INFRASTRUCTURE PARTNERSHIPS AUSTRALIA

1 September 2025

Queensland Productivity Commission
Via online submission portal

SUBMISSION TO THE QUEENSLAND PRODUCTIVITY COMMISSION ON ITS INTERIM REPORT ON OPPORTUNITIES TO IMPROVE PRODUCTIVITY OF THE CONSTRUCTION INDUSTRY

Infrastructure Partnerships Australia is pleased to provide this submission in response to the Queensland Productivity Commission's Interim Report *Opportunities to Improve Productivity of the Construction Industry*.

Infrastructure Partnerships Australia is an independent think tank and executive member network, providing research focused on excellence in social and economic infrastructure. We exist to shape public debate and drive reform for the national interest. As the national voice for the infrastructure sector in Australia, our membership reflects a diverse range of public and private sector entities, including infrastructure owners, operators, financiers, advisers, technology providers and policy makers.

The Queensland Productivity Commission's (QPC) Interim Report identifies the Queensland construction industry as "*facing significant challenges with rising levels of demand, a tight labour market, ongoing supply chain issues, and declining productivity*". As Queensland's population continues to outpace the rest of the country and the 2032 Olympic and Paralympic Games rapidly approach, Infrastructure Partnerships Australia's analysis of the Queensland infrastructure market finds a state on the precipice of an infrastructure boom.

This forthcoming boom presents a fine balance of challenge and opportunity. Elsewhere in Australia, latent capacity has developed in the infrastructure market as other jurisdictions complete large pipelines of transport work and forecast waves of energy infrastructure not yet entering the delivery phase. If the productivity issues identified by the QPC are addressed through improved project selection and sequencing, and procurement and workforce policy which makes Queensland attractive to both individuals and infrastructure businesses, then the State may be able to convert the challenges associated with rising demand into rising opportunities.

QUEENSLAND IS EXPERIENCING RAPID GROWTH IN DEMAND FOR INFRASTRUCTURE ACROSS ALL SECTORS

The Queensland Government's Statistician's Office identifies Queensland's population as having grown 9.8 per cent in the five years to June 2024, the largest increase of any state or territory over this same period. To

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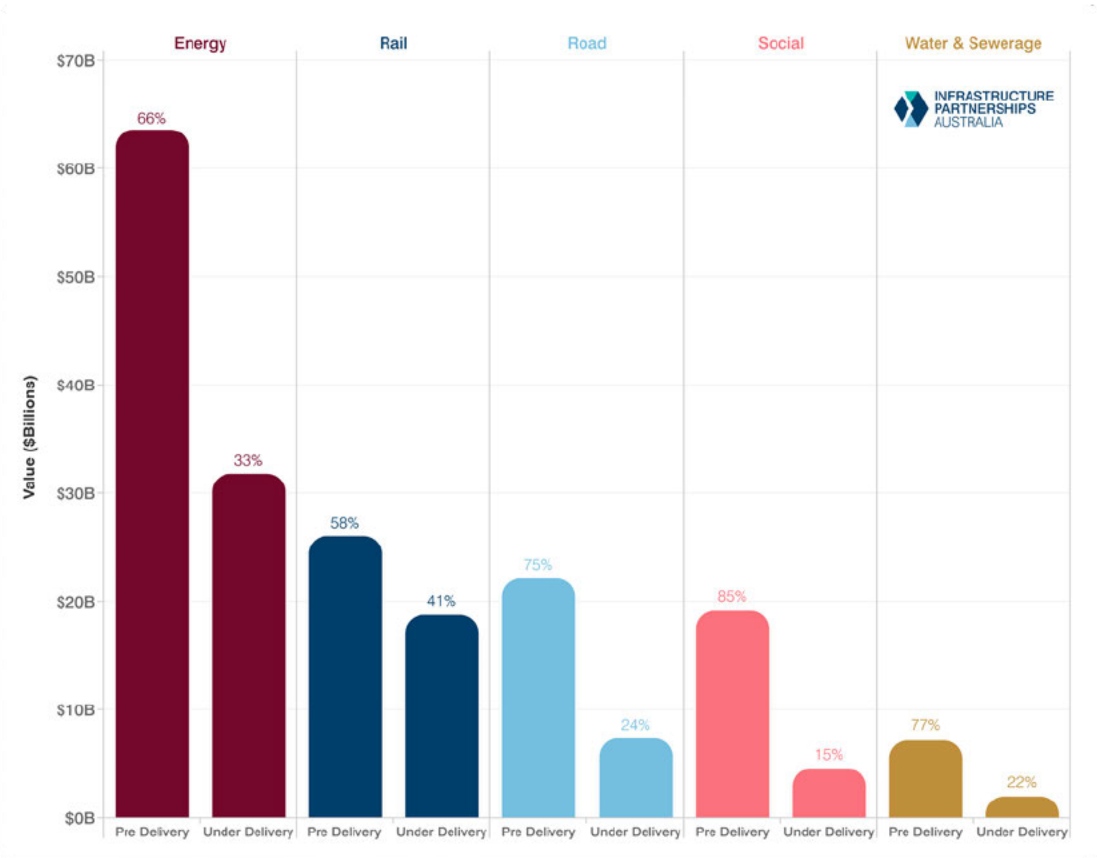
ensure the maintenance of service delivery levels, growing populations require infrastructure networks to grow alongside them. Successive Queensland Governments have been cognisant of this fact, increasing the proportion of general government expenditure allocated to infrastructure over the last four years. Infrastructure now accounts for 16.9 per cent of general government expenditure, a 2.3 percentage point rise from 2024–25, and well above the State's 10-year average of 11.6 per cent. Queensland's infrastructure funding has increased 124 per cent since 2021 and the State is now allocating more funding to infrastructure as a share of general government expenditure than any other jurisdiction in Australia.

This overall uplift in infrastructure spending has led to an increase in the social infrastructure pipeline as Queensland prepares to deliver the 2032 Games and as plans for the Hospital Rescue Plan begin to crystallise, following the Sangster Review into the Capacity Expansion Program. Despite having a value of $19.5 billion, the pre-construction social infrastructure pipeline is dwarfed by road and rail pipelines which are valued at $22 billion and $26 billion. This transport pipeline is larger than any other jurisdiction in Australia and over 70 per cent of the projects by value are either required for the 2032 Games or are currently scheduled to be complete by 2032. Figure 1 breaks down Queensland's pipeline by value and the share of pipeline under delivery and yet to commence main works.

Figure 1: Queensland Pipeline by sector and delivery status



Source: Infrastructure Partnerships Australia

Data for this and other charts in this submission is drawn from the Australia and New Zealand Infrastructure Pipeline (ANZIP). ANZIP provides a forward view of major infrastructure projects and contracts across the two countries. ANZIP tracks infrastructure opportunities with a capital value exceeding $300 million from announcement to completion, providing updates and objective analysis each step of the way.

These projects face inviolable timelines and must be delivered to world-class standards, meaning there is a serious and material risk to the Queensland taxpayer that costs will increase. It is critical to ensure that the right projects are built in a sensible sequence so that the market can deliver them without introducing cost risks.

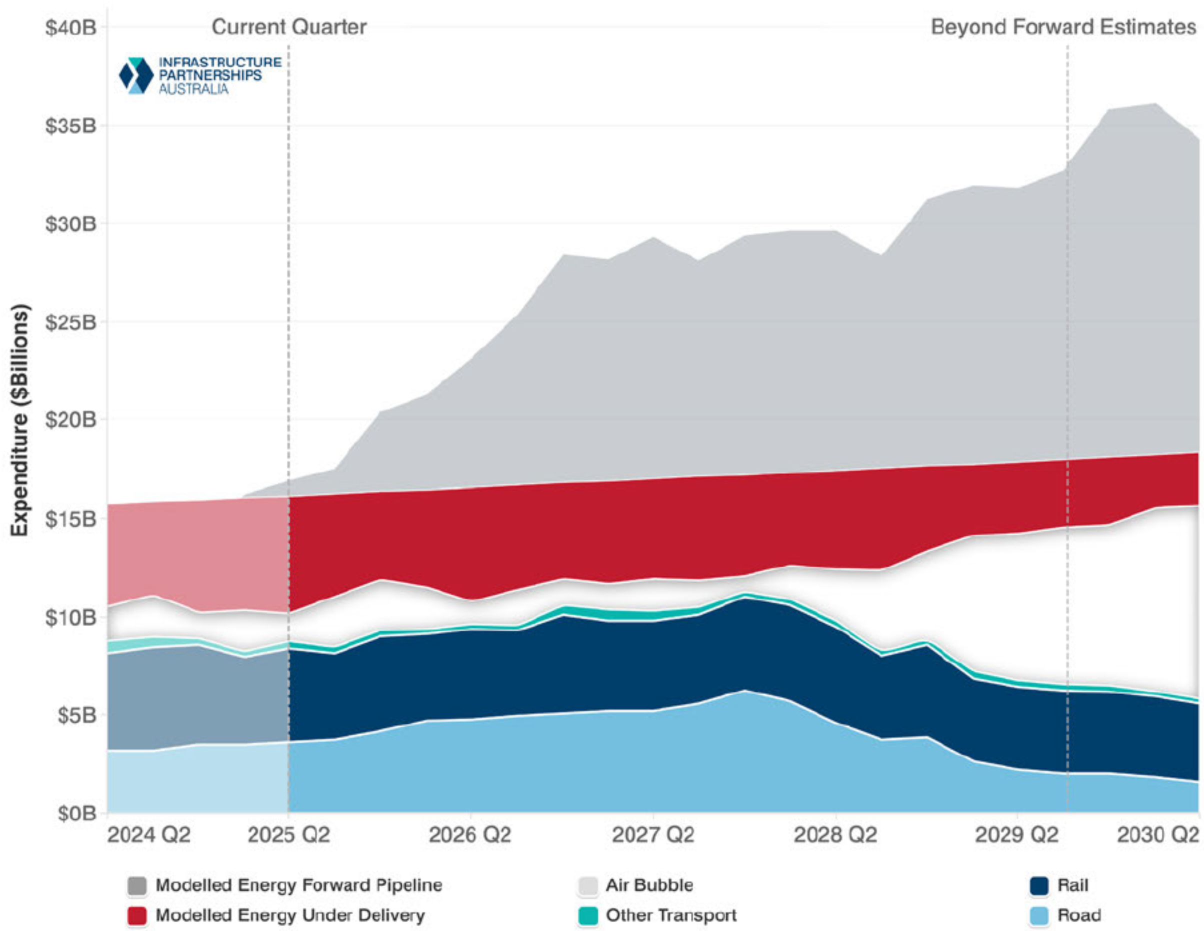
Infrastructure Partnerships Australia conditionally supports the QPC's recommendation for a full review of the Queensland Government's capital program. The design of any potential review must be strictly time-limited with a Terms of Reference (ToRs) that is free from interpretation, and which enables actionable outcomes. The Sangster Review is an example of a best-practice capital program review and presents as a framework which could be replicated across the balance of the capital program. The Review's ToRs were clear, the reviewer defined the issues and recommended actions to solve them. Upon receipt of the review, the Queensland Government acted without fear or favour to ensure they could return the State's health capital program to an even keel.

QUEENSLAND'S INFRASTRUCTURE CHALLENGE IS DIFFERENT TO THE REST OF AUSTRALIA

While Queensland is facing the early stages of an infrastructure boom across all sectors, transport booms in other major Australian jurisdictions including NSW and Victoria are drawing to a close. The national market has long known about the conclusion of these transport booms, and it was a widely held expectation that transport projects would be replaced by an even larger pipeline of energy projects coming down the pipeline. This pipeline transition was expected to see infrastructure businesses and individuals move between large transport projects and large energy projects, taking advantage of the transferability of skills between the sectors, and keeping the supply and demand of Australian infrastructure labour largely in equilibrium.

In reality, this transfer has not occurred as Australia's rate of energy projects entering main works construction has been slower than the rate of transport projects graduating the pipeline into operations. This has led to latent capacity developing in the Australian infrastructure market, whereby the demand for projects is below the level the market has historically been able to supply. Figure 2 uses Infrastructure Partnerships Australia's forecast expenditure on transport and energy across Australia to present this so-called 'Air Bubble' of latent capacity. This chart shows the current demand for projects against Australia's historic ability to deliver – adjusted for growth. The light area between the transport and energy components represents the Air Bubble of latent capacity, while the grey area above the energy component represents the potential expenditure on energy infrastructure if the rate of projects progressing from planning to delivery increases.

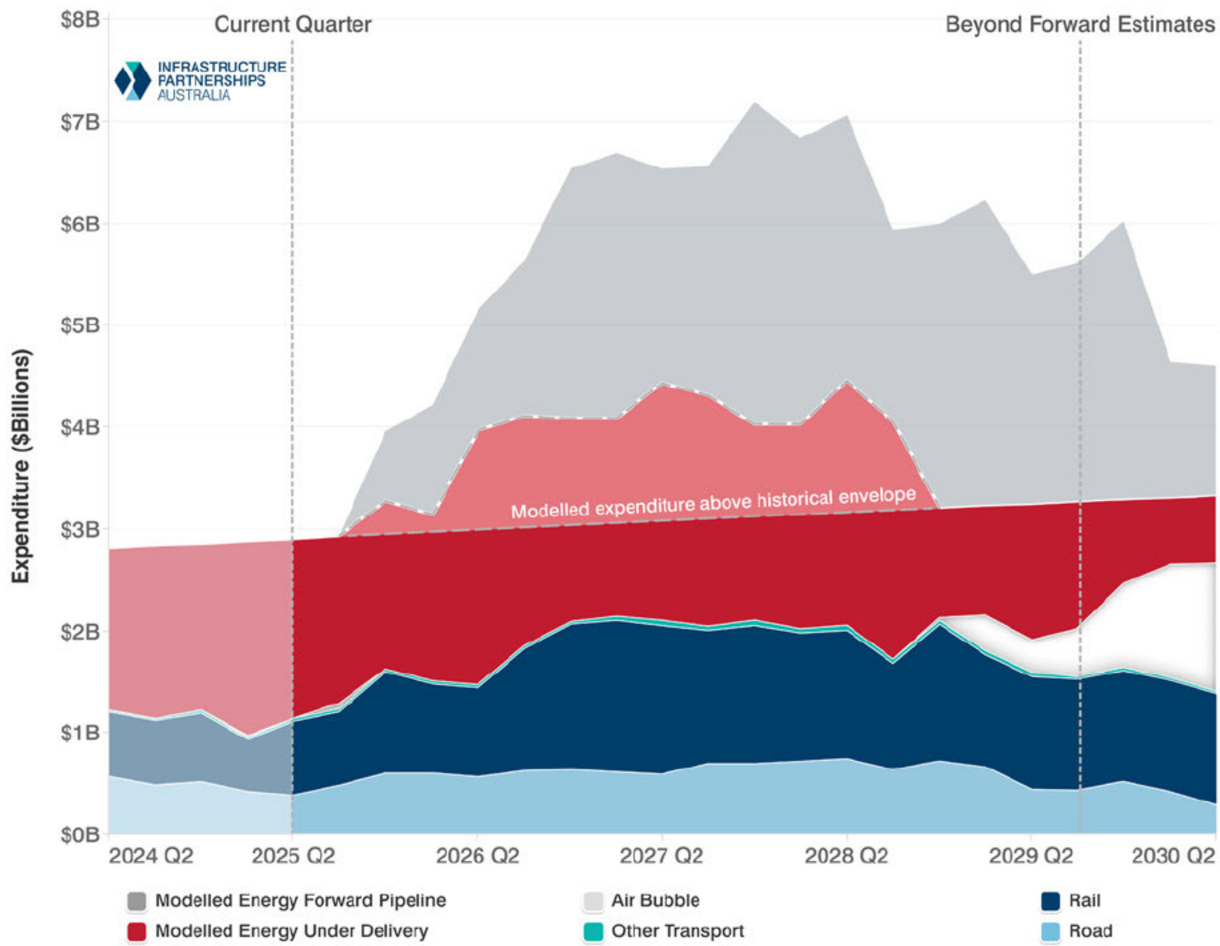
Figure 2: Forecast expenditure in the Australian transport and energy markets



Source: Infrastructure Partnerships Australia

While this Air Bubble is a concern for infrastructure policymakers and businesses across Australia, the opposite is true in Queensland, where demand is outstripping the State's historical delivery envelope. Consequently, there is no meaningful Air Bubble present in the State. Figure 3 shows this forecast expenditure model on transport and energy in Queensland. The red area above the dotted line represents forecast expenditure above Queensland's historical ability – adjusted for growth – to outlay capital on infrastructure projects. Should the State's ability to deliver energy infrastructure increase, this expenditure above the line would expand commensurately. Due to the increased reliability of publicly procured transport infrastructure large changes in the values associated with the road and rail components of this chart are not expected.

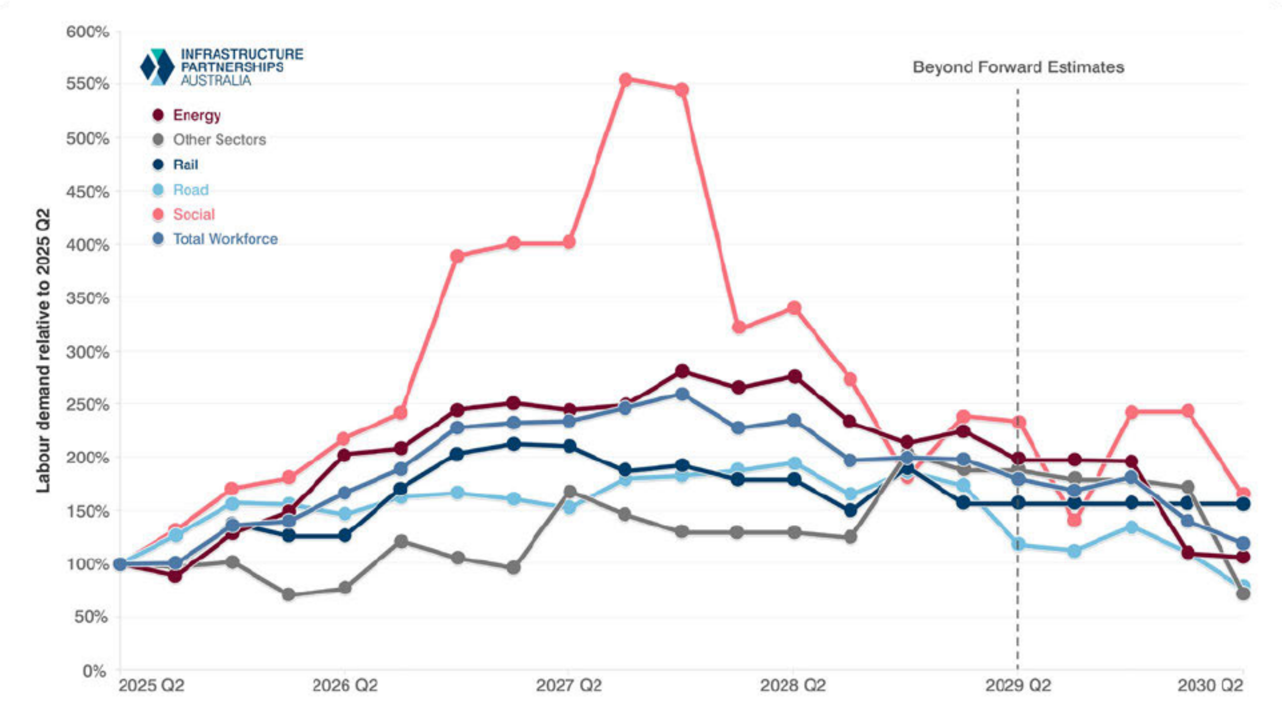
Figure 3: Forecast expenditure in the Queensland transport and energy markets



Source: Infrastructure Partnerships Australia

Analysis conducted by Infrastructure Partnerships Australia finds that if the pipeline in Queensland was delivered as it is currently scheduled, the demand for infrastructure labour in the State would need to increase over 150 per cent by the end of 2027 from current levels. Between now and the final quarter of 2027, demand for labour on road projects would rise by over 50 per cent, over 100 per cent for rail projects, nearly 200 per cent for energy projects and a staggering 450 per cent for social infrastructure projects. Figure 4 shows the results of Infrastructure Partnerships Australia's forecast labour demand model for projects in Queensland.

Figure 4: Forecast labour demand for infrastructure in Queensland



Source: Infrastructure Partnerships Australia

N.B. The results for social infrastructure are subject to change/increase pending any changes in health infrastructure projects currently under review, and further details being released on the 2032 Games venue infrastructure

DELIVERING THIS BOOM REQUIRES IMPROVING BOTH SIDES OF THE LABOUR MOBILITY EQUATION

It is within this gap in the market where the fine balance of challenge and opportunity for Queensland comes to bear. The State has an opportunity to attract a highly skilled and experienced workforce who have spent the last 15 years delivering complex and valuable projects in Sydney and Melbourne. However, attracting this workforce is not as simple as just providing projects - both sides of the labour mobility equation must be addressed.

Infrastructure Partnerships Australia supports the reform direction to improve utilisation of skilled overseas migration. Infrastructure Partnerships Australia has previously advocated for the establishment of an Infrastructure Worker Visa Sub Class. Our submission to the Federal Treasury's Employment White Paper can be found here.

Improving supply of labour requires a two-pronged approach to investment in domestic skill capability and increasing the migrant cohort. This is not an 'either or' proposition, believing in domestic skills development 'or' skilled migration is akin to supporting breathing-in but not breathing-out. A broad-ranging policy environment that supports both skills training and development for domestic workers, combined with visa reform that attracts and retains highly skilled workers from overseas, is a pre-requisite to deliver the upcoming pipeline. Crucially, skilled migration must include appropriate pathways to permanent residency. Skilled migration should not be viewed simply as a means to temporarily plug a labour gap, it is an opportunity to attract future Australians to our shores. The Queensland Government should work alongside the Federal Government to encourage further reform of the skilled migration system to help ensure delivery of the State's pipeline.

On the other side of the labour mobility equation are policies like the Best Practice Industry Conditions (BPICs) which have had a direct and negative effect on the flow of labour into Queensland. Individuals with sought-after skills – who are not otherwise constrained – will reasonably seek out projects and locations that offer the highest remuneration and most amenable living circumstances. However, individuals and firms have differing labour mobility profiles and governments must also ensure they provide an environment attractive to businesses. Anecdotal evidence from industry is that the introduction of BPICs onto Queensland projects has resulted in infrastructure contracting and sub-contracting firms electing not to establish a presence in Queensland due to the prohibitive nature of the policy. The QPC's preliminary recommendation to permanently remove BPICs from the Queensland Government's procurement policy and Reform Direction 3 seeking a broader industry reset are both sound and necessary policies. Policy like BPICs have an ability to remain embedded in industry long after their cessation. Any proactive effort to mitigate this will ultimately have positive long-term effects on construction productivity in the State.

Infrastructure Partnerships Australia looks forward to further assisting the QPC. If you require additional detail or information, please do not hesitate to contact Head of Data and Analytics, Jack Bateman, on (02) 9152 6000 or at jack.bateman@infrastructure.org.au.

Yours Sincerely,

[redacted]

ADRIAN DWYER
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