

6 September 2017

Queensland Productivity Commission
PO Box 12112
George Street
Brisbane Qld 4000

Inquiry into Queensland's manufacturing sector

Thank you for the opportunity to provide a submission on the Queensland Productivity Commission's (QPC) inquiry into Queensland's manufacturing sector.

The Property Council of Australia is the leading advocate for Australia's biggest industry – property. We are a national not-for-profit organisation established to promote the work of the property industry in delivering prosperity, jobs and strong communities to all Australians.

Here in Queensland, we represent over 360 member companies across residential, commercial, retail, retirement living, industrial, tourism and education sectors.

The property industry has a fundamental role to play for Queensland's manufacturing sector, through industrial land holdings, and the delivery of purpose built manufacturing facilities. To enable this to occur however, requires a streamlined land use planning framework and competitive tax and statutory charges framework.

These policy settings are not unique to the facilitation of manufacturing uses as they apply across the varying sectors of the property industry, whether it be housing, commercial or industrial uses.

Having reviewed the draft recommendations, the Property Council supports recommendation 1, calling on the Queensland Government to adopt a broad based action plan rather than specific assistance, as many of the issues are not unique to the manufacturing sector and the solutions have wider economic benefits.

In addition, to supporting recommendation 1 we have provided comments on recommendations 3, 7 and 8, as they also impact the property sector.

Recommendation 3 - Tax reform

The Property Council generally supports QPC identifying the need for the Queensland Government to reform the state tax system by removing or reducing transactional taxes like stamp duty, and moving towards more broad based taxes like land tax and payroll taxes.

Property is the single largest industry contributor to government taxes, fees and charges in Queensland. The sector pays \$9.9 billion per annum through State taxes and local government rates, fees and charges – shouldering 49.8% of Queensland's total tax burden. This extraordinary level of property taxation not only impacts on housing affordability, but stifles industry investment in sectors like manufacturing and damages jobs growth.

Stamp duty

The Federal Government's *Re:Think* discussion paper highlighted stamp duty as the most inefficient tax in the country, reducing economic welfare by 73 cents for every dollar raised.

While stamp duty is a highly inefficient tax that is a drag on the economy, proposing to replace it with a broad based land tax is not likely to be politically feasible. Therefore, to achieve stamp duty reform a broader tax reform discussion involving the Commonwealth Government is required.

Land tax

If we put aside a broader review of the tax system there are smaller tax nuances that need attention now, and if resolved could lead to a stronger investment platform for the manufacturing sector and property industry more broadly.

State Government land tax thresholds have not been reviewed for many years resulting in significant bracket creep. A growing number of landholders are subjected to land tax as property values have increased and while thresholds have remained the same. Land tax is consequently having an ever-increasing impact on the cost of owning property in Queensland.

In addition to normal land tax rates, a 0.5 per cent 'temporary' land tax surcharge was introduced in 2009 as a 'stop gap' to fill a hole in the Government's budget. This 'temporary' surcharge continues to be paid by landholders.

To assist in creating a more competitive market place the Property Council recommends the Government undertake a review of the current out-dated land tax thresholds and remove the 2009 'temporary' land tax surcharge.

Recommendation 7 – Regulation reform

The Property Council supports the QPC's recommendation for the Queensland Government to commission an independent stocktake of the regulations that affect subsectors of the manufacturing industry.

The industrial property sector in Australia is part of the supply and distribution chains across the globe. Rapid technology innovation is disrupting the industrial property sector. An increase in demand for properties which can facilitate new automated technology is changing the face of industrial precincts. Building heights, car parking requirements, and hours of operation are all areas that will necessitate a shift in thinking from city planners over the coming years.

It is therefore imperative that any review of existing regulations that effect the manufacturing industry also take into consideration the changing face of the industrial property sector to ensure that we adapt to these challenges.

Recommendation 8 – Investment attraction

With Queensland competing nationally and globally for investment we must provide a competitive advantage for businesses to base themselves in Queensland.

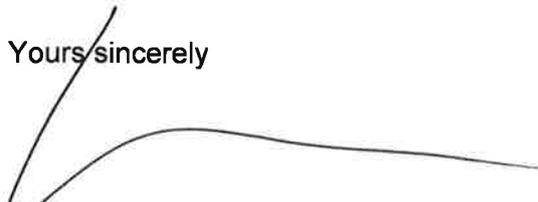
From an industrial land perspective, this means providing competitive land and development rates to ensure the upfront costs of establishing a business are not restrictive.

To assist in keeping downward pressure on these costs and to remain competitive we need to ensure that we have an adequate supply of well-serviced industrial land, streamlined development assessment processes, along with a competitive infrastructure charges regime.

Conclusion

Thank you for the opportunity to provide a submission to the Queensland Productivity Commission's inquiry of Queensland's manufacturing sector. If you have any further questions about the Property Council or the detail included in this submission, please contact Chris Mountford on 07 3225 3000, or cmountford@propertycouncil.com.au.

Yours sincerely



Chris Mountford
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