing in 2010, the resources boom saw the construction of three large LNG projects on Curtis Island, near Gladstone: Queensland Curtis LNG; Australia Pacific LNG; and Gladstone LNG. The three LNG processing plants represent a significant addition to Australian LNG production, with a combined nameplate capacity of 25.3 million tonnes per annum. By comparison, total Australian production of LNG (from plants in Western Australia and the Northern Territory) was around 24 million tonnes in 2013-14

The third and final LNG project was completed in late 2016. All three LNG plants are reported to be performing well and exceeding the industry's typical standards for early operation. Queensland LNG exports increased substantially in 2015-16 as four additional production trains came online across the three projects.

The nominal value of LNG exports is estimated at $5.1 billion in 2015-16, up from $849 million in 2014-15. Production will continue to ramp up in 2016-17 and 2017-18, driving an increase in overseas exports before largely plateauing in later years.

Metals mining and processing

Reflecting rising demand from emerging Asia, Queensland's real value of base metal exports rose by an average annual 2.8% over the decade to 2014-15, a period which incorporates substantial production cuts during the GFC.

The nominal value of Queensland's base metal exports rose solidly in the years following the GFC, reaching almost $9 billion in 2014-15. Growth was supported by the ramp up of production at new mines, including commencement at Glencore's Lady Loretta and Mount Margaret mines and expansion of the George Fisher mine and a rebound in key metal prices.

However, base metal production in Queensland fell in 2015-16 and is expected to fall further over the short term, reflecting production cuts, closures of depleted mines such as the Century and Black Star zinc mines. In addition, metals manufacturing declined significantly following the cessation of operations at the Yabulu nickel refinery (which processed imported nickel).

Looking ahead, deterioration in ore grades should see copper production gradually decline later in the forecast period. Zinc production is expected to recover somewhat with several new mines commencing production and others partially reinstating production amid higher prices.

Limited investment in new base metals capacity is expected outside the scheduled commissioning of Rio Tinto's Amrun bauxite mine in 2019, which is expected to more than offset the decline in production from the nearby depleting Weipa mine, while a number of other smaller direct shipping bauxite projects are increasingly likely to commence production in coming years.

Key points

- Recent improvements in coal prices, despite encouraging the restarting of several inactive mines, are likely to be transitory and are not expected to induce substantial new investment.
- The LNG construction phase is largely complete, with the production phase to continue to ramp up in 2016-17 and 2017-18 before plateauing in later years.
- Base metal production fell in 2015-16, and is expected to fall further in the coming years on the back of declining ore grades.

Economic and employment growth in Queensland continues to be strongly influenced by the transition from the recent historic surge in resources investment towards growth driven by the household and trade sectors, with some regions adjusting more effectively than others.

As highlighted in this detailed response to the terms of reference, a robust approach to identifying regions experiencing difficulties in transitioning requires consideration of a broad range of contextual indicators not all of which will be applicable to every region analysed. This is in line with the approach taken by the Queensland Government during its own policy development processes, and for the purposes of this submission.

In certain circumstances, partial indicators such as the employment-to-population ratio over time are given particular attention, given it captures a range of labour market and population metrics. Overall, this approach provides a holistic and longer term picture of changes in labour market conditions and the challenges faced, as well as the extent to which labour markets in regions are effectively transitioning.

Regions facing significant challenges in transitioning

The Queensland Government considers the Statistical Areas (SA4) of Queensland Outback (which includes the NWMP), Townsville, and Cairns are the primary regions facing challenges in transitioning to broader based drivers of growth in the face of changes related directly and indirectly to the resources sector.

In addition, the key resource regions of Mackay and Fitzroy, despite having shown some positive signs of adjustment, may face a period of transition due to the integral nature of the resources sector to these regions.

However, other regions of the State, including Wide Bay, continue to face ongoing issues, including long-term demographic and social trends, and the impacts of globalisation and technological change.

To ensure that all Queenslanders have access to economic opportunity and prosperity, regardless of location, it is critically important that issues across all regions are also considered closely in the policy development process.

Queensland Outback

Queensland Outback can be broadly disaggregated into four sub-regions: North West; South West; Central West; and Far North (excluding the Cairns) region.

The region is substantially more concentrated in mining (54.5% of output) and agriculture (11.1%) than the rest of Queensland (9.0% and 2.3% respectively). The region is currently impacted by a number of adverse external developments, particularly in resources and agriculture, two of the region's largest employing industries.

Notwithstanding the official end of the El Niño weather pattern and rainfall increases in a number of regions across Queensland in the second half of 2016, the majority of the Outback region remains drought declared. The severe drought conditions have impacted the livelihood of agricultural producers in the region (primarily cattle graziers), with flow on effects to small businesses and the broader community.

While increased rainfall would improve prospects for agricultural investment, income and employment in the region in the medium term, beef production in Queensland Outback is expected to decline in the short term. Around a third of the State's cattle herd is located in the Outback, with Darwin and Townsville being the two main ports for live cattle exports from the region.

North West Outback, which includes the regional centres of Mount Isa and Cloncurry, and the broader NWMP (partly), has significant base metals resources such as copper, zinc, silver and lead. Mining areas outside of the Mount Isa township rely heavily on FIFO workers, particularly from Townsville and Cairns.

The region has been adversely impacted by a fall in metals prices in recent years, with announced cuts to production and workforces, as well as the closure of depleted mines such as the Century zinc and the Black Star Open Cut mines. Partly as a result, the region has been experiencing difficult labour market conditions in recent years. Meanwhile, population in a number of regional centres has been declining over an extended period of time.

Depletion of mineral deposits and declining ore grades are expected to result in further closures beyond 2020. Combined with the recent closure of significant mining operations and few new projects in the pipeline, economic and employment conditions over the coming years are expected to be challenging. In addition, regions including Townsville and Cairns may be impacted through supply chain linkages and the impact on FIFO employment.

The Cooper Basin in South West Outback has significant conventional gas resources. This Basin has the potential to further develop its gas reserves which could provide substantial benefits to the local regions. However, the development of these resources would require substantial new infrastructure, including new gas pipeline capacity.

With ore at their Weipa mine, to the Far-North of Queensland Outback, running down, Rio Tinto is developing the Amrun (South of Embley) bauxite mine which targets first production in 2019. This project is expected to more than offset the decline in production from the depleting Weipa mine and help support activity and employment in this area of the region.

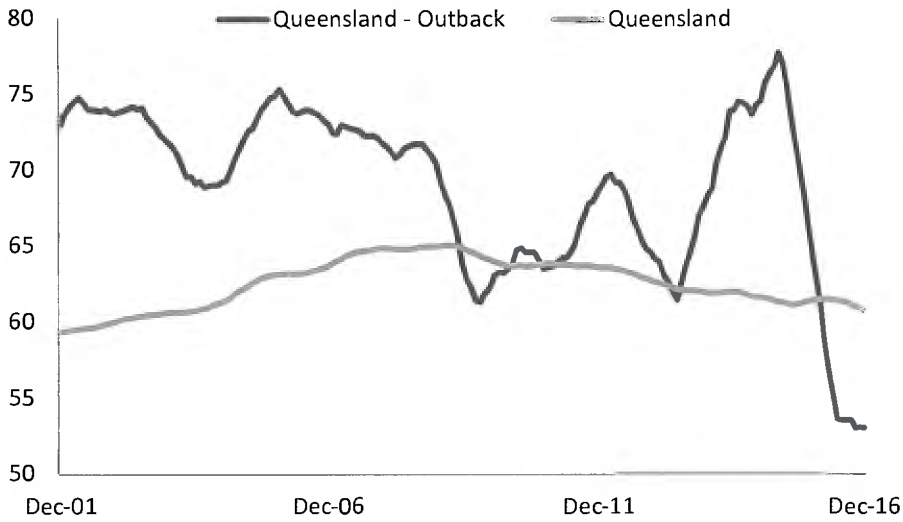
Reflecting the downturn in mining activity, labour market conditions in Queensland Outback remain soft. The unemployment rate in Outback Queensland rose to 11.5% in 2016, higher than the state average.

Despite the recent closures and the ongoing depletion of current operations, the NWMP still possesses substantial mineral endowments which may offer significant future development opportunity. Therefore, the outlook for the region is heavily dependent on the identification and development of new commercial resource projects.

The Queensland Government is currently looking at ways it can support businesses and the local community in the face of these challenges, while facilitating ongoing resources-related investment and activity, economic diversification, facilitating productivity-enhancing infrastructure and improving employment opportunities in the region.

The employment-to-population ratio for Queensland Outback over the past 15 years is shown in Figure 2 below. While noting the volatility of the measure in Queensland Outback over time, the recent drop likely indicates the material influence of the emerging issues in the region on labour market outcomes. Further, the drop in the employment-to-population ratio has occurred despite declining population in some areas.

Figure 2 Employment-to-population ratio – Queensland Outback



Townsville

The Townsville region (which includes Charters Towers, Ayr and Ingham) has a relatively diverse economy, with relatively large public administration & safety (10.6% of region output) and health care (8.8%) industries, reflecting its status as a service centre for the surrounding regions. In the services sector, James Cook University's Townsville campus plays an important role in higher education outside of South East Queensland. A further key employer is the public sector, with Townsville home to Lavarack Barracks, Australia's largest army base.

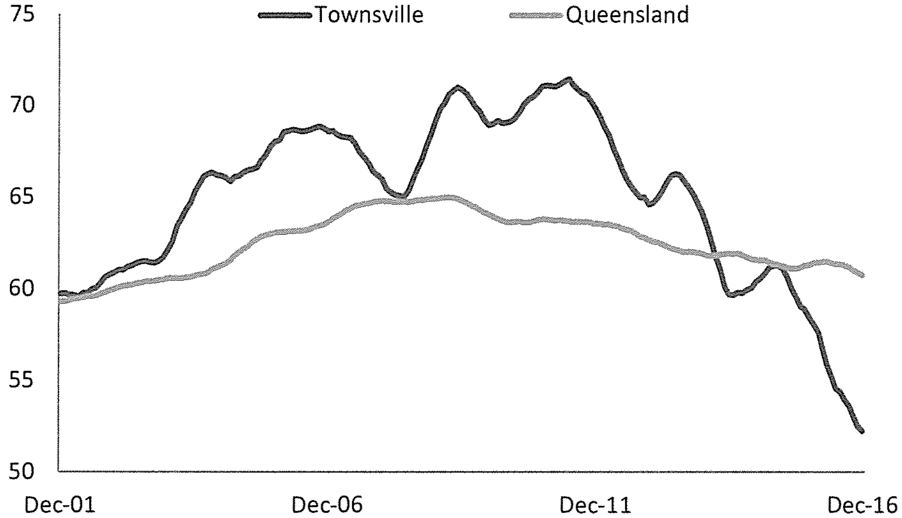
Sugar mills located in Townsville account for almost half of Queensland's total milling capacity. Queensland's sugar industry is expected to benefit from the recent rally in international sugar prices. Townsville has also become a key live cattle export port since 2013-14. The quantity of Queensland's live cattle exports has increased sharply in recent years, as demand from Asia increased and drought conditions encouraged producers to destock. This has enabled the development of the Townsville Port as an alternative to Darwin for live cattle exports from Outback Queensland.

However, while the Townsville economy is relatively diverse, labour market conditions have softened as the resource sector has weakened. This reflects the fact that, while mining directly accounted for just 2.8% of regional output in 2010-11, Townsville is a key base for FIFO workers employed at mines in the NWMP, is the location for significant metals manufacturing and is the location of the export port for most of the mineral output from the NWMP.

The closure of the Yabulu nickel refinery has adversely affected Townsville labour market conditions, as has the closure of depleted mines which largely relied on FIFO workers sourced from the region. Potential mine closures in the NWMP by early next decade are likely to present further challenges to the local economy through the impact on FIFO workers and supply chain linkages.

The employment-to-population ratio for Townsville over the past 15 years is shown in Figure 3 below. As can be seen, Townsville's employment-to-population ratio was generally higher than the State average over the period, indicating relatively robust employment conditions, However, in more recent years it has fallen, reflecting the combined effects of falling employment, declining participation and rising unemployment in the region.

Figure 3 Employment-to-population ratio – Townsville



Cairns

The Cairns region (which incorporates Innisfail, Cassowary Coast, Port Douglas, Daintree and Tablelands) is less concentrated in mining (1.4% of output) than the rest of Queensland (11.1%). The Cairns region has relatively large agriculture (5.7% of region output), accommodation and food services (5.1%) and health care (9.4%) industries compared to the rest of the State.

The AUD's retreat from the highs reached during the resources boom has assisted tourism in Tropical North Queensland (which includes Cairns), the state's third largest tourist destination (behind Brisbane and Gold Coast). Overall, Queensland's tourism industry is recovering well and the sustained lower AUD is expected to encourage more Australians to travel domestically and attract more tourism from overseas.

One significant development in the pipeline for Cairns tourism is the planned Aquis resort at Yorkey's Knob. Revised plans are being prepared for a $2 billion luxury hotel, apartment and villa complex, after original plans included a casino option and significantly more investment.

In addition, Cairns has a substantial agricultural industry, most notably bananas and sugar. Cairns is Australia's largest banana producer, accounting for 97% of Queensland production and over 90% of the national total in 2014-15 (latest available). Within Cairns, Tully is the single largest banana growing region followed by Johnstone, while other producing regions include Mareeba and Babinda. Cairns is also a significant sugarcane producing region and producers are expected to benefit from the recent rally in international sugar prices.

However, while Cairns has limited direct mining activity, it is another important base for FIFO workers employed at mines surrounding Mount Isa. As with Townsville, potential mine closures in the NWMP by early next decade are likely to present some challenges to the Cairns economy through the impact on FIFO workers.

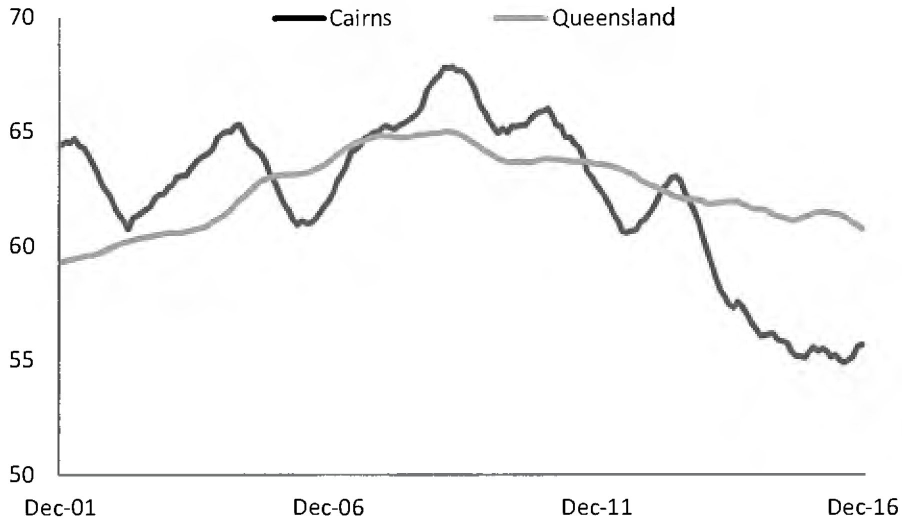
However, while labour market conditions in Cairns remained soft over the past year, some improvement in regional tourist numbers may help support economic activity and provide further employment opportunities.

Youth unemployment remains an area of concern for Cairns, with the youth (15-24 years) unemployment rate in Cairns (26.3%) being than the State average (13.6%) in 2016.

The increase in youth unemployment rate in Cairns has been associated with a decline in employment in accommodation & food services since late 2011, and more recently a fall in retail employment. Accommodation and food services and retail are the largest employing industries of youth workers, especially persons aged 15-19.

The employment-to-population ratio for Cairns over the past 15 years is shown in Figure 4 below. While the ratio has fluctuated throughout the years, in general it has declined steadily since the late-2000s. This long-term decline may reflect the impact of the high AUD in the years following the GFC, and its impact on tourism and agriculture. The ratio appears to have stabilised at this lower level in recent times, highlighting the transitional issues Cairns appears to be currently experiencing.

Figure 4 Employment-to-population ratio – Cairns



Regions showing signs of a positive transition

Mackay

The Mackay[3] region's economy (which also incorporates the Bowen Basin and Whitsundays) is heavily dependent on mining (54.0% of regional output in 2010-11[4]), particularly coal mining. The region has some of Queensland's largest coal mines and is also home to three major coal ports, accounting for around two-thirds of Queensland's coal exports in 2015-16.

Notwithstanding the recent spike, a sustained weakness in coal prices in recent years prompted major mining companies to announce production cuts and associated workforce reductions in 2015-16. Some of those formerly employed in the resources sector will need to retrain or relocate to find work and this transition will take some time to eventuate. The recent price spike is also unlikely to induce substantial new investment in Mackay (and other regions across Queensland) as coal prices have already fallen substantially from their peak.

The tourism industry is a potential bright spot for the Mackay region, with the Whitsundays being a major tourist attraction. The lower AUD is expected to encourage more Australians to travel domestically and attract more tourism from overseas. International tourist nights spent in Mackay/Whitsundays fell 5.8% in 2015-16, although there have been signs of improvement in recent quarters. Meanwhile, domestic tourist nights spent in the region were up 3.3% from the previous year.

Further, Mackay is a substantial agricultural region in Queensland, with $1.1 billion worth of production in 2014-15 (latest available), concentrated in beef and sugar. Behind Townsville, Mackay is Queensland's second largest sugar cane growing region. Sugar producers are expected to benefit

[3] ASGS (2011) labelling. Under ASGS (2016), Mackay SA4 is labelled Mackay – Isaac – Whitsunday

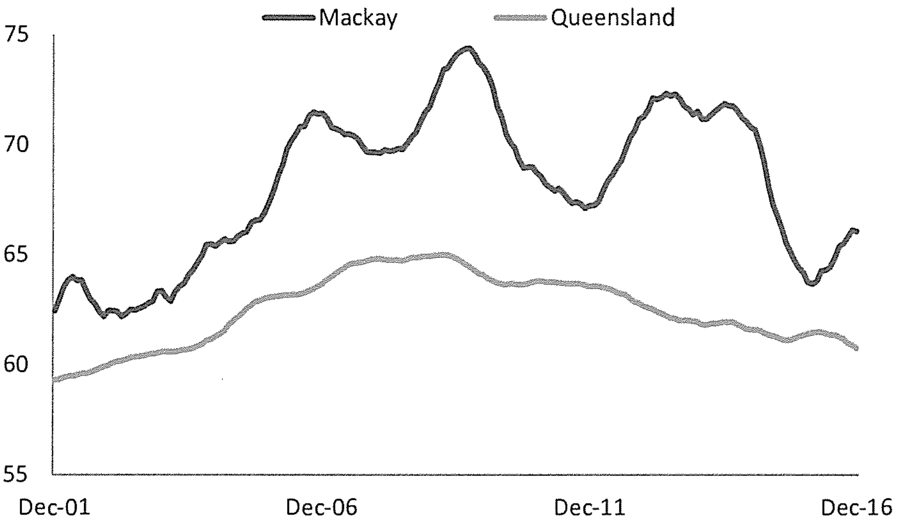
[4] Note: Measured by Gross Value Added. Regional estimates based on Queensland Government data.

from the recent rally in international sugar prices. Global sugar prices over the past year and the depreciation in the AUD in recent years has also helped the AUD returns. On the other hand, an improvement in weather conditions in the second half of 2016 means current cattle herd rebuilding across Queensland (including Mackay) may pick up, further reducing beef production and exports in 2016-17, and possibly 2017-18, but providing benefits in the years beyond.

Overall, Mackay's economy is showing positive signs of adjustment from the resources boom. Employment in 2016 was 4.4% higher than the previous year. While Mackay's unemployment rate remains higher than at the peak of the resources investment boom it has trended lower over the past year to be below the State average.

The employment-to-population ratio for Mackay over the past 15 years is shown in Figure 5 below. As can be seen, Mackay's employment-to-population ratio has remained above the State average over the period. Although it declined between 2012 and 2015 (particularly in 2015) on the back of falling coal prices, Mackay's employment-to-population ratio rebounded in 2016, reflecting both more favourable coal prices and improving conditions in other industries.

Figure 5 Employment-to-population ratio – Mackay



Fitzroy

Fitzroy[5] (including the key population centres of Rockhampton, Gladstone and Emerald) in recent times has been dominated by mining, construction and to a lesser extent manufacturing, which largely services the resources sector. In 2010-11, mining accounted for 33.3% of the region's output, while construction and manufacturing accounted for 19.4% and 7.2%, respectively.

The Fitzroy region encompasses significant coal deposits, particularly around Emerald. Further, the development of Queensland's CSG-to-LNG industry has resulted in strong growth in construction activity in Fitzroy. These projects required a substantial inflow of non-resident workers, some of which were housed in dedicated worker accommodation on Curtis Island. Gladstone's non-resident population has declined significantly following a protracted period of growth between June 2011 and June 2014, and this decline is expected to continue into 2017.

Reflecting the region's substantial mining and metal manufacturing industries, Port of Gladstone accounted for all Queensland's alumina (5.54 million tonnes) and aluminium (0.42 million tonnes) exports, 32% of Queensland coal exports (72.17 million tonnes) and all 12.15 million tonnes of LNG in

[5] ASGS (2011) labelling. Under ASGS (2016), Fitzroy SA4 is labelled Central Queensland

2015-16. Further, two large coal terminals (RG Tanna and Wiggins Island) and three LNG export terminals are located at Gladstone.

Similar to Mackay, while the recent improvement in coal prices should support production at existing mines, investment in new coal mines remains unlikely for the time being.

Apart from coal, Rio Tinto's alumina refinery and aluminium smelting facilities are all located at Gladstone. They are powered by NRG Energy's Gladstone Power Station, the largest coal-fired power station in Queensland. Fitzroy also has substantial beef processing capacity, with major plants located in Rockhampton and Biloela. As such, developments in Queensland's beef industry also impact local economic conditions and employment opportunities.

Labour market conditions in Fitzroy continue to be influenced by developments in the resources sector and are expected to remain soft in the near term, particularly as the production and export phase of the LNG projects is much less labour intensive than the construction phase.

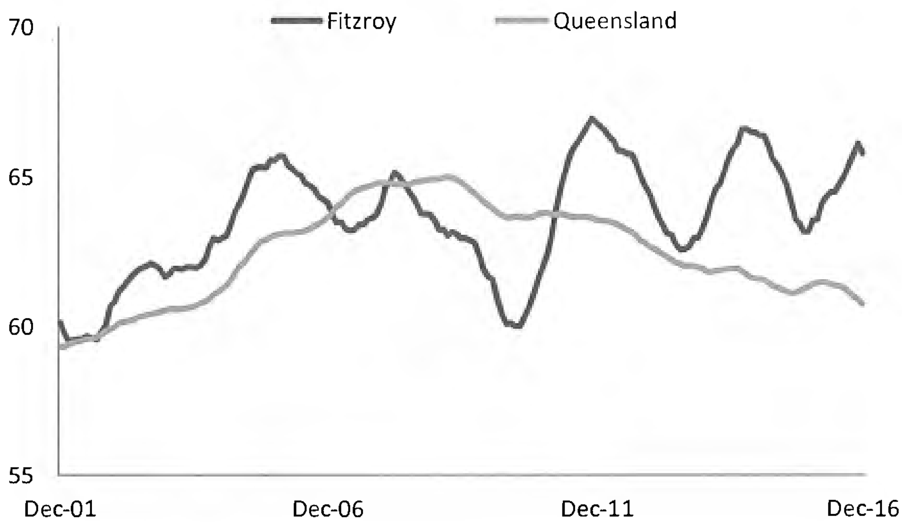
Similar to other mining regions, some of those formerly employed in mining or engineering construction will need to retrain or relocate to find work and this transition will take time to materialise. However, these workers are relatively mobile, many having moved to the region, or into the industry, to take advantage of previously strong conditions.

Despite these risks and potential challenges, employment in the Fitzroy region rose 5.3% in 2016, compared with growth of 0.5% in employment across Queensland.

Meanwhile, the unemployment rate in 2016 was 6.0% in Fitzroy, a decrease of 1.4 percentage points from 2015. However, despite short term fluctuations, the region's unemployment rate has generally trended higher over the past few years, broadly in line with the State average.

The employment-to-population ratio for Fitzroy over the past 15 years is shown in Figure 6 below. Since around 2010, when construction on several large LNG projects in the region began, Fitzroy's employment-to-population ratio has been above the State average. Despite the gradual completion these projects in 2016, the ratio remains elevated, indicating the labour market has been relatively flexible in adjusting to the fall in investment.

Figure 6 Employment-to-population ratio – Fitzroy



Other regions

Wide Bay

The Wide Bay region (which incorporates Bundaberg, Hervey Bay, Maryborough and Gympie) is less concentrated in mining (2.7% of output) than the rest of Queensland (11.0%). The region has relatively large agriculture (8.9% of region output) and ownership of dwellings (11.5%) industries compared to the rest of the State. The region's large health industry (10.5%), likely reflects the Wide Bay's older demographics, which generally requires more health care services.

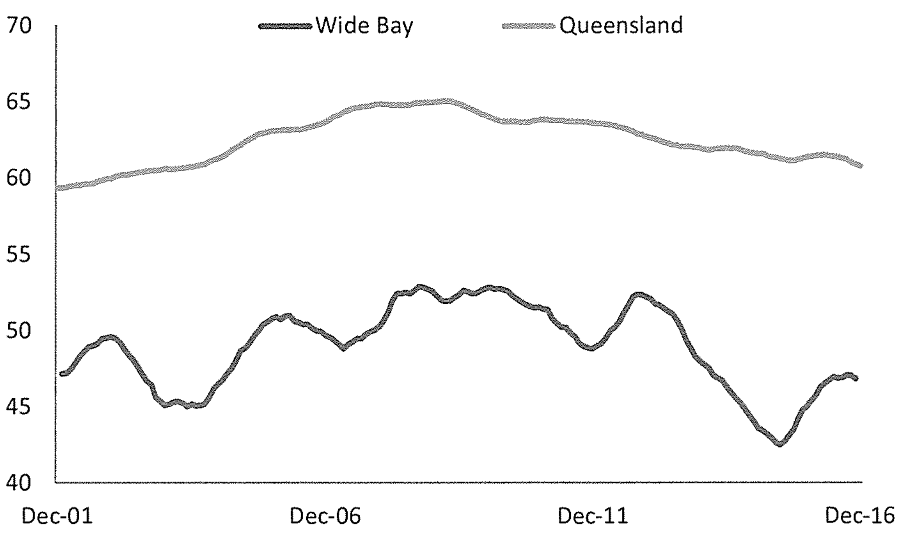
Wide Bay has the largest proportion of its population which are aged 65 years and over (22.6%) compared with the rest of Queensland (13.8%). This age profile is most evident in Hervey Bay (25.6%). Partly reflecting the older population, Wide Bay has the lowest participation rate across the State and the ongoing aging of the population will continue to present challenges to the region.

Wide Bay has consistently had an unemployment rate higher than the Queensland average. Wide Bay's unemployment rate of 9.7% in 2016 was higher than for Queensland as a whole (6.1%). However, conditions have improved somewhat over the past year, with the unemployment rate falling from a peak of 11.4% in mid-2015.

Positively, sugar-growing conditions in Wide Bay have improved, following dry conditions in 2014 and a flood-affected 2013 season. Wide Bay also produced $160 million of gold, with its Mount Rawdon gold mine expected to operate until the mid-2020s (having commenced in 2001).

The employment-to-population ratio for Wide Bay over the past 15 years is shown in Figure 7 below. Reflecting Wide Bay's demographic profile and economic structure, the region's employment-to-population ratio has been significantly below the State average over the period. This highlights the need for ongoing policy attention to ensure the residents of Wide Bay can continue to share in the State's economic opportunities and prosperity.

Figure 7 Employment-to-population ratio – Wide Bay



Darling Downs – Maranoa

The Darling Downs – Maranoa region (which includes Dalby, Warwick, Roma and Saint George) is less concentrated in mining (8.5% of output) than the rest of Queensland (10.8%). Agriculture is the predominate industry (23.1%) with the construction and manufacturing industries also forming a significant share of the region's output in 2010-11 (latest available regional estimates).

The non-resident population in this region is driven largely by transient workers (FIFO/DIDO) servicing the resources sector, particularly in the Surat Basin. The size of the Surat Basin's non-resident population is closely aligned with the FIFO/DIDO construction workforces of three large CSG projects in the region.

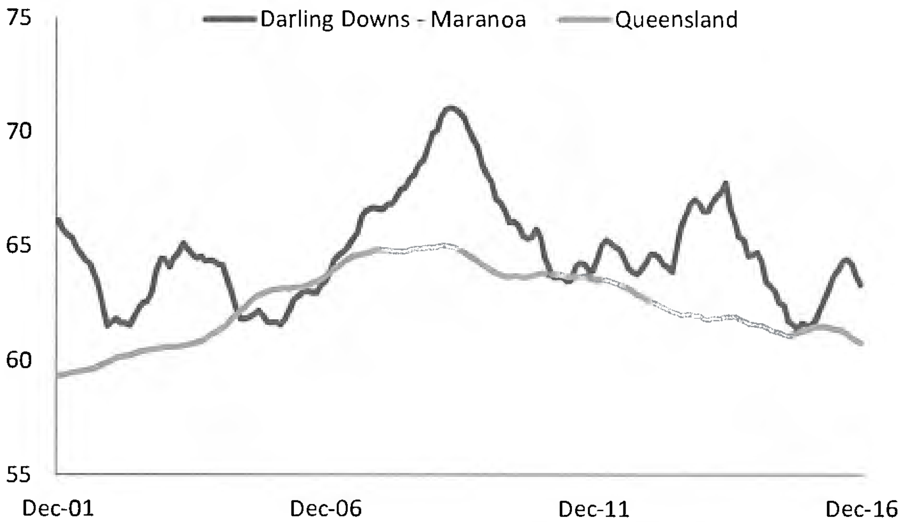
With the construction of these projects completing in 2016, numbers of non–resident workers on-shift continued to fall, and the focus of activity moved towards expansion of gas field capacity and consolidating upstream production to ensure continuity of gas supply.

There was a rapid expansion of motels and other private accommodation in the Surat Basin to service FIFO workers attracted to the region during the resources boom. With the move to operational phase, the need for private accommodation has reduced and has put pressure on the established accommodation facilities located in the various towns.

Despite these developments in the Surat Basin, labour market conditions in the broader Darling Downs – Maranoa region appear to be performing better than other regions, with the unemployment rate, at 3.5% in 2016, remaining well below the State average for an extended period. Employment in the region grew by 3.7% in 2016, while the region's participation rate has edged higher to 65.6%, up from 64.0% in 2015.

The employment-to-population ratio for Darling Downs – Maranoa over the past 15 years is shown in Figure 8 below. While displaying some variability, partially due to fluctuations in non-resident workforces in the region, the ratio has broadly remained above the State average over the period. Reflecting the positive developments in employment conditions noted above, the ratio improved significantly in early 2016, although it decreased slightly in the second half of the year.

Figure 8 Employment-to-population ratio – Darling Downs – Maranoa



Key points

- Economic conditions in Queensland continue to be strongly influenced by the transition from the resources boom, with some regions adjusting more effectively than others.
- The Queensland Government considers Queensland Outback, Townsville, and Cairns are facing challenges in transitioning to broader based drivers of growth in the face of cyclical and structural changes related directly and indirectly to the resources sector.
- Mackay and Fitzroy, while having shown some positive signs of adjustment, are heavily dependent on resources-related activity and may also face a period of transition.
- To ensure that all Queenslanders have access to economic opportunity and prosperity, regardless of location, it is critically important that issues across all regions are considered closely in the policy development process.

Terms of reference 3

Establish an economic metric, combining a series of indicators to assess the degree of economic dislocation/engagement, transitional friction and local economic sustainability for regions across Australia and rank those regions to identify those most at risk of failing to adjust.

In general, the Queensland Government is supportive of evidence-based policy development. However, there are many conceptual and practical challenges in establishing a metric to achieve the purpose outlined in item 3.

At a conceptual level, long term concepts such as economic sustainability are not necessarily consistent with the shorter term concepts of dislocation and transitional friction. Similarly, a metric that adequately assesses the degree of current dislocation and transition may not necessarily provide a robust assessment of a region's capacity to adjust. More specifically, the current rate of adjustment within a region may be a poor proxy for the region's future capacity to adjust.

In addition, the practical challenges involved in selecting appropriate indicators for monitoring economic dislocation across heterogeneous regions suggest that establishing both a single metric and a single rank order from partial indicators, such as the level of mining investment, will not be appropriate for identifying regions' capacity to respond to changes in economic conditions.

The practical challenges involved in determining appropriate indicators to combine in an economic metric include:

- Choosing a geographical scale that is applicable for analysing both current transition and capacity to adjust, and for which data are available and robust given the diversity in population and firm concentration across Australia;
- Separating economic dislocation and transitional friction from long term trends requires indicators that have an adequate time series and sufficient frequency to distinguish the two issues; and
- Identifying an appropriate methodology for weighting individual indicators.

These conceptual and practical challenges in establishing a single economic metric for ranking regions suggest that establishing both a single metric and a single rank order are unlikely to provide a robust evidence base for decision making.

Furthermore, there is a high degree of relative standard error in regional data such as the labour force statistics, which presents a challenge in analysing regional economic performance.

Consideration could also be given to alternative measures (i.e. the rate of homelessness) against the national average, which may be of assistance in determining the relative economic (and therefore social) welfare of a regional centre. Consideration of other indicators around rental vacancy rates and housing costs (both rental and ownership) may also assist in assessing the degree of economic dislocation/engagement, local economic sustainability for regions.

Therefore, a more robust approach would be to draw on a broad range of contextual indicators not all of which will be applicable to every region analysed. While this approach doesn't support the objective of ranking regions, it would facilitate a more comprehensive analysis of the unique and significant challenges that are facing particular population centres in Queensland.

In particular, the unemployment rate or employment growth at any point in time both have significant limitations as single metrics in measuring the extent to which any particular region is facing challenges in transitioning and the extent to which policies facilitating this transition are likely to be effective in those areas.

While the unemployment rate and employment growth are important headline labour market measures, in isolation they can provide a misleading picture of labour market conditions depending on trends in participation and population growth. Instead, it is best to analyse these data in conjunction with other labour force indicators, such as changes in the proportion of the working age population currently in employment, which accounts for changes in population, employment and participation.

As such, while a broad range of contextual indicators should be considered to provide a comprehensive analysis of the unique and significant challenges that are facing particular population centres in Queensland, analysis of recent movements in the employment-to-population ratio provides a useful initial indicator of overall labour market conditions in regions.

In particular, this measure highlights the extent to which labour market conditions in some regions are of immediate concern and some are adapting to change more quickly.

Analysis of the employment-to-population ratio suggests Cairns and Townsville present the most immediate challenges. It is noted these regions have relatively high unemployment rates and a relatively high number of unemployed in the population. Compounding this,these regions also have had substantial declines in labour force participation.

Meanwhile, this measure also indicates the emerging labour market issues in Queensland Outback, a region that faces challenges in coming years with the ongoing depletion of viable metal ores in Mount Isa and its surrounding area.

This analysis also highlights that, given the variance on a range of factors, localised approaches will be required to best address labour market challenges across the State.

The Queensland Government looks forward to considering the Productivity Commission's views in respect to this aspect of the terms of reference.

Key points

- There are significant conceptual and practical challenges in establishing a single economic metric for ranking regions. This suggests that establishing both a single metric and a single rank order of regions based on their ability to transition are unlikely to provide a robust evidence base for decision making.
- A more robust approach would be to draw on a broad range of contextual indicators, not all of which will be applicable to every region analysed. This would facilitate a more comprehensive analysis of the unique and significant challenges that are facing particular population centres in Queensland.
- However, analysis of recent movements in the employment-to-population ratio provides a useful initial indicator of overall labour market conditions in regions. Analysis of the employment-to-population ratio suggests Cairns and Townsville present the most immediate challenges. Meanwhile, this measure also indicates the emerging labour market issues in Queensland Outback, a region that faces challenges in coming years with the ongoing depletion of viable metal ores in Mount Isa and its surrounding area.

Terms of reference 4

Devise an analytical framework for assessing the scope for economic and social development in regions which share similar economic characteristics, including dependency on interrelationships between regions.

Assessing the scope for economic and social development in a particular region is inherently a complex task. A standardised analytical framework is potentially a useful tool for policy makers in determining where regional assistance is necessary and would be beneficial. However, there are a number of key issues that arise in developing and using such a framework.

In particular, a framework with a narrow focus may not pick up on development opportunities that are more abstract or difficult to quantify. This runs the risk that regions with considerable development potential are overlooked for assistance in taking advantage of development opportunities.

Therefore, it is vital that any analytical framework take a holistic and comprehensive approach, balancing short term and long term considerations of social development issues and regional economic development potential. Simultaneously, the framework design needs to maintain real-world applicability and usefulness for policy makers.

Further, any analytical framework focussed on regional economic and social development will also be subject to many of the same constraints discussed under the discussion of developing an economic metric, including data availability and the conceptual issues around assessing regions' capacity to adjust. These constraints will need to be considered and addressed in the development of any framework. Without seeking to limit the issues that could be considered by the Productivity Commission in regard to this aspect of the terms of reference, the Queensland Government suggests that in developing any framework, consideration should be given to:

- Demographics of the region, including: age structure, as older residents may be less geographically fluid; historical population trends in response to cyclical movements, which may indicate population 'stickiness'; families; workers; Aboriginal and Torres Strait Islander people; and culturally and linguistically diverse groups;
- Social development issues, such as education levels, crime and justice, household wealth, and health outcomes, levels of social cohesion, amenity and community identity and their impact on regional development;

- Recognition of culture and heritage as economic assets, including acknowledgement of the shared, yet diverse, culture and heritage of Aboriginal and Torres Strait Islander people and related development opportunities;
- The level of existing industry diversification, and the effect of diversification on resilience and development. The cyclicality of particular industries should also be included in any assessment of industry diversification.
- The potential to either diversify a region's economy or unlock untapped potential in existing industries (e.g. by opening up new productive areas or increasing access to new markets), including through the provision of critical infrastructure;
- The level of transport connectivity between regions, including major road and rail links, and the extent to which this aids or hinders regional development or short-distance labour mobility (i.e. land-based commuting); and
- The potential to improve labour mobility by extending the geographical boundaries of regional labour markets, through accessing alternative working arrangements such as telecommuting based employment.

Key points

- A standardised analytical framework, while potentially informative, raises a range of key issues, including the potential to overlook development opportunities that are abstract or difficult to quantify.
- Any analytical framework should take a holistic and comprehensive approach, balancing short term and long term considerations of regional development potential. Simultaneously, the framework design needs to maintain real-world applicability and usefulness for policy makers.

Terms of reference 5

Consider the relevance of geographic labour mobility including Fly-In/Fly-Out, Drive-In/Drive-Out and temporary migrant labour.

Geographic labour mobility

The Queensland Government notes the comprehensive work on geographic labour mobility published by the Productivity Commission in 2014, and agrees that geographic labour mobility is an important element of well-functioning labour markets and contributes to economic efficiency and community wellbeing.

Given Queensland's position as one of the largest states in Australia and its decentralised population, ensuring that people are able to move across the State to take up job opportunities is particularly important for Queensland.

Alleviating constraints to labour mobility is a key goal for the Queensland Government and evidenced through Queensland's policy settings. For example:

- Queensland has one of the lowest rates of stamp duty in Australia, which—relative to other jurisdictions—reduces the financial barriers for people who need to relocate to take up a job;
- Queensland's school starting ages have been aligned with other states in recent years, removing a further barrier to interstate labour mobility;
- Queensland has been working with other jurisdictions on updating mutual recognition arrangements, including a major update of the occupational licences that are considered equivalent between jurisdictions to better facilitate labour mobility; and

- The Government is providing training and reskilling opportunities, as well as job-matching services under policies such as the VET Investment Plan, Skilling Queenslanders for Work, and Back to Work.

Non-resident workforces

The Queensland Government acknowledges the important role of temporary labour, such as Fly-In/Fly-Out (FIFO) and Drive-In/Drive-Out (DIDO) workforces (non-resident workforces), in delivering large resource projects.

Clearly, temporary migrant labour also is a critical source of labour supply for the agricultural and tourism industries in some regions.

The potential for labour shortages can be acute in the case of resource projects occurring in isolated, low-population regions. Further, for large projects where operational labour requirements are significantly less than for construction, a FIFO or DIDO workforce can assist in alleviating temporary labour shortages without requiring costly and unsustainable remote infrastructure.

Consequently, FIFO and DIDO workforces will continue to be an important aspect of Queensland's resources sector and labour market.

However, the Queensland Government recognises the importance of local participation in resource projects. For this reason, in 2016 it introduced legislation to ban large mining companies from using 100%FIFO workforces through the *Strong and Sustainable Resource Communities Bill 2016*. The Bill is currently the subject of consideration by the Infrastructure, Planning and Natural Resources Committee of the Queensland Parliament.

The proposed policy framework requires the preparation of workforce, procurement and accommodation plans. Workforce plans will apply to all operational employees whether employed directly, by contractors or by other recruitment arrangements. The policy framework will ensure that no future resource activity, within safe travelling distance of existing resource communities or regional communities, will allow a 100% FIFO workforce. These arrangements only apply to those projects that have a nearby regional community, which is defined as a locality having a population of more than 200 people.

Similarly, the Government is working to ensure that Queensland workers are provided the opportunity to participate in mining projects before foreign labour is called in. For example, it recently secured commitments from Adani that the workforce for its Carmichael Coal Mine and Rail project will be sourced from regional Queensland and it will not use foreign workers on 457 visas.

The Queensland Government will continue to act on its commitment to encourage employment of local workers on major resource projects, while balancing the need to provide flexibility for resource companies and create a business environment conducive to new investment.

Importance of non-resident workforces in key resources regions

The non-resident workforce has varied over time in line with the demand for labour in key resource projects across Queensland. The Queensland Government Statisticians Office publishes a range of resources on non-resident workforces in the key resource regions of the Surat, Galilee and Bowen basins, and the Gladstone region. The size of the non-resident workforces in these regions has been closely tied to the level of construction activity in the resource sector.

For example, the non-resident population of the Surat Basin declined from a peak of 14,490 persons in June 2014 to 5,420 persons in June 2015, as the large FIFO/DIDO construction workforces of three CSG projects were gradually replaced by smaller operational workforces. The non-resident workforce is expected to further moderate to around 3,000 persons in 2017, with potential to increase to just under 4,000, contingent on the progression of a number of key projects.

The number of non–resident workers on-shift in the Bowen Basin has declined from the peak of 25,040 persons reached in 2012. Completion of construction for resource projects, along with mine closures and workforce restructuring, contributed to this downturn. The future size of the non-resident workforce in the Bowen and Galilee basins is highly dependent on key coal projects, including the Carmichael Coal and Rail and the Red Hill Mining Lease projects.

The non-resident population of Gladstone declined from a peak of 6,660 persons in June 2014 to 5,430 persons in June 2015. Given the completion of the final two LNG trains at the end of 2016, this non-resident workforce is projected to decline significantly to 430 in 2017.

Non-resident workforces also play a significant role in other parts of the State, including in the North West region. The extreme remoteness of many mines in these regions necessitates the use of non-resident workforces. Analysis by Queensland Treasury indicates there are around 2,300 FIFO workers in the North West, based out of Townsville, Cairns and south east Queensland.

Further information on historical and projected non-resident workforces in Queensland is available from the QGSO's website: http://www.qgso.qld.gov.au/

Key source regions for non-resident workers in Queensland

Data on non-resident workforces by place of residence is only available from the Census. Analysis by Queensland Treasury indicates that the key FIFO source regions in Queensland are SEQ, Townsville and FNQ (mainly Cairns). The estimated number of workers who reside in these regions and work in key resource regions, as at the 2011 Census, is provided in Table 1.

Table 1 Key non-resident worker source regions by place of work

		Place of residence		
		South East Queensland	Townsville	Far North Queensland
Place of work	Cape York , Gulf Regional and North West	1,055	2,175	1,612
	Mackay, Isaac and Whitsunday	3,764	1,429	380
	Central Queensland	2,976	502	91
	Total	**7,795**	**4,106**	**2,083**

Despite accounting for the largest number of non-resident workers in the above resource regions, SEQ's broad and diversified economy means that this workforce forms a relatively small part of the overall labour market. Conversely, non-resident workers in resource regions who reside in Townsville and FNQ make a substantial contribution to the economies of these regions, and have fewer alternative employment opportunities in the local economy. For this reason, Townsville and FNQ (Cairns) are a key focus when considering the impacts of FIFO employment on source regions.

Key points

- Queensland's expansive geographical size, decentralised population and remoteness of particular regions means that encouraging free and open labour mobility is particularly important for Queensland.
- Alleviating constraints on labour mobility is a key goal for the Queensland Government, as evidenced by a range of policy settings and positions.
- Non-resident workforces including FIFO and DIDO have, and will continue to form a key part of Queensland's labour market. However, the Queensland Government recognises the importance of local participation in resource projects.
- The Queensland Government will continue to act on its commitment to encourage employment of local workers on major resource projects, while balancing the need to provide flexibility for resource companies and create a business environment conducive to new investment.

Terms of reference 6

Examine the prospects for change to the structure of each region's economy and factors that may inhibit this or otherwise prevent a broad sharing of opportunity, consistent with the national growth outlook.

Prospects for change

The Queensland Government is committed to encouraging the ongoing and sustainable development of Queensland's vital regional communities. Its approach, as outlined in the 2016-17 Queensland State Budget, focuses on growing innovation, attracting investment and transforming infrastructure, as these are the necessary elements to enable Queensland's economy to continue to grow and transition to a more diversified and robust base.

Despite the predominance of mining in many of Queensland's regions, there are other key industries likely to benefit from the current transition, including through increased availability of skilled labour, more favourable exchange rates and lesser competition for investment capital.

The opportunities in these industries will help provide support to employment and economic activity as employment opportunities in mining retract from the highs experienced during the resources boom. As such, the size, structure, and performance of these alternative industries will be key determinants of regional performance and prosperity in the coming years.

For example, agriculture is a key driver of Queensland's economic prosperity, and supports many rural and regional communities throughout the State. Almost 144 million hectares, or 85% of the State, is used for agriculture and grazing, with key commodities including beef, horticulture, sugar, sorghum and chickpeas. Further, Queensland is the largest producer of vegetables in Australia and is the second largest producer of fruit.

The total value of Queensland's primary industry commodities for 2015-16, comprising gross value of production (GVP) at the farm gate and first-round processing, was forecast to be $17.32 billion. This consists of gross value of production of nearly $13.74 billion at the farm gate and the value added of first round processing of $3.58 billion.

Just over 282,000 people were employed in agriculture and the food supply chain in 2013-14, accounting for 12% of all working Queenslanders. Of these 55,600 were employed in agriculture forestry and fishing, 43,700 in manufacturing of food and beverages and 182,700 in food related retail and services.

Agriculture offers a potential opportunity for greater regional economic development particularly if a transition towards high productivity agriculture like horticulture is encouraged and supported.

Tourism is another key industry for Queensland, with tourists spending $27.7 billion in 2014-15 and contributing $11.2 billion to Queensland's gross state product. The industry is also a major employer, directly employing over 135,000 persons.

A key driver of tourism in Australia and Queensland is the Great Barrier Reef, which generates significant economic activity and supports thousands of jobs in regional areas. The Queensland Government is implementing a range of measures to promote better reef outcomes, including the $9 million Great Barrier Reef Innovation Fund to develop and implement new technologies and approaches to improve water quality.

The coming decade presents substantial opportunities for Queensland's tourism and events industry. Asian tourism to Australia is growing at an unprecedented rate, and will continue to grow as the Asian middle class expands. Further, Queensland's significant cultural and heritage assets offer strong prospects for growth in tourism, highlighting the need to invest in knowledge and skills building for regionally based tourism enterprises.

The key roles these existing industries play in the economic success of the Queensland economy will continue into the future, and the Queensland Government is actively pursuing policies to bolster their performance as Queensland transitions from the resources boom.

While supporting economic activity in existing industries is central to future economic performance, it is also critical that governments at all levels ensure policy initiatives have a strong focus on facilitating opportunities for economic diversification and maximising the potential benefits from alternative economic development opportunities as they eventuate in regional areas. For example, low carbon industries such as biofutures and advanced manufacturing supported by renewable energy are key emerging opportunities for regional communities.

The Queensland Government has taken proactive steps to plan for the future development of emerging and priority sectors with global growth potential.

This includes a strong focus on supporting industry development, where possible, in regional areas, through innovations in traditional industries or through transitioning towards alternative industries. As part of the Advance Queensland package, the Queensland Government is developing a series of 10-year roadmaps and action plans for an initial six priority industries.

Roadmaps have been, or are being developed for the advanced manufacturing, aerospace, biofutures, biomedical and life sciences, defence, and METS industries. Development of these industries will build on Queensland's competitive strengths, diversify its economy and create the knowledge-based jobs of the future. Further, the Government is exploring additional opportunities for development in industries such as agriculture and food research.

However, despite the recent downturn in mining employment, it is important to note that the mining industry will continue to be a significant employer in all of Queensland's key resource regions through ongoing operations in active mines and related activity through supply chain linkages. As such, governments at all levels should strive to create a business environment conducive to encouraging new investment and efficient operations, while responsibly managing related environmental and social impacts of mining activity.

A crucial aspect of any potential development or restructuring of a region's economy is infrastructure. In the long run, productivity-enhancing infrastructure, both physical and 'soft' (including digital infrastructure), is one of the most significant determinants of economic growth. For example, adequate and timely delivery of water infrastructure has potential to unlock significant economic opportunities in regional areas through increased agricultural production and facilitation of greenfield resource projects.

Across regional Queensland, there are a range of opportunities for critical infrastructure to enable and unlock significant development potential. For example, the Galilee Basin, which has vast reserves of high quality thermal coal, is largely undeveloped partially due to the high upfront costs of constructing energy, water, and export infrastructure. Common-user infrastructure solutions have the potential to enable substantial development in the Galilee Basin. As discussed earlier in this submission, the Queensland Government encourages private proponents including those in the Galilee Basin to consider applications for the NAIF or other Commonwealth funds such as the NWIDF, provided those applications are for genuine third party access infrastructure to facilitate regional development.

Sharing opportunities

Recent international developments have highlighted the social and economic consequences of economic growth falling disproportionately across particular groups. To maintain a clear and sustainable growth trajectory, it is vital that policy makers aim to ensure that all persons are included in the growth process to allow the benefits of growth to accrue more broadly.

The Queensland Government is well-progressed in encouraging and facilitating more inclusive growth. The Government's Economic Framework, outlined in the 2016-17 State Budget, focuses on fostering entrepreneurship and innovation; delivering and facilitating productive infrastructure; responsive public service; and growing our human capital, to enable and empower individuals to participate in the growth process.

Further, the Government has instituted a number of initiatives aimed at ensuring all Queenslanders have access to the State's prosperity, including the $100 million Back to Work package; the Fairer Fares package to improve equality of access to public transport; Building our Regions to address spatial inequalities, the VET Investment Plan to build the capabilities of individuals; as well as the hiring of hundreds of new nurses and teachers.

Given the strong relationship between the pace and pattern of growth, it is important governments at all levels seek to promote long-term, productivity-enhancing policies and infrastructure development, including leveraging private sector growth, in order to generate and share prosperity.

The Queensland Government notes that many of the key policy levers to influence the distribution of growth rest with the Australian Government. As such, the Queensland Government would be supportive of further investigation at the national level of policies to spread the benefits of economic growth fairly, with a particular focus on ensuring the ongoing prosperity of the State's key regional areas as they face the ongoing challenges associated with a transitioning economy.

Key points

- The size, structure, and performance of alternative industries to the resources sector, including existing and emerging industries, will be key determinants of regional performance and prosperity in the coming years.
- Another critical determinant of regional development into the future will be the provision of key regional infrastructure to enable and unlock significant development potential.
- Importantly, the mining industry will continue to be a significant employer in all of Queensland's key resource regions through ongoing operations in active mines and related activity through supply chain linkages.
- The Queensland Government is supportive of further investigation at the national level of policies to spread the benefits of economic growth fairly, with a particular focus on ensuring the ongoing prosperity of the State's key regional areas as they face the ongoing challenges associated with a transitioning economy.