

QUEENSLAND PRODUCTIVITY COMMISSION ACT 2025

Section 38

DIRECTION

Direction

Under sections 9(1)(a) and 38 of the *Queensland Productivity Commission Act 2025*, I direct the Commission to undertake an inquiry and provide a report in accordance with the Terms of Reference set out below.

TERMS OF REFERENCE

OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION SECTOR

1. Context

An efficient construction sector plays a key role in a competitive and productive economy. The Queensland construction sector contributed \$37.6 billion to total economic output and employed 279,000 people in 2023–24.

The construction sector is broad — it includes residential and commercial building, civil engineering and construction services. The productivity of the sector has a large impact on the state's housing market and housing affordability, the competitiveness of industries using construction inputs and the delivery and cost of important public infrastructure including transport, energy, education and health facilities.

Construction productivity growth over the last three decades has been weak compared to the broader economy in both Queensland and across Australia. Following the COVID-19 pandemic, the industry has been under substantial pressure, with surging construction input prices, rising insolvencies, and constraints on the supply of labour and materials. At the same time, the ongoing housing shortage and large Queensland Government capital program (including the delivery of Brisbane 2032 Olympics infrastructure) mean lifting construction productivity to deliver increased market capacity is more important than ever.

To ensure the construction sector can meet Queensland's infrastructure and housing needs, the inquiry will examine policy and regulatory factors that are affecting the productivity of the construction sector in Queensland.

The Crisafulli Government has a stated aim of delivering one million new dwellings across Queensland by 2044 (approx. 50,000 per year). Recent annual completions have been below 35,000 dwellings per annum which is in line with completion levels in 1980s when population was half of today's levels. To meet this target the sector will need to improve its level of productivity.

Further, vacancy rates across the state for rental properties sit around 1 per cent across the major centres. It is imperative that Queensland has the correct regulatory environment and policy settings in place to support productivity and address housing supply and affordability issues and support delivery of public infrastructure projects.

2. The Inquiry

The Queensland Productivity Commission (QPC) is directed to undertake an inquiry reviewing the factors driving productivity in the Queensland construction sector and make recommendations for reform to improve productivity without compromising quality and safety outcomes.

Without directing the QPC as to the contents of its advice or recommendations in the report, I direct the QPC to investigate and report on:

- current conditions in the housing market, residential development sector, infrastructure delivery and construction sector in Queensland, including in both housing and non-residential construction as they relate to the delivery of additional housing supply and housing affordability
- key trends in the sector including input costs, prices, competition, supply chain developments, productivity, and relevant comparisons with other jurisdictions and, where possible, across Queensland regions
- productivity on residential, commercial and infrastructure construction sites, across a range of typologies and locations, relative to productivity performance in other States

- factors shaping Queensland's productivity performance including commonwealth, state and local government legislation and regulation, industrial relations matters, procurement policies and labour force needs (individually, cumulatively or through duplication) and opportunities for improvement
- the opportunities for improvements in productivity in Queensland including regulatory and non-regulatory mechanisms
- priority areas for reform for the Queensland Government to efficiently address identified challenges in the short, medium and long term (including but not limited to labour availability, skills availability and market competition, the availability of suitably qualified head contractors and sub contractors etc)
- key recommendations and themes from other relevant productivity reviews, including those undertaken by the Australian Government Productivity Commission
- impact on small and medium scale subcontractors in regional areas to compete for government tenders due to regulatory requirements
- flow on effect across the industry of government regulations to compete for labour and resources on both wages and work conditions
- factors that limit the availability of suitable labour for building and civil construction, skills development of the labour force, and matching of labour supply with sector demand, and how policy settings can be improved
- how government procurement and contracting arrangements, including Best Practice Industry Conditions, affect productivity in the construction sector, and how practices and policy settings can be improved
- barriers to entry, investment and innovation in the sector, and potential options to address those impediments
- key issues to be considered in implementing reform options identified and views on how recommendations could be prioritised.

In considering policy responses, the inquiry should focus on the key systemic policy and regulatory settings that impact construction sector productivity. Similarly, the inquiry should primarily focus on those areas that can be influenced by the Queensland Government. However, where there are critical issues that fall within the scope of local government or Australian Government policy, the inquiry should identify such issues and provide options to inform the Queensland Government's engagement on these matters.

3. Consultation

Under section 38(2)(c) I direct the QPC to undertake wide public consultation with stakeholders, including with the general public, industry peak bodies, unions, construction businesses, sub-contractors and consultants, professionals and their associations, customer, business and community advocates, the finance and insurance sectors and regulatory bodies and Queensland Government agencies.

Participants will be granted the option to submit to the inquiry on a confidential basis in writing.

4. Reporting

The QPC must deliver a report within 6 months of the date of this direction.

For the report, the QPC should consult widely and may issue interim or draft reports for stakeholder feedback to ensure all evidence and views are included in the final report.



HON. DAVID JANETZKI MP
 Treasurer
 Minister for Energy
 Minister for Home Ownership

24 / 4 / 2025