



LEGISLATIVE ASSEMBLY

COMMITTEE ON ECONOMIC DEVELOPMENT

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES

REPORT 1/55 – OCTOBER 2012

New South Wales Parliamentary Library cataloguing-in-publication data:

New South Wales. Parliament. Legislative Assembly. Committee on Economic Development.

Report on the establishment of special economic zones: "border regions", "disadvantaged regions", "growth regions" and "existing initiatives" / Legislative Assembly, Committee on Economic Development [Sydney, N.S.W.] : the Committee, 2012. [67] p. ; 30 cm. (Report no. 1/55 Committee on Economic Development)

"October 2012".

Chair: David Elliot, MP.

ISBN 9781921686566

1. Regional economies—New South Wales.
2. Economic growth—New South Wales.
3. Regional planning—New South Wales.
- I. Elliot, David.
- II. Title.
- III. Series: New South Wales. Parliament. Legislative Assembly. Committee on Economic Development. Report ; no. 1/55

(338.9944 DDC22)

The motto of the coat of arms for the state of New South Wales is "Orta recens quam pura nites". It is written in Latin and means "newly risen, how brightly you shine".

Contents

Membership _____	iii
Terms of Reference _____	iv
Chair’s Foreword _____	v
Executive Summary _____	vi
List of Findings and Recommendations _____	viii
CHAPTER ONE – INTRODUCTION _____	1
DEFINITION AND TYPES OF SPECIAL ECONOMIC ZONES _____	1
SCOPE OF THE INQUIRY _____	2
CONDUCT OF THE INQUIRY _____	2
CHAPTER TWO – BORDER REGIONS _____	4
BORDER ISSUES _____	4
ARGUMENTS AGAINST SPECIAL ECONOMIC ZONES IN BORDER REGIONS _____	17
HARMONISATION OF REGULATIONS AND CROSS-BORDER COLLABORATION _____	19
CHAPTER THREE – DISADVANTAGED REGIONS, GROWTH REGIONS AND EXISTING INITIATIVES _____	25
DISADVANTAGED REGIONS _____	25
GROWTH REGIONS _____	30
FURTHER ARGUMENTS AGAINST THE ESTABLISHMENT OF SPECIAL ECONOMIC ZONES _____	37
EXISTING INITIATIVES _____	41
COMMITTEE COMMENT AND CONCLUSION _____	43
APPENDIX ONE – LIST OF SUBMISSIONS _____	46
APPENDIX TWO – LIST OF WITNESSES _____	48
MONDAY 30 APRIL 2012, WARATAH ROOM _____	48
APPENDIX THREE – VISITS OF INSPECTION _____	49
VISIT OF INSPECTION TO TWEED HEADS – 7 JUNE 2012 _____	49
VISIT OF INSPECTION TO ALBURY – 15 JUNE 2012 _____	52
APPENDIX FOUR – EXTRACTS FROM MINUTES _____	55

Tables

Table 1: Comparison of payroll tax at 1 July 2012 _____	8
Table 2: Comparison of land tax for companies at 1 July 2012 _____	9
Table 3: Comparison of transfer duty (stamp duty) at 1 August 2012 _____	9

Membership

CHAIR	Mr David Elliott MP, Member for Baulkham Hills
DEPUTY CHAIR	Mr Stuart Ayres MP, Member for Penrith
MEMBERS	Mr Christopher Gulaptis MP, Member for Clarence Ms Noreen Hay MP, Member for Wollongong Mr Jamie Parker MP, Member for Balmain
CONTACT DETAILS	Committee on Economic Development Parliament of New South Wales Sydney NSW 2000
TELEPHONE	02 9230 3439
FACSIMILE	02 9230 3052
E-MAIL	economicdevelopment@parliament.nsw.gov.au
URL	www.parliament.nsw.gov.au/economicdevelopment

Terms of Reference

That the Committee inquire into and report on the establishment of special economic zones providing state tax and financial incentives to promote economic growth, employment and investment in regional and rural New South Wales; and any other related matters.

Chair's Foreword

On being tasked by the New South Wales Treasurer, the Hon Mike Baird MP, to investigate the viability of establishing special economic zones providing state tax and financial incentives to promote economic growth, employment and investment in regional and rural New South Wales, the Legislative Assembly Committee on Economic Development sought broad public consultation and invited submissions from stakeholders who could prove or dismiss the benefits of a locally based Special Economic Zone.

The Committee has spent a full year speaking to business leaders and industry groups as well as considering the needs of those operating in disadvantaged economic areas. Given the growth of our State's border economies, Committee members travelled to Tweed Heads and Albury to further investigate the way in which geographic boundaries can influence commercial activities.

Special economic zones have a long history in both developed and developing countries as a government tool for revitalising or encouraging the economy of a particular location. However, evidence about the zones' success appears inconclusive. Most Committee Members have conceded that their opinion on special economic zones has changed over the course of this inquiry. Indeed, the Committee has determined that taxation and financial incentives are now not the only significant consideration for the State's private sector. The Committee hopes that current state planning reforms and the work of the New South Wales Cross Border Commissioner, particularly in the areas of regulation harmonisation, licensing and trade qualifications, will help resolve some of the impediments to doing business in New South Wales and increase the State's competitiveness.

I would like to thank the Deputy Chair of the Economic Development Committee, Mr Stuart Ayres MP, whose understanding of the challenges facing post GFC economies was insightful. The diverse backgrounds represented by the three other Committee members, namely Mrs Noreen Hay MP (Wollongong), Mr Jamie Parker MP (Balmain) and Mr Chris Gulaptis MP (Clarence), proved to be of great benefit during our deliberations.

On behalf of the Committee I would like to thank the stakeholders who participated in and contributed to the inquiry and also thank Committee staff members, including Mrs Carly Maxwell and Mr John Miller, for their support and guidance, particularly when their Chair was absent for personal reasons for much of the winter recess.



David Elliott MP
Committee Chair

Executive Summary

Special economic zones can be defined as specific geographic areas offering particular incentives, for a defined period of time, to businesses and industries which physically locate within the zones. Incentives have traditionally been provided by governments with the aim of revitalizing or developing a particular area. The scope of the Committee's inquiry into special economic zones was limited to the types of tax and financial incentives that could be provided by the State Government.

The Committee received evidence from a number of stakeholders advocating the establishment of special economic zones in New South Wales. This evidence proposed that special economic zones should be established in one of a number of different types of regions across the State. These could be broadly categorised into three types of regions – border regions, disadvantaged regions and growth regions (in most cases, those advocating for special economic zones suggested that they should be implemented in their own local region).

Border regions

The economies of border regions in New South Wales are affected by cross-border anomalies in regulations and taxation. The Committee heard that differences in State taxes and regulations, including those affecting licences, trade qualifications, planning and transport, have a significant impact on the competitiveness and economic development of border regions. A number of stakeholders to the inquiry proposed that special economic zones be established in border communities to address these issues.

Cross-border collaboration

While some stakeholders considered that special economic zones could be an immediate solution to cross-border issues, the preferred long-term solution to many of the compliance issues and competitive disadvantages faced by businesses in border regions lies with the harmonisation of taxes and regulations between states. The Committee heard that the Council of Australian Government's (COAG's) program of reform will alleviate many cross-border issues; however, it was clear that there was frustration over the slow speed of reform under the COAG process. The Committee considered that cross-border collaboration between New South Wales and neighbouring states could provide an alternative approach to addressing cross-border issues.

Disadvantaged regions

Proponents of establishing special economic zones in disadvantaged or underperforming regions, such as the Barwon-Darling, Central Coast or Narrandera regions, suggested that special economic zones would encourage business investment and generate employment growth and thus alleviate entrenched socio-economic disadvantage and lead to long term economic sustainability.

Growth regions

Other stakeholders advocated for the establishment of special economic zones to capitalise on the competitive advantages and potential for growth demonstrated by particular regions. These stakeholders expressed the view that the establishment of special economic zones in regions such as the Hunter, South Coast or Penrith would provide greater flexibility in

planning, attract investment and provide impetus to make the most of the advantageous location, resources or amenities of these regions.

Arguments against special economic zones

Notwithstanding the support for special economic zones expressed by a number of stakeholders, the Committee also received evidence which suggested the need for caution with regard to the suitability of special economic zones within the NSW economy. A number of objections to the special economic zone model were raised during the inquiry, including arguments that:

- designating a particular region as a special economic zone will create its own cross-border issues and will disadvantage neighbouring regions;
- the drivers of economic growth are highly complex, which makes it difficult for policy makers to decide on appropriate interventions;
- the evidence about the success of special economic zones is mixed and inconclusive;
- the type of incentives offered by special economic zones are ineffective; and
- special economic zones detract from effective competition and may promote inefficiency.

Conclusion

While the Committee encourages the NSW Government to work with industry and other stakeholders to encourage economic development in regional areas, on balance, the Committee is not convinced of the need for, or effectiveness of, establishing special economic zones in New South Wales. The Committee found the arguments against special economic zones to be persuasive, especially the claim that they would create new border issues within New South Wales.

The majority of stakeholders in border economies highlighted that inconsistent regulations are the major impediments to economic growth in their region. Rather than focussing on establishing special economic zones in border economies, the Committee considers that the government should be working towards harmonisation of regulation and licensing as a matter of priority.

The Committee is not convinced that state tax or financial incentives in special economic zones will provide long-term solutions for lagging regional economies. The Committee considers that existing initiatives to encourage regional development throughout the State, along with recent reforms such as the appointment of the Cross Border Commissioner and the reform of the planning system, provide greater opportunities for promoting investment and increasing economic development in New South Wales.

List of Findings and Recommendations

RECOMMENDATION 1 _____ 12

That the NSW Government work towards a long term goal of setting state tax rates that are equal to or more competitive than other states.

RECOMMENDATION 2 _____ 14

That the NSW Government consider the impact of the planning system on border economies, as part of the current review of the NSW planning system.

RECOMMENDATION 3 _____ 24

That the following issues relating to border regions be further investigated by the Cross Border Commissioner:

- State taxes;
- Planning regulations;
- Licences and trade qualifications; and
- Transport regulations, including heavy vehicle regulations; taxi hire regulations; and public transport ticketing for services that cross state borders.

FINDING _____ 44

The Committee encourages the NSW Government to work with industry, local government and other stakeholders to encourage economic development in regional New South Wales.

However, on balance, the Committee finds that the establishment of special economic zones offering state tax and financial incentives is not justified in New South Wales.

Chapter One – Introduction

- 1.1 This chapter provides a definition of special economic zones and outlines some of the types of special economic zones that are found in jurisdictions around the world. The chapter defines the scope of the Committee's inquiry, noting the focus on state tax and financial incentives. The chapter also provides details of the conduct of the Committee's inquiry.

DEFINITION AND TYPES OF SPECIAL ECONOMIC ZONES

- 1.2 Special economic zones can be defined as specific geographic areas offering particular incentives, for a defined period of time, to businesses and industries which physically locate within the zones. Incentives have traditionally been provided by governments with the aim of revitalizing or developing a particular area; however there has been a trend over the last twenty years for private enterprises to own, develop and operate zones, or for public-private partnerships to develop sites and provide infrastructure.
- 1.3 Government incentives to businesses in economic zones primarily consist of:
- tax relief, wage subsidies and grants;
 - streamlining planning requirements and regulations; and
 - the provision of infrastructure.
- 1.4 Several different types of special economic zones have been implemented in jurisdictions around the world. The US Foreign Investment Advisory Service has categorised the different types of special economic zones as follows:
- *Free trade zones*: fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, trans-shipment, and re-export operations.
 - *Export processing zones*: industrial estates aimed primarily at foreign markets.
 - *Enterprise zones*: intended to revitalize distressed urban or rural areas through the provision of tax incentives and financial grants.
 - *Freeports*: larger areas which accommodate all types of activities, including tourism and retail sales, permit onsite residence, and provide a broader set of incentives and benefits.
 - *Specialised zones*: science/technology parks, petrochemical zones, logistics parks, airport-based zones, etc.¹
- 1.5 The different types of zones reflect the differing objectives, activities and available incentives associated with each zone. For example, export processing zones and free zones have been used widely over the past four decades by

¹ FIAS, [Special Economic Zones: Performance, lessons learned, and implications for zone development](#), April 2008, p 3.

developing countries to attract foreign direct investment, alleviate unemployment and encourage export-oriented production. More recently, some developing countries, such as China, have established large-scale special economic zones combining residential development and multiuse commercial and industrial activity or specific highly specialised services like information and communication technology and biotech.²

- 1.6 The enterprise zone model has been used in the United Kingdom and in the United States to attract and stimulate investment in underperforming regions. In United Kingdom, 38 enterprise zones were created in the 1980s and '90s, which aimed to boost economic growth in areas of market failure, particularly in the property sector, by introducing tax breaks and a relaxed planning regime to attract businesses.³

SCOPE OF THE INQUIRY

- 1.7 As outlined in the Terms of Reference, the scope of the Committee's inquiry into special economic zones is limited to the types of tax and financial incentives that can be provided by the State government.
- 1.8 In regards to tax incentives, the Committee therefore only focused on those incentives which were related to state taxes such as payroll tax, transfer duty (stamp duty) and land tax, etc.
- 1.9 Incentives relating to federal taxes - such as income tax, company tax, GST, customs duty, etc - were considered to be outside the scope of this inquiry.
- 1.10 Similarly, the Committee focused only on those financial incentives and regulations which are governed by the State.
- 1.11 The Committee also considered that investment in major infrastructure projects was outside the scope of the inquiry. Throughout the inquiry the Committee heard about the importance of infrastructure to economic development in regional areas. While this has been noted as a factor influencing economic development, especially in rural and regional areas, the Committee considered that the issue was outside the scope of the current inquiry.

CONDUCT OF THE INQUIRY

- 1.12 On 9 November 2011, the Committee adopted the terms of reference for its inquiry following receipt of a request from the Treasurer:
- I request the Committee to examine and inquire into the benefits of special economic zones, with particular emphasis on the potential to economic growth, employment and investment in regional NSW.⁴
- 1.13 The Committee called for submissions, advertising the inquiry on the Parliament's website, in the Sydney Morning Herald and The Land newspapers and by writing

² Farole, T and Akinci, G, eds, [*Special Economic Zones: Progress, Emerging Challenges, and Future Directions*](#), The World Bank, 2011.

³ PA Cambridge Economic Consultants, *Final Evaluation of Enterprise Zones*, HMSO 1995

⁴ The Hon. Mike Baird MP, Treasurer. Correspondence to the Committee, dated 14 October 2011.

to relevant government and business stakeholders. The closing date for submissions to be lodged was 23 March 2012.

- 1.14 In total, the Committee received 38 submissions from private citizens, local councils, business groups, academics, government agencies and regional development organisations. A full list of the submissions received can be found in Appendix One and copies of the submissions are available on the Committee's website.
- 1.15 As part of the inquiry, the Committee held a public hearing in Sydney on 30 April 2012. The hearing gave the Committee an opportunity to further explore some of the issues raised in the submissions and to examine options relating to establishing special economic zones in New South Wales. A full list of witnesses who appeared before the Committee can be found in Appendix Two. Transcripts of the evidence provided are available on the Committee's website.
- 1.16 Delegations of the Committee conducted site visits to Tweed Heads on 7 June 2012 and Albury on 15 June 2012, meeting with a number of stakeholders located in these border regions of New South Wales. Meetings were conducted in the Albury City Council chambers and Twin Towns Services Club, Tweed Heads; as well, Committee members made a number of site visits to local businesses.

Chapter Two – Border regions

- 2.1 This chapter considers the establishment of special economic zones in border regions. It looks at some of the issues faced by businesses in border communities, including taxation and regulatory differences. A number of stakeholders to the inquiry proposed that special economic zones be established in border communities to address these issues. The latter part of the chapter considers cross-border collaboration and the harmonisation of regulations between states as alternative approaches to addressing cross-border issues.

BORDER ISSUES

- 2.2 During the inquiry the Committee heard from a number of stakeholders that economic development in communities near the State border can be stymied by cross-border anomalies in regulations and taxes. The majority of these stakeholders were from border regions of New South Wales, although the NSW Business Chamber also argued that border communities faced significant disadvantages which impacted on the ability to compete.
- 2.3 The Murray Shire Council expressed concern regarding the impact that 'cross-border anomalies are having on economic growth, employment and investment in our region.'⁵ The Council stated that people living and working in a border community face many anomalies, in areas such as health, transport and education, which place them at a disadvantage compared with those living in other states and regions.⁵
- 2.4 Similarly, the Tweed Shire Council, whose Local Government Area borders Queensland, noted that there are many and varied issues associated with living next to a state border, which have a 'dramatic impact on the daily lives of the Tweed community.'⁶
- 2.5 The impact of higher taxes and costs for businesses operating near the border in New South Wales was highlighted in the submission from Regional Development Australia Murray (RDA Murray), which warned that New South Wales is losing income and skills to businesses across the border. They argued:
- Businesses and industries located in Victoria are in a better position than that of their counterparts in NSW in so far as taxes and excises, with NSW businesses and industries incurring higher taxes than Victorian businesses/industries. NSW is losing valuable income and skills to our Southern neighbour and this needs to be urgently rectified if NSW is to be seen as the "state of choice".⁷
- 2.6 During the Committee's public hearing on 30 April, the NSW Business Chamber relayed anecdotal evidence of businesses in Albury choosing to move across the border to Victoria where they found better accommodation and lower taxes.

⁵ Submission 23, Murray Shire Council, p. 1

⁶ Submission 34, Tweed Shire Council, p. 1

⁷ Submission 19, Regional Development Australia Murray, p. 4

We have heard examples from our members in Albury of businesses that grew out of their premises on the New South Wales side and decided to move across the border because they had found a bigger space to grow and found that they could take on another worker because of the savings they were making on payroll tax and workers compensation. It was a surprise to those businesses that that occurred but it was a pretty clear indictment of the burden they were facing in New South Wales.⁸

- 2.7 Businesses operating in border communities often sell goods to or service customers from both sides of the border. They may also hire staff who live interstate or who work in both states. The day-to-day operations of such businesses are complicated by the regulatory differences which exist between states.⁹
- 2.8 The NSW Business Chamber explained that businesses operating close to state borders face higher compliance costs because they are required to understand and comply with two different sets of state legislation and regulation. This is a burden for small businesses in particular. As the Chamber noted, 'Simply put, the red tape burden is twice as high when you need to comply with two sets of regulations.'¹⁰
- 2.9 In addition to complying with multiple sets of government regulations, NSW businesses in cross-border regions are often competing against interstate businesses which have lower taxes. The NSW Business Chamber stated that the difference in tax rates between states acts like a tariff, which disadvantages NSW businesses and can drive investment across the border. They submitted:
- Shaw and Associates Consulting found that "Border Anomalies act like a tariff on border businesses by increasing an organisation's costs without any offsetting increase in productivity. In order to maintain their viability organisations would need to supply their goods and services at a higher price in line with their higher cost structure."
- Regulatory inconsistencies can distort business decisions and drive investment to the side of the border with the more favourable regulatory environment. This is particularly concerning for NSW, as our State taxes are typically higher than those in Queensland and Victoria, which results in businesses relocating across the border reducing employment opportunities for NSW residents.¹¹
- 2.10 Albury City Council noted that economic conditions in recent years have encouraged firms to consider the comparative costs of doing business in different states and to consider relocating across the border. New South Wales' higher costs were suggested to be a factor impacting on the trend for growth in Wodonga (Victoria) to outstrip the growth in Albury (New South Wales). They submitted:
- ... as businesses consider locating in this region, or expansion of their existing operations and relocation to new premises, most are giving careful consideration to the comparative cost of operating in each State.

⁸ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 5

⁹ Submission 33, NSW Business Chamber, p. 2

¹⁰ Submission 33, NSW Business Chamber, p. 2

¹¹ Submission 33, NSW Business Chamber, p. 2

A review of the most up to date Gross Regional Product data reveals that economic activity in Wodonga LGA has increased at a greater rate than that occurring in the Albury LGA in recent times.

As at February 2012 the Albury Wodonga combined Gross Regional Product was estimated at \$5.67B, an increase of \$380M from September 2011. Of this growth \$170M occurred in the Albury LGA and \$210M occurred in Wodonga LGA.

...there is clearly a disparity between GRP growth based on the number of businesses operating in each City.

Based on the most recent data available (2009) Albury had 4338 registered businesses, with 1995 of those employing staff. For the same period Wodonga had 2751 registered businesses with 1230 employing staff. With almost 62% of employing businesses operating in the Albury Wodonga region being based in Albury it would be reasonable to expect that the majority of economic growth would be occurring in this City. Clearly this is not the case.

Albury City is working hard to proactively contribute to the growth and development of the City's economy. The current environment is such that Victoria is 'The Place to Be' when comparing State Tax and Stamp Duty rates, which is significantly impacting on our ability to compete with Wodonga in attracting new investment and retaining our existing businesses.¹²

- 2.11 The existence of cross-border anomalies and extra compliance costs faced by businesses in border communities is a long standing issue. The NSW Business Chamber noted that the NSW Government has long acknowledged the need for cross-border harmonisation and over the years the Government has addressed numerous issues. However, there still remain many inconsistencies between states and the Chamber considered that more needs to be done:

The NSW Government has acknowledged the need for greater cross-border harmonisation for many years. The NSW and Victorian Governments established the Border Anomalies Committee in 1979 with the objective of addressing regulatory inconsistencies faced by border communities. While many issues have been referred to the Committee over the decades, cross-border issues are still a significant concern for businesses operating in these regions. ... Feedback from NSWBC members in border regions has made it clear however that the current arrangements for dealing with cross-border issues in NSW are not satisfactory and that more needs to be done to address this issue.¹³

- 2.12 Given the significant impact that border anomalies can have on investment and employment in border towns, and following their assertion that existing measures to address border issues have not been satisfactory, the NSW Business Chamber proposed that establishing special economic zones in NSW border regions should be a priority for Government.¹⁴
- 2.13 Stakeholders from border regions shared the view of the NSW Business Chamber, with Albury City Council, the Riverina and Murray Regional Organisation of

¹² Submission 16, Albury City, p. 1-2

¹³ Submission 33, NSW Business Chamber, p. 2

¹⁴ Submission 33, NSW Business Chamber, p. 2

Councils and Tweed Shire Council all advocating the establishment of special economic zones in their regions in order to ensure that NSW businesses operating close to the border remain competitive with businesses across the border.¹⁵ The submission from Albury City Council declared:

The establishment of an economic zone for Albury-Wodonga would be most welcome to ensure parity and to enable the City of Albury to regain its competitiveness as an investment destination. It would also protect existing business and industry from the additional costs associated with cross-border business operation.¹⁶

- 2.14 The establishment of special economic zones in border regions was seen by Mr Micah Green of the NSW Business Chamber as more justifiable than establishing zones in other regions of the State, especially in light of the Chamber's policy to encourage competition throughout the State.

We have probably focused on the border economies because it is much more justifiable in competition terms to equalise or harmonise the regulatory burden in those areas... I do not think we would encourage as a broad policy special economic zones popping up in any other place than at the borders. It is a little more difficult to justify in terms of our broad policy position of encouraging competition in New South Wales.¹⁷

- 2.15 The following sections provide further detail about some of the key taxation and regulation areas highlighted by stakeholders as issues of concern in border regions. The issues include: state taxes, licences and trade qualifications, planning, transport, and other issues impacting on economic development in border regions.

State taxes (including payroll tax, land tax, stamp duty)

- 2.16 The level of taxes and levies charged by the NSW State Government was raised in the evidence of many stakeholders. Rates and thresholds for state taxes are determined by state governments and, accordingly, they often vary from one state to the next. The Committee heard that taxes and charges in New South Wales are typically higher than in neighbouring states. This affects the competitiveness of businesses operating in New South Wales, particularly those businesses that are close to the state border and are competing directly with businesses based in the adjoining state.

- 2.17 Albury City Council described the situation in Albury, which is directly across the border from the Victorian town of Wodonga, highlighting that payroll tax, land tax and stamp duty costs were higher for NSW businesses:

...Albury faces constant competition from and comparison with Wodonga (VIC), particularly by business and industry when considering relocation or business expansion.

¹⁵ Submission 20, RAMROC, p. 2; Submission 34, Tweed Shire Council, p. 2

¹⁶ Submission 16, Albury City, p. 1-2;

¹⁷ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 5

Independent analysis has shown that NSW applies higher rates to a range of business stamp duties and taxes than its Victorian counterparts. This includes but is not limited to payroll tax, land tax, stamp duty on motor vehicles and stamp duty applied to land and business transfers.¹⁸

2.18 Differences in tax rates and thresholds, for payroll tax in particular, were similarly mentioned in submissions from Tweed Shire Council and the NSW Business Chamber, as well as being raised by stakeholders during the Committee's site visits to Tweed Heads and Albury.¹⁹

2.19 During the public hearing on 30 April 2012, Mr Micah Green of the NSW Business Chamber noted that the Chamber would be commissioning a comparative study of the aggregate tax burden in New South Wales and other states:

Looking at the tax mix more broadly and other State taxes, we have not looked at that in as much detail as we would like as yet but I can tell the Committee that as a chamber we are currently in the process of commissioning a piece of work to look specifically at the aggregate tax burden in New South Wales at a State level and compare that with hopefully Queensland and Victoria. What we are trying to do ideally is to pick a small number of case study businesses and have a quite detailed look at the cost of running that business in New South Wales and then in effect create a hypothetical proxy for that business on the other side of the border and again look at what the State cost would be there vis-a-vis New South Wales and then come up with some sort of more quantitative way of comparing the aggregate burden rather than some of the anecdotal evidence we have at the moment.²⁰

2.20 The following tables provide a comparison between New South Wales, Victoria and Queensland for payroll tax, land tax and transfer duty (stamp duty):

Table 1: Comparison of payroll tax at 1 July 2012²¹

State	Payroll tax rate	Payroll tax threshold
NSW	5.45%	\$689,000
VIC	4.90%	\$550,000
QLD	4.75%	\$1,100,000

¹⁸ Submission 16, Albury City, p. 1-2

¹⁹ Submission 34, Tweed Shire Council, p. 1; Submission 33, NSW Business Chamber, p. 2. Visit of inspection to Albury – 15 June 2012; Visit of inspection to Tweed Heads – 7 June 2012

²⁰ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 3-4

²¹ NSW Office of State Revenue website, www.osr.nsw.gov.au/taxes/; Victorian Office of State Revenue website, www.sro.vic.gov.au/sro/SROnav.nsf/alltitle/Tax%20%26%20Duty%20Rates?open; Queensland Office of State Revenue website, www.osr.qld.gov.au/payroll-tax/index.shtml

Table 2: Comparison of land tax for companies at 1 July 2012 ²²

State	Land value	Rate
NSW	Less than \$396,000	Nil
	\$387,001 - \$2,366,000	\$100 + 1.60%
	Over \$2,421,000	\$32,500 + 2.00%
VIC	Less than \$250,000	Nil
	\$250,000 - \$599,999	\$275 + 0.20%
	\$600,000 - \$999,999	\$975 + 0.50%
	\$1,000,000 - \$1,799,999	\$2,975 + 0.80%
	\$1,800,000 - \$2,999,999	\$9,375 + 1.30%
	\$3,000,000 and over	\$24,975 + 2.25%
QLD	Less than \$350,000	Nil
	\$350,000 - \$2,249,999	\$1,450 + 1.70%
	\$2,250,000 - \$4,999,999	\$33,750 + 1.50%
	\$5,000,000 and over	\$75,000 + 2.00%

Table 3: Comparison of transfer duty (stamp duty) at 1 August 2012 ²³

State	Transfer value	Rate
NSW	\$0 - \$14,000	1.25%
	\$14,001 - \$30,000	\$175 + 1.50%
	\$30,001 - \$80,000	\$415 + 1.75%
	\$80,001 - \$300,000	\$1,290 + 3.50%
	\$300,001 - \$1,000,000	\$8,990 + 4.50%
	Over \$1,000,000	\$40,490 + 5.50%
VIC	\$0 - \$25,000	1.40%
	\$25,001 - \$130,000	\$350 + 2.40%
	\$130,001 - \$960,000	\$2,870 + 6.00%
	Over \$960,000	5.50% of total value
QLD	\$0 - \$5,000	Nil
	\$5,001 - \$75,000	1.50%
	\$75,001 - \$540,000	\$1,050 + 3.50%
	\$540,001 - \$980,000	\$13,325 + 4.50%
	Over \$980,000	\$37,125 + 5.25%

2.21 As the tables show, New South Wales has a higher rate for payroll tax than both Victoria and Queensland. However, the figures for land tax and stamp duty are

²² NSW Office of State Revenue website, www.osr.nsw.gov.au/taxes/; Victorian Office of State Revenue website, www.sro.vic.gov.au/sro/SROnav.nsf/alltitle/Tax%20%26%20Duty%20Rates?open; Queensland Office of State Revenue website, www.osr.qld.gov.au/land-tax/index.shtml

²³ NSW Office of State Revenue website, www.osr.nsw.gov.au/taxes/; Victorian Office of State Revenue website, www.sro.vic.gov.au/sro/SROnav.nsf/alltitle/Tax%20%26%20Duty%20Rates?open; Queensland Office of State Revenue website, www.osr.qld.gov.au/duties/index.shtml

not as conclusive, with New South Wales sometimes being more competitive than Victoria or Queensland, depending on the land value or transfer value.

- 2.22 For the NSW Business Chamber, payroll tax is the main tax that presents a disadvantage to businesses in New South Wales that are competing against businesses in bordering states. Mr Micah Green from the Chamber noted that the difference in tax rates is sometimes a factor in decisions about whether to expand a business in New South Wales or across the border:

The key tax, which in the past and which we continue to identify as the key difference between the States is the issue of payroll tax and the headline rate in New South Wales is higher than comparable jurisdictions and the threshold is lower and obviously that is a competitive disadvantage for businesses operating close to both the Victorian and Queensland borders. We do hear anecdotally from members occasionally that expansion decisions are in some ways influenced by that proximity to the border and the difference in the tax rates between the two States.²⁴

- 2.23 While advocating the reduction of payroll tax to make New South Wales more competitive, the NSW Business Chamber recognised that any change in tax rates would affect the Government's revenue. The Chamber acknowledged that under current fiscal conditions it was unlikely that the Government would introduce an immediate reduction to payroll tax across the entire State:

The challenge with the tax burden will always be finding the fiscal flexibility to make those concessions. We would love to see the payroll tax rate move straight away to the most competitive rate on the eastern seaboard but at the same time we acknowledge that that sort of tax reform is incredibly expensive and given the current fiscal constraints that the New South Wales Government is facing, that is probably an unrealistic expectation on our part.²⁵

- 2.24 During the Committee's visit to Tweed Heads it was suggested that the NSW payroll tax rate and threshold should be adjusted in border regions to match the rate and threshold that is available to businesses in the neighbouring state.²⁶ This possibility was also raised by Mr Green during the Committee's public hearing:

One option we have been toying with is if we are establishing a special economic zone, for example in the Albury-Wodonga region, can we shift the payroll tax burden on the businesses on the New South Wales side of the border and instead of their being subject to New South Wales rate and threshold make them subject to Victorian rate and threshold? Obviously they would still be paying the New South Wales Government, but there would be a fiscal cost to that and there would be an expenditure element. Obviously it would be significantly cheaper than providing it across the entire State, but it would target the area in which payroll tax is producing the clearest disincentive to employment.²⁷

- 2.25 It was suggested that such an adjustment in payroll tax, to match the rate and threshold in a neighbouring state, could be one of the incentives offered in special economic zones established in border regions.

²⁴ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 3

²⁵ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 4

²⁶ Visit of inspection to Tweed Heads – 7 June 2012

²⁷ Mr Micah Green, Transcript of evidence, 30 April 2012, p. 10

- 2.26 Aside from the issue of payroll tax rates and thresholds, the compliance burden that payroll tax imposes on businesses in border communities was also raised during the Inquiry.
- 2.27 During the Committee's site visit to Albury, the Committee heard that small and medium sized businesses are affected by an onerous administrative burden if they have employees working on both sides of the border, especially in regards to apportionment of payroll tax.²⁸

Committee comment

- 2.28 The Committee notes that state taxes and charges in New South Wales differ from the taxes and charges of neighbouring states. In some cases, e.g. payroll tax, the rates and thresholds in New South Wales are less competitive than those across the border. The Committee recognises that such taxes may affect the competitiveness of businesses which operate in New South Wales and compete with businesses based in other states.
- 2.29 However, the Committee also found that for some taxes, such as land tax and transfer duty, the situation is not so straight forward, and, as demonstrated in earlier tables comparing tax rates, New South Wales may sometimes offer a more competitive rate than Victoria or Queensland.
- 2.30 During the Inquiry, the Committee heard that the NSW Business Chamber is currently commissioning a study to compare the aggregate tax burden of businesses in New South Wales compared with other states. The Committee looks forward to the results of this study and the practical data it may provide for policy makers.
- 2.31 The Committee notes that the recent budget included a number of proposals to improve competitiveness in NSW, including:
- payroll tax rebates through the *Jobs Action Plan* to support business in creating new jobs, and
 - raising the threshold for payroll tax to \$689,000.
- 2.32 These programs may somewhat improve the competitiveness of New South Wales, however the Committee considers that in the long term the State Government should aim to set state tax rates and charges that are equal to or more competitive than other states in Australia.
- 2.33 Businesses today are increasingly flexible and mobile. This increased mobility, along with the growth of e-commerce, means that the State Government must ensure that it is not driving business away by setting tax rates at levels which disadvantage New South Wales organisations.
- 2.34 While the Committee recognises the current fiscal constraints that the State Government faces, it considers that the Government should do all it can to put NSW on a level playing field with other states.

²⁸ Visit of inspection to Tweed Heads – 7 June 2012

RECOMMENDATION 1

That the NSW Government work towards a long term goal of setting state tax rates that are equal to or more competitive than other states.

Licensing and trade qualifications

- 2.35 A number of occupations require licences or qualifications which are administered by state governments. Evidence before the inquiry suggested that individuals who work in more than one state are often required to hold multiple licences or certificates. This poses an additional administrative and financial burden on people who live and work in border regions.
- 2.36 The Murray Shire Council noted the extra burden that requirements to hold dual licences place on people working in a border region:
- One example of a border location difficulty is that many jobs require staff and contractors to hold two of the relevant license, permit, certificate, qualification, or similar (one for Victoria and one for NSW). This requires a double up (and waste) of people's time, money, paperwork etc, which places extra burden on those people operating in our region.²⁹
- 2.37 The issue was also noted in the submission from Tweed Shire Council and during the Committee's site visit to Albury, along with the suggestion that licences and trade qualifications should be harmonised across borders.³⁰

Committee comment

- 2.38 The Committee was concerned to hear of the level of bureaucracy and the administrative burden involved for individuals and organisations that worked across borders and required dual licences or qualifications. The Committee heard that border communities are particularly affected by this issue, which has become a significant deterrent for growth in border regions.
- 2.39 The Committee notes that work has been done by the Council of Australian Governments (COAG) to standardise some licences or qualifications between the states. One such example was the introduction in 2010 of a national registration and accreditation scheme for health professionals. However, there remain numerous licences, permits or qualifications that differ from one state to the next.
- 2.40 While the requirement to hold multiple licences or qualifications certainly adds an extra burden on individuals or businesses operating in multiple states, it was not clear to the Committee that establishing a special economic zone in a border region would address the issue. As will be noted later in the chapter, the Committee considered that any special economic zone with different requirements for licences and qualifications would simply create another border within the State, and thus create much the same problems for communities located beside the border of a special economic zone. Such a system, with

²⁹ Submission 23, Murray Shire Council, p. 1

³⁰ Submission 34, Tweed Shire Council, p. 1; Visit of inspection to Albury – 15 June 2012; Visit of inspection to Tweed Heads – 7 June 2012

different requirements in different zones around the State would also be significantly more complex and difficult to administer.

- 2.41 The Committee considered that the best approach to this issue would be a state-wide solution, due to ease of administration and consistency throughout the State. The harmonisation of regulations, as well as the mutual recognition of licences across different states, may be a more appropriate approach to this issue and will be discussed later in the chapter.

Planning

- 2.42 The NSW planning system was raised during the inquiry as another regulatory area in which New South Wales is lagging behind neighbouring states. The complexity and higher costs imposed in New South Wales were said to affect economic growth, especially in border regions.
- 2.43 During the Committee's site visits to both Albury and Tweed Heads it was noted by stakeholders that the planning system in New South Wales is more complicated and often more expensive than other states. One stakeholder from northern New South Wales flagged local government planning as one of the top five impediments to economic growth in the region. When the Committee visited the Tweed region, it heard about the importance of the construction industry to the local region. However, differences in planning regulations between the Tweed and Gold Coast created a competitive disadvantage for New South Wales.³¹
- 2.44 Stakeholders in border regions did not outline any specific incentives relating to planning that might be implemented in a special economic zone. However, the submission from the NSW Division of the Planning Institute of Australia did include a number of items relating to the planning system in its list of potential incentives that the State Government could offer in special economic zones.

Realistically, the inducements a NSW government could offer (independent of the federal government) to an enterprise to locate in a particular area are limited to:

...

- Infrastructure charge concessions (or reduced price access to infrastructure or facilities paid for by the state)
- Concessional leases on state owned land (where available)
- Relaxed planning controls
- Fast tracked or streamlined planning approvals
- Other regulatory relief.³²

³¹ Visit of inspection to Albury – 15 June 2012; Visit of inspection to Tweed Heads – 7 June 2012

³² Submission 22, Planning Institute of Australia NSW Division, p. 2

Committee comment

- 2.45 The Committee recognised the particular impact that planning may have in border economies, especially where the adjoining state has a more favourable planning system.
- 2.46 While acknowledging that the planning system can play a significant role in the development and economic growth of a region, the Committee notes that the State Government is currently undertaking a comprehensive review of the NSW planning system.
- 2.47 Some aspects of the Government's current planning system review are discussed later in the report; however the Committee considers that the review should take into consideration the impact that the planning system has on border economies in particular.

RECOMMENDATION 2

That the NSW Government consider the impact of the planning system on border economies, as part of the current review of the NSW planning system.

Transport

- 2.48 Differences in transport regulations between states were another area of concern for stakeholders in border regions. The Committee heard about a range of transport issues including road weight limits, heavy vehicle checking stations, taxi regulations and public transport across borders.
- 2.49 Road weight limits in northern NSW were raised during the Committee's site visit to Tweed Heads³³ and during the Committee's public hearing. In both cases the Committee heard that trucks were sometimes required to travel with less than a full load because of weight limit restrictions on New South Wales roads. Mr Aitken of the NSW Business Chamber stated:
- In terms of truck haulage there are some big issues up around the Tweed with road weight limits. There is a huge problem up there with businesses filling trucks to only 75 per cent capacity because of the weight limits in New South Wales.³⁴
- 2.50 While this evidence indicates that road weight limits have historically posed a problem for some businesses operating in New South Wales, the Committee understands that the Government is considering improvements to be made through the Livestock Loading Scheme which should produce productivity improvements.³⁵ In addition, Roads and Maritime Services maintains a database of its bridges and roads and reviews access as required, which is updated on the Restricted Access Vehicles maps published on the Roads and Maritime Services website.³⁶

³³ Visit of inspection to Tweed Heads – 7 June 2012

³⁴ Mr Luke Aitken, Transcript of evidence, 30 April 2012, p. 9

³⁵ Australasian Transport News website, www.fullyloaded.com.au/industry-news/articleid/81349.aspx accessed 10 October 2012

³⁶ Roads and Maritime Services - Restricted Access Vehicle maps website, www.rta.nsw.gov.au/heavyvehicles/oversizeovermass/rav_maps.html accessed 25 September 2012

- 2.51 In Albury, the Committee heard that heavy vehicle checks are sometimes required in New South Wales which would not be required in Victoria. Stakeholders in the regions suggested that there is a need for consistent national regulations for transport.³⁷
- 2.52 Rules for taxis operating in border regions were also raised during the Committee's site visits. In Tweed Heads the Committee was informed that taxis based in New South Wales were unable to pick up passengers from across the border, although they could travel across the border to drop off a passenger. In practice, this meant that a taxi driver could convey a passenger a significant distance into Queensland, yet they would not be able to pick up another fare until they returned to New South Wales. The one exception to this rule was at Coolangatta airport, where there is a taxi rank approved for use by New South Wales taxis, although the Committee was informed that Queensland taxis still get the first offer for passengers.³⁸
- 2.53 In contrast with Tweed Heads, the airport in the Albury/Wodonga region is located on the New South Wales side of the border. In this case the Committee heard that there were rules in place which restricted Victorian taxis from collecting passengers from Albury Airport.³⁹
- 2.54 Another issue raised by Tweed Heads residents was in relation to bus services that crossed the border. The local bus service in Tweed Heads travels across the border, however there are different fare systems in each state. Queensland offers a 'go card' electronic ticketing system which allows users to 'touch on' and 'touch off' to automatically deduct fares. However, this system is not available in New South Wales, which means that commuters must either get off the bus or buy a new ticket for the next part of the journey once they reach the border.⁴⁰
- 2.55 A final transport issue that was raised during the Committee's site visit to Albury was the quality of rail infrastructure and access to freight rail services. Two stakeholders in the region raised this issue with the Committee.⁴¹ For businesses that export products outside of the local region, access to freight services is an important element of operations. The Committee heard that businesses can find it difficult to get access to sufficient freight rail services and it was suggested that private providers should be given the opportunity to provide rail services to boost the existing services that are currently available.

Committee comment

- 2.56 Transport plays an important part in regional economies and differences in regulations between states are of particular concern to border communities. Transport issues raised during the Committee's inquiry included: heavy vehicle regulations that differ between neighbouring states; taxi pick up rules across

³⁷ Visit of inspection to Albury – 15 June 2012

³⁸ Visit of inspection to Tweed Heads – 7 June 2012; see also www.nswtaxi.org.au/ctoa_detail.php?id=21

³⁹ Visit of inspection to Albury – 15 June 2012

⁴⁰ Visit of inspection to Tweed Heads – 7 June 2012; see also <http://translink.com.au/tickets-and-fares/go-card/new-to-go-card>

⁴¹ Visit of inspection to Albury – 15 June 2012

state borders; public transport ticketing for services that cross state borders; and access to freight rail services.

- 2.57 Many of these issues were raised during the Committee's site visits to Tweed Heads and Albury. However, the Committee did not receive a significant amount of information on these matters in the formal evidence to the inquiry (that is, the submissions received and the public hearing). The Committee therefore considered that these issues and their effect on border communities should be considered in further detail by the Cross Border Commissioner. The role of the Cross Border Commissioner will be discussed later in this chapter.

Other issues impacting on economic development in border regions

- 2.58 Other issues raised during the inquiry relating to the constraints on economic development in border regions included worker's compensation, electricity costs, fire service levies and infrastructure.
- 2.59 Workers' compensation was raised by the NSW Business Chamber and during the Committee's site visits to Albury and Tweed Heads. Mr Green of the Business Chamber noted that worker's compensation along with payroll tax were 'probably the two heads of taxation that cause our members the most problems.'⁴² Stakeholders in Albury stated that workers' compensation premiums differ between states and that companies which moved from Albury to Wodonga saved significant amounts in premiums each year.⁴³
- 2.60 Electricity costs in the Northern Rivers region of New South Wales were raised during the Committee's site visit to Tweed Heads. The Committee was advised that electricity costs in the Northern Rivers are much higher than across the border in the Gold Coast region. This significant difference in costs was presented as a key motive for businesses with high electricity usage to consider relocating to Queensland.⁴⁴
- 2.61 One stakeholder in the Northern Rivers region raised the issue of the fire service levy, or emergency services funding system, and suggested that costs in New South Wales are higher than other states and the New South Wales system disadvantages those businesses that choose to pay for insurance.⁴⁵
- 2.62 Finally, as with many other areas around the State, infrastructure was noted by stakeholders in border regions as a major influence on economic development in the region.⁴⁶

Committee comment

- 2.63 The Committee notes that the public hearing and site visits for this inquiry were conducted prior to the passage of a Government Bill which amended the *Workers Compensation Act 1987*. The Committee considers that changes wrought by the *Workers Compensation Legislation Amendment Act 2012* will affect the operation

⁴² Mr Micah Green, Transcript of evidence, 30 April 2012, p. 8

⁴³ Visit of inspection to Albury – 15 June 2012

⁴⁴ Visit of inspection to Tweed Heads – 7 June 2012

⁴⁵ Visit of inspection to Tweed Heads – 7 June 2012

⁴⁶ Visit of inspection to Tweed Heads – 7 June 2012

of workers' compensation in New South Wales and may therefore also alter the costs imposed on businesses.

- 2.64 As the Committee received no further evidence about the recently introduced changes to workers' compensation, the Committee has chosen not to comment on the issue, beyond noting the concerns of stakeholders raised during the inquiry and noting that the legislation recently passed may have a significant impact on the costs and operation of workers' compensation.
- 2.65 In relation to electricity prices, the Committee notes that the Gold Coast is a metropolitan location, while the Northern Rivers is considered a regional location. Regulated electricity prices in New South Wales are set by the Independent Pricing and Regulatory Tribunal (IPART) and are affected by the differing costs of supplying electricity to different locations, as described below:
- Power prices usually differ depending upon where you live. For example, if you live in Sydney and its surrounding suburbs you will usually pay a lower supply charge per day and usage price per kWh than someone living in, say, Dubbo. The prices differ to reflect the fact that it costs less to supply a house in a big city compared to the country; in the city there are more people and distances are shorter so the costs to supply electricity will be lower.⁴⁷
- 2.66 In relation to fire service levies, the Committee notes that a review of the Emergency Services Funding System is currently being undertaken by the State Government and looks forward to the outcomes of this review.⁴⁸
- 2.67 Finally, as stated in the introductory chapter, the Committee recognises the importance of infrastructure to economic development in regional areas; however, it considered the issue of investment in major infrastructure projects to be outside the scope of the current inquiry.

ARGUMENTS AGAINST SPECIAL ECONOMIC ZONES IN BORDER REGIONS

- 2.68 While many stakeholders in border regions advocated for the establishment of special economic zones in their own region, the Committee also heard arguments against establishing special economic zones. One of the major arguments against special economic zones, which is particularly pertinent to border regions, is the assertion that they merely shift the border or create a new border.
- 2.69 As noted in Chapter One, a special economic zone is a specific geographic area with defined boundaries. Businesses and industries within the zone are offered particular incentives which are not available to other businesses and industries located outside the zone.
- 2.70 The earlier part of this chapter focused on many of the negative consequences that can arise from the existence of state borders where regulations and government taxes vary from one side of the border to the other. Creating a

⁴⁷ See www.switchwise.com.au/electricity/sydney-nsw/ and www.sfaq.ipart.nsw.gov.au/consumer-information-electricity.asp#Q8

⁴⁸ <http://haveyoursay.nsw.gov.au/esl>

special economic zone which, itself, will have different taxes and/or regulations from the rest of the State runs a real risk of recreating or simply shifting the same sorts of issues we have discussed in this chapter.

2.71 In the course of the inquiry, Associate Professor Paul Collits of the Australian Centre for Sustainable Business and Development noted that 'designating a zone for particular policy purposes anywhere will have its own cross-border effect'.⁴⁹ One of the issues that would arise is the question of where the boundaries of special economic zones are drawn and which towns or locations are inside the zone and which ones are left out. Dr Collits commented that 'there will always be problems, when particular places are designated, about who is in and who is out and how a government justifies inclusions and exclusions.'⁵⁰ Later in the public hearing Dr Collits agreed with the point that 'creation of a special economic zone to solve a border issue might create a border inside our State that would produce domestic problems.'⁵¹

2.72 The submission from NSW Trade and Investment suggested that regional areas next to, but just outside of, a special economic zone (SEZ) are typically negatively affected by the establishment of such zones, as they often lose investment to a zone which can offer more incentives. They stated:

Often a policy assessment does not take into account the negative impacts felt by regional areas outside the SEZ. Typically, the areas which fare worst are those directly contiguous to the SEZ. When businesses decide to re-locate into the SEZ, they generally come from quite nearby (as opposed to metropolitan areas). Negative impacts are, therefore, often felt in other regional or rural areas that have had investment and employment redirected out of their location towards the SEZ.⁵²

2.73 Meanwhile, the submission from an independent stakeholder, Mr Andrew Pullen, painted an even bleaker picture for those towns that are on the wrong side of a boundary line which defines a special economic zone:

Because of an imaginary line thru the landscape, a small NSW town will miss out on tax breaks and over a few short years become a ghost town.⁵³

Committee comment

2.74 While the Committee does not consider that the negative effects of being situated next to a special economic zone would necessarily destroy townships, it has been made aware, throughout the inquiry, of the difficulties that regions face if they are located next to a border and competing against regions on the other side of the border that have lower taxes and different regulations.

2.75 The Committee considers that creating special economic zones in border regions is likely to have the effect of simply shifting the border, and the subsequent border issues, on to other regions which are just outside the special economic zone.

⁴⁹ Associate Professor Paul Collits, Transcript of evidence, 30 April 2012, p. 36

⁵⁰ Associate Professor Paul Collits, Transcript of evidence, 30 April 2012, p. 36

⁵¹ Mr Stuart Ayres, Associate Professor Paul Collits, Transcript of evidence, 30 April 2012, p. 38

⁵² Submission 15, NSW Trade and investment, p. 4

⁵³ Submission 30, Andrew Pullen, p. 1

HARMONISATION OF REGULATIONS AND CROSS-BORDER COLLABORATION

2.76 The harmonisation of taxes and regulations between states may be an alternative solution to many of the compliance issues and competitive disadvantages faced by businesses in border regions. During the inquiry the Committee heard about steps being taken by the Council of Australian Governments (COAG) to resolve various regulatory discrepancies between states. However, the Committee also heard that the existing COAG processes take a long time and that more could be done by the State government to alleviate some issues in the more immediate future.

2.77 The Council of Australian Governments is an intergovernmental forum consisting of the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association. The role of COAG is to promote policy reforms that are of national significance, or which need co-ordinated action by all Australian governments. Programs of reform undertaken by COAG are often embodied in intergovernmental agreements, including National Partnership Agreements.⁵⁴

2.78 In 2008, COAG agreed to implement regulation and competition reforms under the National Partnership Agreement to Deliver a Seamless National Economy. The NSW Department of Premier and Cabinet described the Agreement in the following way:

The reforms being implemented under the National Partnership Agreement to Deliver a Seamless National Economy represent an ambitious and challenging program that will provide a range of economic benefits to Australian businesses, employees and consumers by reducing the costs in complying with inconsistent and unnecessary regulation across jurisdictions, improving workforce participation and labour mobility, and enhancing Australia's overall productivity.⁵⁵

2.79 COAG's program of reform to harmonise regulations across jurisdictions was seen by a number of stakeholders in border regions as a long term solution to many of the regulatory issues raised in this chapter. However, it was clear that there was frustration over the slow speed of reform under the COAG process.⁵⁶

2.80 Similarly, the submission from the NSW Business Chamber considered that national harmonisation would resolve many issues and reduce the compliance burden on businesses operating in multiple jurisdictions. However, the Chamber also noted that the process was complex, took a long time to achieve outcomes, and was not guaranteed to be successful:

Obviously, harmonisation at a national level would resolve many of the regulatory inconsistencies currently facing businesses located near state borders. National harmonisation will also reduce the compliance burdens faced by larger businesses operating across a number of jurisdictions.

⁵⁴ COAG website, accessed 23 July 2012, www.coag.gov.au

⁵⁵ Correspondence from Department of Premier and Cabinet, 23 July 2012

⁵⁶ Visit of inspection to Tweed Heads – 7 June 2012

The NSW Business Chamber is strongly supportive of COAG's efforts to move towards greater harmonisation through the *National Partnership Agreement to Deliver a Seamless National Economy*.

National reforms of this type are however complex and time consuming. The COAG Reform Council's latest progress report found that while progress was on track in many areas, it had stalled in a number of key areas and there were significant risks that not all of the reform objectives would be achieved.

...

While the objectives of COAG's National Partnership are admirable, achieving harmonisation across all eight jurisdictions is a slow and difficult process, with no guarantee of ultimate success.⁵⁷

- 2.81 The Chamber went on to say that there were occasions when COAG's reforms would not improve the competitiveness of NSW businesses. For example, payroll tax has already been considered by COAG and a number of changes to the administration of payroll tax have been implemented. However, the changes only affected the administrative framework of the tax, rather than the threshold and rates paid in different states:

Accordingly, for businesses in NSW border areas, the changes agreed to by COAG will make it easier to comply with pay roll tax requirements between states but will have no effect on increasing the relative competitiveness of doing business in NSW.⁵⁸

- 2.82 The submission from the Chamber argued that the establishment of special economic zones in border regions could complement the national reforms being pursued through COAG, by providing a more immediate and temporary solution to some of the issues faced in border regions. The Chamber concluded that 'special economic zones can provide immediate relief to businesses located on state borders as an interim measure while more comprehensive national reforms are pursued separately.'⁵⁹
- 2.83 While the NSW Business Chamber suggested that special economic zones were a more immediate solution to cross-border issues than that provided by COAG, the Committee also heard how cross-border collaboration could address similar concerns.

Cross-border collaboration

- 2.84 The NSW Department of Premier and Cabinet advised the Committee that in 2011 the New South Wales Government negotiated a number of bilateral agreements with Queensland, Victoria and the Australian Capital Territory. This type of cross-border collaboration is an opportunity for neighbouring states to provide solutions which may either pre-empt national harmonisation or which address issues that only arise between neighbouring states.

⁵⁷ Submission 33, NSW Business Chamber, p. 3

⁵⁸ Submission 33, NSW Business Chamber, p. 3

⁵⁹ Submission 33, NSW Business Chamber, p. 3

- 2.85 The NSW-Queensland Memorandum of Understanding on Cross Border Collaboration was agreed to in mid-2011. The Memorandum set out a framework for resolving issues that arise in border communities and planning for better ways to provide government services.⁶⁰
- 2.86 In December 2011, the NSW-ACT Memorandum of Understanding for Regional Collaboration was agreed to. This Memorandum set out three priority areas for action: strategic regional direction; land use and infrastructure planning; and integrated service planning.⁶¹
- 2.87 Also late last year, the NSW and Victorian governments established an Interstate Reform Partnership to advance a reform agenda which aimed to:
- promote economic growth and competitiveness,
 - make it easier to do business and invest in both states, and
 - put downward pressure on the costs of living and running a business.
- 2.88 The Department of Premier and Cabinet informed the Committee that under the Interstate Reform Partnership the two states would focus on addressing issues faced by cross-border communities:
- Under the Partnership, NSW and Victoria agreed to work together for better outcomes, with a specific focus on entities and individuals who conduct business across the NSW-Victorian border. The Partnership Communiqué notes that small and medium businesses operating close to the border face the challenge of differing registration, licensing and regulation requirements between the States. NSW and Victoria have therefore agreed to investigate opportunities to reduce the regulatory burden on business operating in these affected areas.⁶²

Case Study - Albury Wodonga Health

- 2.89 An example of cross-border collaboration highlighted during the inquiry was the establishment of Albury Wodonga Health (AWH) in July 2009. AWH integrated the Albury Base Hospital and Wodonga Regional Health Service into a single cross-border public health service – the only one of its kind in Australia.⁶³
- 2.90 The Committee visited AWH during its site visit to Albury on 15 June 2012. The Committee learnt that AWH operates under Victoria Health Services, following an inter-governmental agreement between New South Wales and Victoria.⁶⁴ AWH provides a comprehensive and growing range of health services spanning the primary, sub-acute and acute needs of regional residents.
- 2.91 The integration of Albury and Wodonga's public health services was considered by RDA Murray to have the following benefits:

⁶⁰ Correspondence from Department of Premier and Cabinet, 23 July 2012

⁶¹ Correspondence from Department of Premier and Cabinet, 23 July 2012

⁶² Correspondence from Department of Premier and Cabinet, 23 July 2012

⁶³ Submission 19, Regional Development Australia Murray, p. 20

⁶⁴ Visit of inspection to Tweed Heads – 7 June 2012

- an improved model of healthcare;
- ready access to one of the largest health services between Sydney and Melbourne;
- improved continuity of care and more equitable access to service types for the whole community regardless of their residential location;
- more effective health service delivery;
- better training opportunities for clinical staff;
- greater recognition and visibility of the combined health service, leading to improved recruitment and retention of the health workforce;
- greater “critical mass” assisting in attracting a greater range of specialist services to the region;
- provision of a strong foundation for service growth to match population growth in the region.⁶⁵

2.92 RDA Murray also noted that the services provided by AWH are growing, with the organisation 'already planning new initiatives to improve cancer and cardiology services for people suffering from stroke and further development of mental health services across North East Victoria and Southern New South Wales.'⁶⁶

2.93 The cross-border health service did encounter a number of issues when it was established. The Committee heard that differing registration requirements for medical professionals in New South Wales and Victoria was initially a problem. However, this has since been superseded by the introduction of national registration.

2.94 Industrial awards, on the other hand, continue to be a major barrier to the cross-border arrangements and AWH's future expansion. For example, award conditions for nurses in New South Wales are different to those in Victoria. Other barriers to cross-border co-operation that were noted during the Committee's visit included history and local government.⁶⁷

2.95 The Committee heard that Albury Wodonga Health may provide an example for other areas of potential cross-border collaboration and integration, such as, tertiary education, ambulance services, policing, mental health services and drug and alcohol services.⁶⁸

Cross Border Commissioner

2.96 In addition to signing bilateral agreements with neighbouring states to encourage cross-border collaboration and address cross-border issues, the NSW

⁶⁵ Submission 19, Regional Development Australia Murray, p. 20

⁶⁶ Submission 19, Regional Development Australia Murray, p. 20

⁶⁷ Visit of inspection to Tweed Heads – 7 June 2012

⁶⁸ Visit of inspection to Tweed Heads – 7 June 2012

Government also appointed Mr Steve Toms as New South Wales' inaugural Cross Border Commissioner in March 2012.

- 2.97 Mr Toms was appointed for a two-year term and, according to the Deputy Premier's announcement, the role of the Cross Border Commissioner will be to:
- provide an advocate for the concerns of cross-border communities;
 - review existing cross-border governance & management arrangements; and
 - develop strategies to optimise the delivery of services to these communities.⁶⁹

- 2.98 While the Cross Border Commissioner had only recently been appointed when submissions for this inquiry closed, the Committee heard from a number of stakeholders who expressed hope that the newly appointed Cross Border Commissioner would achieve positive changes in relation to cross-border anomalies. For example, the submission from RDA Murray noted:

The appointment of Mr Steve Toms as the Cross Border Commissioner is greatly welcomed by NSW businesses and industries alike and it is hoped that positive changes will be implemented to ensure that cross-border anomalies are promptly resolved.⁷⁰

Committee comment

- 2.99 In this chapter the Committee has considered some of the challenges to economic development that are faced by border communities. These include differences in state taxes, as well as issues relating to licences and trade qualifications, planning, transport and other regulations which differ between neighbouring states. The Committee acknowledges the significance of these issues and the impact they can have on economic development in border regions.
- 2.100 While recognising the competitive disadvantage that businesses in border regions can be burdened with, it was the Committee's opinion that special economic zones are not the appropriate solution to these challenges to economic development in border regions. The Committee considered that establishing special economic zones in New South Wales would simply shift the border to a neighbouring region and would not remove the underlying disadvantage.
- 2.101 The harmonisation of regulations across all jurisdictions in Australia was widely recognised as the preferred long term solution to cross-border issues, however there is also an opportunity for neighbouring states to work collaboratively to provide solutions which may either pre-empt national harmonisation or which address issues that only arise between neighbouring states.
- 2.102 In the past year the New South Wales Government has negotiated bilateral agreements with Queensland, Victoria and the Australian Capital Territory, which

⁶⁹ NSW Trade and Investment website, accessed 24 July 2012, www.business.nsw.gov.au/news/new-commissioner-to-give-border-communities-a-fair-go

⁷⁰ Submission 19, Regional Development Australia Murray, p. 4

provide an opportunity for neighbouring states to resolve issues that arise in border communities, as well as assisting in the provision of integrated services.

2.103 The Committee is encouraged by these recent moves to collaborate with neighbouring states and urges the NSW Government to continue driving this collaborative process to build consistent regulations and make it easier to do business on both sides of the border.

2.104 The Committee also notes the appointment in March this year of the inaugural Cross Border Commissioner. The Committee considers that the establishment of this office provides an opportunity to focus on cross-border issues and explore options for reform.

RECOMMENDATION 3

That the following issues relating to border regions be further investigated by the Cross Border Commissioner:

- **State taxes;**
- **Planning regulations;**
- **Licences and trade qualifications; and**
- **Transport regulations, including heavy vehicle regulations; taxi hire regulations; and public transport ticketing for services that cross state borders.**

Chapter Three – Disadvantaged regions, growth regions and existing initiatives

- 3.1 This chapter outlines the evidence the Committee received from a number of stakeholders advocating for the establishment of special economic zones in particular regions. This evidence fell broadly into two categories. Firstly, those which advocated for the establishment of special economic zones in regions with under-performing economies, as a means of generating employment and alleviating social disadvantage. Secondly, those which advocated for the establishment of special economic zones to capitalise on the competitive advantages of a particular region.
- 3.2 The chapter also considers further arguments against the establishment of special economic zones in New South Wales and discusses some of the existing initiatives being undertaken by the State Government to encourage economic development in the State.

DISADVANTAGED REGIONS

- 3.3 Regions suffering from high rates of unemployment and stagnating local economies favour special economic zones as a means of creating regional equity by kick-starting business investment. Evidence from these regions suggested that special economic zones would encourage existing businesses and generate new businesses and so broaden the range of employment opportunities, increase the skills base and overcome entrenched socio-economic disadvantage.
- 3.4 Submissions received by the Committee from regions with under-performing economies strongly supported special economic zones as a means of generating employment and alleviating social disadvantage. They supported objective criteria for zone selection, local administration of the scheme and social as well economic incentives.

Barwon-Darling

- 3.5 Three submissions⁷¹ included a model for a socio-economic zone in the Barwon Darling region proposed by the then Barwon Darling Alliance⁷² and underpinned by research by the Western Research Institute (WRI) in 2003 (subsequently updated in 2008).⁷³
- 3.6 The WRI used a socio-economic zone index to measure disadvantage. Ten socio-economic factors were used: total unemployment, long-term unemployment, Aboriginal and Torres Strait Islander unemployment, youth unemployment, employment growth, household income, poverty, qualifications, age and gross

⁷¹ Submission 7, Charlotte Finch; Submission 12, Orana Regional Organisation of Councils; Submission 13, Western Research Institute

⁷² The Barwon Darling Alliance covered the areas of Murdi Paaki Regional Assembly and the Shires of Bourke, Brewarrina, Central Darling, Coonamble and Walgett

⁷³ Western Research Institute, *2008 Barwon Darling Socio-Economic Zone Model*, prepared for the Barwon Darling Alliance, January 2009

regional product. In both the 2003 and the 2008 WRI reports the Barwon Darling region was shown to be disadvantaged when benchmarked against the whole of New South Wales. The 2008 report indicated that employment levels and household income were falling and gross regional product was declining.

3.7 In the socio-economic zone model proposed by the WRI to alleviate this disadvantage, government would provide financial incentives to encourage business investment and employment growth. The outcomes for a disadvantaged region which it was hoped would accrue from the establishment of a socio-economic zone were:

- long-term sustainability;
- alleviation of economic and social disadvantage, particularly for indigenous persons and the long-term unemployed;
- addressing the failure of the existing framework of development policies;
- addressing the failure of the free operation of the market to generate economic development; and
- stronger partnership with government to promote economic development.⁷⁴

3.8 Three categories of incentives were proposed by the WRI:

- social incentives including education to improve literacy skills; work-place mentoring, especially for indigenous persons and those who had been long-term unemployed; crime and drug prevention; childcare; and family-friendly work policies;
- economic incentives including a 25 percent wage credit for new employees; interest rate grants; accelerated depreciation grants; and grants for new businesses to offset government costs and charges;
- capacity-building incentives including support for networking and clustering; the establishment of a research partnership with Charles Sturt University; exporting advice; and priority for infrastructure.⁷⁵

3.9 The WRI argued that administration of the zone should be decentralised, with a strong role played by local government. Regions would compete for selection as an enterprise zone and firms within zones compete for assistance. A local steering committee would provide strategic direction and be accountable for the allocation of funding. The effectiveness of the zone would be evaluated by the state government.

3.10 It was argued that a socio-economic zone would be cost effective because employment generated by government investment would relieve money spent

⁷⁴ Western Research Institute, *2008 Barwon Darling Socio-Economic Zone Model*, prepared for the Barwon Darling Alliance, p.5

⁷⁵ Western Research Institute. 2003. *The Barwon Darling Enterprise Zone*, prepared for the Barwon Darling Alliance, p.9

on unemployment benefits and on social problems, such as crime, associated with long-term unemployment.

- 3.11 In evidence at the public hearing on 30 April 2012, Mr Tom Murphy, Chief Executive Officer, Western Research Institute, told the Committee that, as 'most of regional New South Wales is a very strong economy', he does '...not think enterprise zones ... particularly relevant for the bulk of regional New South Wales' but they were appropriate for a region like the Barwon Darling which the Institute's research had found to be suffering serious disadvantage.⁷⁶
- 3.12 Mr Murphy saw the role of an enterprise zone in the Barwon Darling region as providing the means for existing businesses to expand, rather than attracting new businesses into the area. A survey of employers in the region which WRI conducted for its 2003 report found their priority was for employees 'to have appropriate life skills, to have mentoring ... and to have childcare.'⁷⁷ These social incentives took precedence over economic incentives such as wage credits for additional employees and low cost financing, although employers were conscious of the impact of the latter incentives on the profitability of a business. Both social and economic incentives were necessary to improve the viability of businesses.
- 3.13 Employers in the survey also noted that, although assistance was available from both the State and Commonwealth, the administrative complexity involved did not make it worthwhile to apply. It was also felt that decisions about eligibility for assistance did not take local conditions into account.
- 3.14 Ms Charlotte Finch's submission and evidence to the Committee proposed economic zones for disadvantaged regions. Research undertaken by Ms Finch in 2004 into three remote area enterprise zones operating over a ten year period in the United Kingdom convinced her that the zones were successful in attracting investment and raising capacity, not only in the zone but in the surrounding region. Diversification and the forging of partnerships had resulted in more sustainable economies, with increased employment, a rise in income levels and a decline in social problems.⁷⁸
- 3.15 Ms Finch considered that a special economic zone would 'lower the business risk environment so that private investment can establish new businesses and expansions, creating more jobs...' thus utilising the potential and opportunities of the region. It was important to include social incentives in any economic zone scheme as a way to support small businesses which might otherwise find it too high a risk to employ a long-term unemployed person. Mentors could help these people to develop a work ethic.⁷⁹
- 3.16 Economic incentives proposed by Ms Finch included accelerated depreciation; reduction in red tape and charges (but compensating local government); wage

⁷⁶ Mr Tom Murphy, Transcript of evidence, 30 April 2012, p. 22

⁷⁷ *ibid*

⁷⁸ Ms Charlotte Finch, Transcript of evidence, 30 April 2012; Submission 7, Ms Charlotte Finch

⁷⁹ Submission 7, Ms Charlotte Finch, p. 7

credits for new employees, with added incentives for businesses exporting 85% of their product outside the region.⁸⁰

- 3.17 Ms Finch considered that financial incentives should be provided to businesses which were already actively engaged and that government outlay did not require:

...the volume of investment you need, say, for somewhere around Sydney. You just need to let every little business compete to get those incentives. You need competition because without competition you have tagged the place as depressed, declining, hopeless. With competition, you have then got people actively trying to get those incentives, which means they have got to have opportunities to match with them. So suddenly you have marked it as a place full of opportunity for business, rather than a depressed, declining place. The other thing that happens is when you have competition like that you get the partnerships being built, and they have got to be built before they take up the incentives. So you have got a cohesion for economic growth already happening before you hand out the dollar. There are all these incentives, you have got someone already making a move before you give them the dollar, before you give them incentive. They have already got to have hired the new bloke before they get the wage credit. They have already got to have got the loan invested when they get the loan cost finance.⁸¹

Central Coast

- 3.18 The submission from Gosford City Council argued that a special economic zone would benefit the Central Coast region. The Central Coast is the ninth largest urban concentration in Australia and lies between Sydney and Newcastle. Of the 141,000 employed people living on the Central Coast, one quarter commute outside the region to work, mostly to Sydney.⁸²
- 3.19 The region's job market and economy depend heavily on residents' discretionary spending and tourism. Over the past decade, Gosford City Centre has had low levels of commercial building investment, which the Council saw as discouraging business start-ups and relocations. The Council considers that, in the absence of private sector investment, public sector led initiatives are needed to boost economic development in the region.
- 3.20 The local councils have worked with the Central Coast Regional Development Corporation, Regional Development Australia Central Coast, the Department of Planning and Infrastructure and the Department of Trade and Investment to develop strategic plans to boost economic activity in the region.
- 3.21 For example, to provide clarity around the direction of development envisaged for the area, Gosford City Council has produced the Gosford City Masterplan, the Somersby Industrial Estate Plan of Management and a new Local Environment Plan. However, Council considered that external factors such as the global financial crisis have stalled investment in the Central Coast.⁸³

⁸⁰ Ms Charlotte Finch, Transcript of evidence, 30 April 2012, pages 30-31

⁸¹ Ms Charlotte Finch, Transcript of evidence 30 April 2012, page 33

⁸² Submission 5, Gosford City Council, p. 1

⁸³ Submission 5, Gosford City Council, pp. 3-4

- 3.22 The Council therefore proposed the establishment of special economic zones for the Gosford City Centre and a number of other Central Coast locations, delivered through collaborative public private partnerships and providing incentives tied to a specific land use opportunity which could then be promoted to attract new investment. The goal would be to attract new businesses and create new jobs, rather than providing bonuses to existing businesses within the zone.
- 3.23 The Council favoured an overall framework for zones which allows particular options for specific zones, and suggested that other components of a zone might be:
- priority for infrastructure;
 - employment and training grants or subsidies, particularly where jobs were provided to the long-term unemployed or disadvantaged;
 - rent subsidies for small business start-ups;
 - flexibility in planning regimes which will streamline the approval process for new developments;
 - payroll tax concessions or holidays for additional employment;
 - local assessment of eligibility for zone incentives;
 - establishment of key performance indicators.⁸⁴

Narrandera

- 3.24 Narrandera Shire Council also favoured a special economic zone as a way to revitalise local business confidence. They submitted that the Shire has an ageing and static population and its communities and businesses are highly dependent on the agricultural sector. Uncertainty about the global economy and the Murray Darling Basin Plan, and the impact of a long period of drought followed by floods have resulted in little investment or development in the region, reduced property values, main street shop closures and reduced viability of service industries such as equipment suppliers.⁸⁵
- 3.25 The Council argued that once an area is seen as declining it becomes difficult to retain or attract professional and skilled workers, young people move away from the area in search of job stability, and school and TAFE curriculum options are curtailed as students go outside the area.
- 3.26 The Council proposed economic zone assistance targeted at rural shires with populations less than 10,000. Its priority was funding for infrastructure needed to develop its industrial estate and for the employment of a Community Business Development Officer.⁸⁶

⁸⁴ Submission 5, Gosford City Council, p 6

⁸⁵ Submission 17, Narrandera Shire Council, p. 1

⁸⁶ Submission 17, Narrandera Shire Council, p. 3

GROWTH REGIONS

- 3.27 The Committee received a number of submissions arguing for the establishment of special economic zones to capitalise on opportunities in growth regions, for instance, areas that are advantageously located and have a concentration of resources, firms, people, amenities and services.⁸⁷
- 3.28 These submissions supported the special economic zone concept on the basis that it would enable greater flexibility in planning, delivery of services and infrastructure, and help them to attract funding and investment. The view was also expressed that creating a special economic zone would help relevant agencies and practitioners working in the economic development field to go out and promote business and employment growth within their region.⁸⁸

Hunter region

- 3.29 The Committee received evidence that the Hunter region has a competitive advantage due to its coastal areas with easy access to an ocean port and transport networks. Regional Development Australia Hunter (RDA Hunter) nominated, in particular, the lands around and between the Port of Newcastle, Tomago industrial area, Kooragang Island and Newcastle airport at Williamstown as suitable for the establishment of a special economic zone.⁸⁹ They stated:

The Hunter Region offers networks of infrastructure, a favourable logistics environment, with experienced operators and management structures to support the introduction of a special economic zone.⁹⁰

- 3.30 RDA Hunter highlighted that the region is traversed by three major highways (F3, Pacific and New England) and the main industries in the region represent high value sectors in the New South Wales economy, namely, coal, agribusiness and wine. The region also has a major university with active communities in research, education and training.
- 3.31 Mr Edward Crawford argued that the government should 'take action to help realise the economic potential of the area around Newcastle Airport'.⁹¹ He submitted that Newcastle Airport Limited is a fast growing regional airport with passenger numbers of around 1.1 million per year with services that link other major city and regional airports on the East Coast of Australia. Mr Crawford also highlighted the significant defence presence at Williamstown Air Base which houses 3500 personnel and thus makes an important economic contribution to the region.⁹²
- 3.32 Mr Crawford submitted that land use planning and infrastructure are required to enable complementary business development in relation to the Defence and

⁸⁷ Submissions by Regional Development Australia Hunter; Mr Edward Crawford of Newcastle; Regional Development Australia Illawarra; Bega Valley Shire Council and by the Penrith Business Alliance; Wingecarribee Shire Council and Shoalhaven City Council

⁸⁸ Mr Tony Green, Transcript of Evidence, 30 April 2012, p.44.

⁸⁹ Submission 6, Regional Development Australia Hunter, p.1

⁹⁰ Submission 6, Regional Development Australia Hunter, p.2

⁹¹ Submission 38, Mr Edward Crawford, p.1

⁹² Submission 38, Mr Edward Crawford, p.1

Airport Related Employment Zone, which was established near to the airport as a result of collaboration between Port Stephens Council, the Department of Defence, the Department of Planning and private interests.⁹³

- 3.33 He also submitted that the expected employment and development clusters associated with the Defence and Airport Related Employment Zone have not yet been realised although some major employers have established significant operations within the area near the airport. The main barriers identified by Mr Crawford were a lack of appropriately zoned land, physical constraints and poor co-ordination between government agencies. In his view, creation of the necessary conditions to attract further private investment depended upon improvements in land use planning and infrastructure provision.⁹⁴

South Coast region

- 3.34 Regional Development Australia Illawarra (RDA Illawarra) provided evidence to the Committee that the Illawarra region⁹⁵ should be considered for the establishment of a special economic zone, based on its competitive advantages including: coastal locations attractive to holidaymakers; an increasingly diverse manufacturing base; ports at the northern and southern ends of the region; a significant naval presence; a vibrant tertiary education sector; and close proximity to Sydney, Melbourne and Canberra.⁹⁶
- 3.35 They argued that the geophysical and social features of the various areas within the South Coast region are diverse and contain the full spectrum of urban, regional and rural communities.⁹⁷ Ms Lesley Scarlett of the Southern Councils Group gave evidence that Illawarra Regional Airport connects the main cities in the region, which expands employment opportunities by enabling companies to fly personnel in and out and to pick up contracts in other regions.⁹⁸ Mr Tony Green, RDA Illawarra, stated that Wollongong University has multiplied its campuses within the region and is driving new enterprise into the region especially in the area of information and communication technology-based industry.⁹⁹
- 3.36 RDA Illawarra saw the special economic zone model as a means of releasing the entrepreneurial spirit of the Illawarra and south coast region. Its submission noted that in addition to the natural advantages of the region and the 'can do' attitude of the relevant city councils, the region was '...poised to take advantage of any initiatives such as the establishment of a special economic zone'.¹⁰⁰

⁹³ Submission 38, Mr Edward Crawford, p. 2

⁹⁴ Submission 38, Mr Edward Crawford, pp. 1-2

⁹⁵ Consisting of the Illawarra region which commences just south of Sydney and of the South Coast region which stretches to the Victorian border and is bounded by the Great Dividing Range in the west and the Tasman Sea in the east

⁹⁶ Submission 24, Regional Development Australia Illawarra, p. 3

⁹⁷ Submission 24, Regional Development Australia Illawarra, p.3 and Ms Lesley Scarlett, Transcript of Evidence, 30 April 2012, p. 41

⁹⁸ Ms Lesley Scarlett, Transcript of Evidence, 30 April 2012p.43

⁹⁹ Mr Tony Green, Transcript of Evidence, 30 April 2012, p.48

¹⁰⁰ Submission 24, Regional Development Australia Illawarra, p.3

- 3.37 The submission of RDA Illawarra pointed to the international competitiveness which could accrue to the south coast region as a result of the installation of the National Broadband Network (NBN). RDA Illawarra cited the example of Internetrix, a local business which took advantage of the generous business incentives offered by the High Tech Industrial Development Zone in Xiamen, China. The submission quoted the Principal of Internetrix, Mr Daniel Rowan who observed that:

With the University, Port Kembla, closeness to Sydney, the NBN infrastructure already in Kiama and soon to be in more of the Illawarra, and the structural challenges currently facing the traditional local economy, this region is perfectly positioned to be transformed into a SEZ.¹⁰¹

- 3.38 The Bega Valley Shire Council submitted that Eden and its port be considered as a special economic zone.¹⁰² They stated:

Eden in South East NSW has inherent advantages that extend to location (midway between Sydney and Melbourne), natural harbour, fishing and recreational port. All these advantages are entwined with community engagement and existing support and infrastructure.¹⁰³

- 3.39 The Bega Valley Shire Council's submission cited the potential of the port of Eden to become a hub for fishing, processing and freighting of the processed produce¹⁰⁴. The council is working with other stakeholders to implement the Port Eden Strategic Plan to attract public and private investment into the port. The aim is to develop the wharf area as a service hub for oil and gas rigs and as a tourist destination for cruise ships as well as other leisure activities through improvements such as a wharf extension, wave attenuator and marina development.¹⁰⁵

- 3.40 Bega Valley Shire Council has presented a four point plan to NSW Government proposing public and private sector investment in the Port. The Council has worked closely with NSW Industry and Investment, Lands and Regional Development Australia South Coast to have the development of Eden Port included as a priority on State infrastructure and economic strategies.¹⁰⁶

Penrith

- 3.41 The Penrith Business Alliance (PBA) is a unique model of proactive entrepreneurial partnership between business organisations and local government. The PBA is led by an independent and largely private sector Board of Directors that aims to achieve the City's economic objectives through to 2031.¹⁰⁷ The PBA was a local government initiative, jointly funded by council and the business community to develop the economic plan within the region.¹⁰⁸ The

¹⁰¹ Submission 24, Regional Development Australia Illawarra, pp. 14-15

¹⁰² Submission 35, Bega Valley Shire Council, p. 1

¹⁰³ Submission 35, Bega Valley Shire Council, p. 1

¹⁰⁴ Submission 35 Bega Valley Shire Council, Cover Letter p. 2

¹⁰⁵ Submission 35 Bega Valley Shire Council, p. 1

¹⁰⁶ Submission 35, Bega Valley Shire Council, p.1

¹⁰⁷ Penrith Business Alliance, Penrith Investment Profile 2010-2011 Information Brochure, p. 1

¹⁰⁸ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p. 14

PBA's robust entrepreneurial spirit was expressed by the Chairman, Mr Paul Brennan, who told the Committee that:

We are not coming here saying that we want money, but we want to partner with government and the community to do things that are a little flexible and a little bit innovative—explore things like incremental financing, work with council in relation to section 94 applications and work so that we get a win-win situation. And some of that is pre-empting some of the red tape and eliminating it in advance.¹⁰⁹

3.42 Mr Brennan gave evidence to the Committee that the PBA has taken advantage of the contemporary global communications network to inform itself of world best practice in undertaking its strategic planning for the proposed Penrith Health and Education Precinct. Its initiatives have included commissioning United States-based medical marketing research to identify potential investors¹¹⁰ and conducting a research mission to China and Korea in order to investigate best practice in health care industry development in those countries.¹¹¹

3.43 The Penrith Business Alliance submitted the following criteria for the establishment of special economic zones in NSW:

1. SEZ's should be of a size capable of delivering job numbers that significantly impact the NSW economy
2. Located in proximity to already existing large regional labour forces – say over 1 million workers
3. Located in rapidly urbanising areas with high job needs
4. Located in areas with high prospects for economic growth, but experiencing challenges in delivering required jobs growth
5. Integrated with/ or complementary to emerging and existing private sector economic zones
6. SEZs should have clear Development Objectives
7. Have strict criteria about firm eligibility, yet flexible land uses
8. Have a focus on attracting Foreign Direct Investment (FDI) into the SEZ
9. Not focus on low cost or labour intensive industries with potential to distort national labour markets
10. Have a focus on streamlining the roles of regulatory authorities in developing the SEZs
11. Establishment of a SEZ or policy should not be limited to providing Tax and Financial incentives - but extend to the coordination and delivery of 'to the site' Infrastructure

¹⁰⁹ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p. 13

¹¹⁰ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p.12

¹¹¹ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p. 15

12. SEZs should also seek to integrate national economic reform with any NSW-based SEZ program.¹¹²

3.44 The Penrith Business Alliance submission nominated four locations in Penrith which would be suitable for a special economic zone:

i. Western Sydney Employment Lands Investigation Area (WSELIA)

A 7,000+ hectare green field opportunity to develop a SEZ to meet the employment needs of Western Sydney - could provide up to 30-40,000 high value jobs in proximity to a regional labour force of almost 2 million people.

ii. Penrith Health and Education Precinct

A Potential Specialised Economic Centre already nominated by the NSW Government as an important economic location. The NSW Government is conducting a range of state infrastructure planning and coordination roles to support future economic growth of the Precinct - could create 12-13,000 new jobs if supported.

iii. Penrith CBD

A Regional city CBD needing large scale urban renewal if it is to meet the NSW Government objective to decentralise jobs growth to western Sydney - currently provides 10,751 jobs with potential to double this figure over the next 20 years.

iv. Dunheved Business Park

A depressed 1940s era Brownfield industrial estate providing 3,113 industrial jobs – with potential to revitalise and grow as a low cost industrial incubator in Western Sydney.¹¹³

3.45 PBA has also pointed to the need to find innovative ways of funding infrastructure to be provided within a special economic zone in addition to any tax and financial incentives offered by a special economic zone. The PBA's submission lists a number of ways in which infrastructure could be funded innovatively.¹¹⁴ In the view of the PBA, unblocking barriers to the innovative funding of infrastructure is a key priority for accelerating economic development.¹¹⁵

Centres of Excellence

3.46 The Committee heard evidence concerning the creation of special economic zones around Centres of Excellence. Such centres aim to serve as points of interaction among higher education institutions, governments, industry and the private sector generally.¹¹⁶ The most famous precedent is California's Silicon Valley in the United States which has become a world research centre specialising

¹¹² Submission 10, Penrith Business Alliance, pp.1-4.

¹¹³ Submission 10, Penrith Business Alliance, p.6

¹¹⁴ Submission 10, Penrith Business Alliance, pp. 4-5

¹¹⁵ Mr Paul Brennan, Transcript of Evidence, 30 April 2012, p. 17

¹¹⁶ Australian Research Council website www.arc.gov.au/

in information and communications technology.¹¹⁷ Two significant NSW ventures based on this model, which came to the attention of the Committee during the course of this Inquiry, are the University of Wollongong Innovation Campus and the Penrith Health and Education Precinct. A brief summary of the main features of these ventures and of their progress to date is set out in the following pages.

The University of Wollongong Innovation Campus

3.47 The Innovation Campus commenced operation in 2008 with the objective of driving partnerships and collaboration between the research and business communities by co-locating commercial and research organisations in state-of-the-art facilities. The campus was established with seed funding from the New South Wales Government and has ongoing support at the Commonwealth, State and local government levels. The campus accommodates several research institutes with a focus on multi-disciplinary hi-tech research. Situated in North Wollongong it is being developed in stages across a 33 hectare site with capacity to provide for research and office space; retail and service facilities; as well as a hotel and conference centre and residential accommodation. The Innovation Campus is a long-term project that will span 10 to 15 years and aims, on completion, to have a working community of business and research enterprises accommodating up to 5,000 people.¹¹⁸

3.48 The University of Wollongong iAccelerate project was established following the rollout of the National Broadband Network (NBN) in 2011. The aim of the project is to provide a business incubator for Information Technology graduates of the University establishing businesses in the broadband economy. The project focuses on technology ventures in manufacturing and broadband services based in the health industry. The project includes a proposal for a purpose-built, hi-tech building connected to the NBN at the University of Wollongong Innovation Campus.¹¹⁹

3.49 In its evidence to the Committee, RDA Illawarra stated that the Innovation Campus was having a significant impact in driving new enterprise into the region, especially in relation to information and communications technology based industry. Mr Tony Green, Acting Chief Executive Officer, stated that a number of businesses have moved to the region because of the Innovation Campus.¹²⁰ In relation to the iAccelerate business incubator, Mr Green noted that:

The University of Wollongong produces the largest number of information technology graduates of any university and most of them go out of the region to find work, so putting an iAccelerate incubator in the Innovation Campus and having the ability to get business to locate on the campus to benefit from the support that is there is a great concept. It has been a very positive move for our region.¹²¹

¹¹⁷ Green Roy 2008, *Spikiness in a flat world*, Monash Business Review, vol. 4, no. 1, pp. 20-23.

¹¹⁸ University of Wollongong Innovation Campus website www.innovationcampus.com.au/

¹¹⁹ University of Wollongong media release iAccelerate promises a new direction for the Illawarra dated 19 October 2011 at <http://media.uow.edu.au/releases/UOW112227.html>

¹²⁰ Mr Tony Green, Transcript of evidence, 30 April 2012, p.48

¹²¹ Mr Tony Green, Transcript of evidence, 30 April 2012, p.48

Penrith Health and Education Precinct

3.50 In 2011 the Penrith Health and Education Strategic Vision project was formally submitted to the NSW Government for approval. This project was planned by the Penrith Business Alliance in collaboration with major health, education institutions and businesses within the precinct, along with a range of interested community and government agencies. The chief objective of the project is to make Penrith a premier location for health, education, medical research and related industries over the next decade.¹²²

3.51 In his evidence, the PBA Chairman, Mr Paul Brennan explained how the PBA identified the particular specialities within the local government area:

...some four years ago we looked at how we could differentiate our local government area of Penrith. In constructing the differentiation we looked at our unique features, mainly around business, and established the concept of an economic corridor. That corridor starts at Werrington in the east and goes through the university and TAFE campuses and continues west through health and proceeds through retail and then hits the river, which forms a natural T that gives lifestyle.

In looking at the areas of the most immediate growth it became evident that they are in the health and education sectors. They are our strengths—we are a university town...¹²³

3.52 The Penrith Health and Education Strategic Vision proposes a precinct focused around the public and private Nepean Hospitals, the Hospital Specialist Clinic, the Kingswood campus of the TAFE NSW-Western Sydney Institute, the University of Western Sydney and the University of Sydney Medical School Nepean. Specific projects to be developed within the precinct include developing Penrith's medical research capabilities and infrastructure; establishing a national centre for E-health; establishing a health and well-being innovation network to foster entrepreneurial collaboration between business interests and research institutions; and developing a future health industry business park.¹²⁴

3.53 Mr Brennan explained the precinct concept as follows:

In looking at health and education we targeted the development of two things. One was an innovation campus where we would bring together primarily health-related activities and tie them to both Sydney University and the University of Western Sydney, which both have health faculties in the region. Sydney University has Nepean Hospital and the University of Western Sydney has health facilities at Werrington, Kingswood and Campbelltown. The fit made sense. We then commissioned Frost and Sullivan, a United States-based medical marketing and research organisation, to come up with a list of potential companies that would move into the area. We then started to push the idea of the health and education precinct. We applied to the current Government for State significant site [SSS] status, which has happened, and we are waiting for news about funding under the Suburban Jobs Initiative. If we are successful, \$28 million will be available to kick things along. We enjoy a fantastic relationship with government and the local

¹²² Penrith Business Alliance, *Penrith Health and Education Strategic Vision 2011*, p.3

¹²³ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p. 12

¹²⁴ Penrith Business Alliance, *Penrith Health and Education Strategic Vision 2011*, p.3

members. We are waiting for confirmation of the SSS status and we have companies that want to move into the precinct. We are ideally placed for the establishment of a special economic zone.¹²⁵

- 3.54 In relation to establishing a Centre of Excellence, Mr Brennan noted that this had not yet been achieved. He said that although the State was doing a great deal to assist the implementation of the precinct plan, there was a need for greater regulatory flexibility in order to fully realise objectives of the project.¹²⁶ He told the Committee:

I do not think there is anything you can give me that would be anywhere as powerful as the help that you can give me to remove roadblocks. Picking up on a couple of examples; we have the only hospital in New South Wales or certainly Sydney that is a teaching hospital that does not have a medical research institute. Rather than come to government and say, "Hey look you have to build it", we went out and identified who would be in it, how many jobs would be involved, what the building would look like, did the quantity surveying, did all the cost analysis and now we are out there with a model. The only thing we need now is funding, we do not need anything else.¹²⁷

FURTHER ARGUMENTS AGAINST THE ESTABLISHMENT OF SPECIAL ECONOMIC ZONES

- 3.55 Although many inquiry participants saw merit in the special economic zone concept, there was also evidence to suggest the need for caution with regard to its suitability within the New South Wales economy. Some of the main objections to the special economic zone model that were raised by stakeholders are discussed in this section. These include arguments that the drivers of economic growth are extremely complex; the evidence about the success of special economic zones is mixed and inconclusive; the type of incentives offered by special economic zones are ineffective; and that special economic zones detract from effective competition and may promote inefficiency.

The drivers of economic growth

- 3.56 Associate Professor Paul Collits questioned whether central government had the capacity to influence regional economic development. In his view it was essential to establish what the real drivers of regional growth and decline are, whether government policies can influence these drivers and what has been the effectiveness and cost of past interventions.¹²⁸
- 3.57 Dr Collits emphasised the complexity of the drivers of economic growth in different regions. He further noted that the long-term sustainability of economic activity cannot be guaranteed:

[it] is generally agreed by policymakers, researchers and so on... that competitive advantage is fragile... it might depend on access to a particular resource, which might be a natural resource or it might be skills in a region; it might be leadership, it

¹²⁵ Mr Paul Brennan, Transcript of evidence, 30 April 2012, pp. 13-14

¹²⁶ Mr Paul Brennan, Transcript of evidence, 30 April 2012, p.13-14

¹²⁷ Mr Paul Brennan, Transcript of evidence, 30 April 2012, pp. 17-18

¹²⁸ Submission 27, Australian Centre for Sustainable Business and Development, p. 2

might be venture capital, entrepreneurship and so on. These sorts of things are not written in concrete and can be lost by regions as well as created.¹²⁹

3.58 Dr Collits told the Committee that the complexity of matters contributing to a region's success or failure made it difficult for policy makers to decide upon appropriate interventions:

... the drivers of regional development are massively complex and sometimes unseen and often not fully understood; in other words, the things that make some regions successful and others not, the reasons why some regions grow while others decline, the reasons why there are region-specific problems in some areas but not others. These are matters of considerable complexity and in a sense my argument in the submission is that this complexity is a matter of material concern to decision-makers making decisions about special economic zones.¹³⁰

3.59 Another point made by Dr Collits was that the fluidity of modern economic activity made national and regional borders less important than they had been previously. Investing in infrastructure in a rural region of New South Wales might be less beneficial economically to that particular region than, for example, building a second airport in Sydney.¹³¹

Evidence about the success of special economic zones is mixed and inconclusive

3.60 A lack of comprehensive evaluation of government interventions around the world has meant that the success or failure of special economic zones is hard to gauge. A World Bank report by Farole and Akinci refers to the 'mixed record of success' of special economic zones. On the one hand inappropriate or ineffective incentives have failed to create the long-term economic sustainability of zones or at best have proven marginally positive in cost-benefit assessments; yet for a number of developing countries, zones have been the platform for economic growth, diversification and reform.¹³²

3.61 One of the main barriers to assessing the efficiency, effectiveness and appropriateness of economic zone regimes is the difficulty of determining what private sector activities might have occurred irrespective of the use of public subsidies or other forms of assistance. Other challenges in measuring or assessing the impact of zones have been summarised as:

- the complexity of cumulative effects of a wide range of policies and macroeconomic influences on regions or locations;
- the diversity in economic and social structures of regions or locations;
- significant methodological issues (eg treatment of displacement effects and less quantifiable aspects such as social capital);

¹²⁹ Associate Professor Paul Collits, Transcript of evidence, 30 April 2012, p.36

¹³⁰ Associate Professor Paul Collits, Transcript of evidence 30 April 2012, p.36

¹³¹ Associate Professor Paul Collits, Transcript of evidence 30 April 2012, p. 38

¹³² Farole, T and Akinci, G, eds, [*Special Economic Zones: Progress, Emerging Challenges, and Future Directions*](#), The World Bank, 2011.

- the lack of adequate and appropriate data; and
- the long-term nature of realisable benefits.¹³³

3.62 While acknowledging that the evidence about special economic zones is mixed and inconclusive, the submission from Dr Collits declared that numerous studies have found that enterprise zones are either unsuccessful or their success comes with a substantial price tag:

The literature on enterprise zones, one of the key models for SEZs, is substantial. It is primarily North American. There have been many empirical analyses of enterprise zones, and in my opinion, though much of the evidence is very mixed and inconclusive, a substantial number of highly respectable and rigorous studies do find either little evidence of successful enterprise zones, or suggest that whatever success has been achieved has come at a high and perhaps unacceptable price (in terms of dollars per job created).¹³⁴

Special economic zone incentives may be ineffective

3.63 The Committee heard also that the incentives offered in special economic zones, especially those which focus on state taxes, are not likely to be effective. The submission from NSW Trade and Investment explained that this is because tax incentives are not well targeted and do not improve the underlying competitiveness of a region; and because state taxes do not make up a significant part of the cost of doing business:

While it might be tempting to offer ongoing 'tax breaks' to encourage relocation to the zone, they are not likely to be very effective because:

1. they are not well targeted – existing businesses in the zone will receive a windfall, unless the incentives are limited to new entrants, which increases the scheme's administrative cost;
2. they are on-going, committing the Government to open-ended subsidies, and their later removal would also diminish any regional cost advantage as the incentives do nothing to improve underlying competitiveness; and
3. NSW Government taxes do not constitute a significant proportion of the total cost of production and, consequently, any concession with respect to these taxes is unlikely to provide enough incentive to influence business location. Furthermore, payroll tax, the major NSW business tax, does not apply to most small businesses, which generally tend to be drivers of economic growth in regional/rural locations.

The long term success of a SEZ appears dependent on whether it is run on a cost recovery basis rather than reliant on ongoing Government subsidy. The World Bank Group papers on SEZ indicate that, while many countries offer a range of incentives

¹³³ Bureau of Transport and Regional Economics, [Government interventions in pursuit of regional development: Learning from experience](#), Working Paper 55, June 2003, p 65

¹³⁴ Submission 27, Australian Centre for Sustainable Business and Development, p. 8

under a SEZ regime such as tax breaks, many of these have little to no effect over the long term and are simply a drain on Government resources.¹³⁵

- 3.64 Similarly, the submission from the Planning Institute of Australia noted that, in regions where there are fundamental factors affecting the local economy, special economic zones may not be effective in promoting economic growth.

In many regional areas the absence of demand is fundamental to the lack of depth and diversity in the local economy, and the availability of concessions which aim to reduce input costs may not alter this fact.¹³⁶

- 3.65 The Department of Trade and Investment pointed to a recent Grattan Institute report on *Investing in Regions*, which found that:

Australian state and Commonwealth government regional assistance and regional development programs have little effect in boosting lagging regional economies where there is not a "Critical mass" of a well-educated population and a good industry base.¹³⁷

Special economic zones detract from effective competition and may promote inefficiency

- 3.66 A number of stakeholders were concerned that special economic zones may promote inefficient and unsustainable growth in uncompetitive regions. NSW Trade and Investment advised the Committee that special economic zones in less competitive regions may fail or may rely on ongoing government incentives rather than engendering sustainable growth:

Businesses choose to locate their operations in regions that deliver a competitive (cost) advantage, such as ready availability of suitable labour or close proximity to port facilities that assist in the export of output. Hence, the implications of intervention designed to persuade businesses to locate their operations in relatively less competitive regions should be carefully considered, as businesses located in uncompetitive regions will either fail or require permanent subsidies. Ill-considered incentives designed to influence initial business location decisions could, therefore, embed inefficiency.¹³⁸

- 3.67 The Planning Institute of Australia highlighted the risk that special economic zones may simply re-distribute development from one region to another, or that they may have no effect at all on economic growth:

There is also the risk that incurring such costs merely re-allocates or distributes development from one area to another (i.e. it would have occurred in any case) or worse, that they are incurred without any associated increase in demand for the goods and services produced by the beneficiary firms so that benefits are not achieved.¹³⁹

¹³⁵ Submission 15, NSW Trade and Investment, p. 4

¹³⁶ Submission 22, Planning Institute of Australia (NSW Division), p.3

¹³⁷ Submission 15, NSW Trade and Investment, p. 4

¹³⁸ Submission 15, NSW Trade and Investment, p. 3

¹³⁹ Submission 22, Planning Institute of Australia (NSW Division), p.3

- 3.68 The submission from Dr Collits argued that government interventions, such as special economic zones, to promote regional development are unjustified. He stated that the rationale for this is twofold:
- ...first, that governments should not intervene spatially because functioning market processes will generally encourage people and investment to locate in optimal locations, and second, that governments are poorly placed to intervene effectively and to advantage regions in the ways they intend.¹⁴⁰
- 3.69 Dr Collits' submission later concluded that special economic zones 'are largely designed not so much to achieve sensible and measurable regional development outcomes but rather to provide evidence of government's "concern" for regional Australia.¹⁴¹
- 3.70 Aside from these arguments about the effectiveness of special economic zones, the Committee also heard that the State Government already provides a variety of incentives and support for economic growth throughout New South Wales, some of which will be considered in the next section.

EXISTING INITIATIVES

- 3.71 NSW Trade and Investment drew attention to existing initiatives which encourage regional development, such as the broad-based payroll tax concession for new jobs created under the Jobs Action Plan. This concession is available across the State, and the Department considers it is therefore less likely to distort market decisions about business location or investment. In addition:
- NSW Trade & Investment... provides a range of special services and programs to assist the regions of NSW. The Department has programs to address both longstanding and emerging economic development issues in regional NSW.¹⁴²
- 3.72 NSW Trade and Investment also administers the Regional Industries Investment Fund (RIIF), which provides financial support for business investment, local infrastructure and economic development projects that result in or promote economic outcomes for the State.¹⁴³
- 3.73 RIIF support is available for business investment projects where an applicant is able to demonstrate the long-term viability of the project; cost impediments delaying or preventing the project from proceeding; a significant new investment in operations; and a planned substantial increase in new jobs resulting from the project.
- 3.74 The RIIF will also help offset the costs of specific critical infrastructure required for businesses to establish, expand or relocate in regional New South Wales where it can be demonstrated that the infrastructure will benefit more than one business.

¹⁴⁰ Submission 27, Australian Centre for Sustainable Business and Development, p.6

¹⁴¹ Submission 27, Australian Centre for Sustainable Business and Development, p.10

¹⁴² Submission 15, NSW Trade and Investment, p.5

¹⁴³ Submission 15, NSW Trade and Investment, p.5

- 3.75 Support is also available for implementing projects that build capacity in regional industries and/or have the potential to generate economic benefits such as employment, business or industry development or growth. Local councils, incorporated associations including business, industry and community organisations and regional development organisations are eligible to apply.
- 3.76 Other NSW Trade and Investment initiatives include the grants and programs available under the jointly funded Regional Development Australia.¹⁴⁴
- 3.77 In addition to these regional development initiatives, NSW Trade and Investment is currently developing Industry Action Plans to identify drivers for and barriers to growth, innovation and productivity in a number of key sectors of the economy. The Industry Action Plans are to be developed by Industry Taskforces in partnership with the Government. This is to ensure that industry is at the forefront in developing the strategies and advising the Government about what industry-led initiatives and Government actions will be best suited to deliver common goals of economic growth.¹⁴⁵

NSW Planning Reform and Local Government

- 3.78 In July 2012, the Department of Planning and Infrastructure released a Green Paper setting out plans for a new land planning system for New South Wales. One of the main objectives of the proposed new planning system is to 'promote economic development and competitiveness'.¹⁴⁶
- 3.79 Among the various changes proposed under the new planning framework is the introduction of three new categories of planning zones, one of which is referred to as an 'Enterprise Zone'.
- 3.80 Enterprise Zones in the Green Paper are a type of land use zone used by local councils to guide planning decisions and indicate the type of buildings and land uses that are permitted within the zone. The stated purpose of Enterprise Zones in the Green Paper is 'to capture investment opportunities'.¹⁴⁷ The characteristics of Enterprise Zones are further outlined in the Green Paper as follows:

To proactively provide for innovative investment and to boost employment generation, the NSW Government will introduce a new land use class called an 'Enterprise Zone'. *Enterprise Zones* will be characterised by very little, if any, development controls providing they do not result in any significant adverse environmental impacts. Enterprise zones will generally be targeted to attract employment generating development but could provide opportunities for mixed use housing investment. In this regard, Enterprise Zones will constitute a more flexible zone.

The designation of *Enterprise Zones* will need to be consistent with the *NSW Planning Policies* and is not to compromise other state or local policy objectives. In

¹⁴⁴ Submission 15, NSW Trade and Investment, p 5

¹⁴⁵ NSW Trade and Investment - Industry Action Plans website, www.business.nsw.gov.au/doing-business-in-nsw/industry-action-plans accessed 4 September 2012

¹⁴⁶ NSW Government. 2012. *A new planning system for New South Wales*, p.17

¹⁴⁷ NSW Government. 2012. *A new planning system for New South Wales*, p.42

addition to reduced regulation, additional incentives could be utilised to attract investment to an *Enterprise Zone*. Some financial incentives could include:

- Local rate or land tax relief for a prescribed time frame
- Exemption from development levies, and/or
- State or Local Government investment in infrastructure provision or the like to support the area.

It is envisaged that Enterprise Zones could be identified through *Regional Growth Plans*, *Subregional Delivery Plans* or through *Local Land Use Plans* and would be given effect by a zoning change. Local government and community support would be fundamental to the success of this initiative. Enterprise zones could vary in size from precincts (e.g. North Ryde, North Eveleigh, Norwest Business Park) to whole local Government areas that are eager to attract investment in employment.¹⁴⁸

- 3.81 While Enterprise Zones will be implemented and regulated by local government, they share some similarities with the special economic zone concept. The similarities include that they offer the potential to provide tax incentives or lower government charges, as well as focusing on reduced or streamlined regulation to attract investment and encourage development.
- 3.82 However, the Committee notes that there are some significant differences between the Enterprise Zones proposed by the Green Paper and the type of special economic zones considered in this inquiry. Enterprise Zones focus on local government incentives and regulation, whereas this inquiry has considered special economic zones that could provide state tax and financial incentives.
- 3.83 Other points of difference are that Enterprise Zones can be implemented in any local government area in the State and that their location will be determined by local authorities rather than a central government agency. These features of Enterprise Zones align with some of the comments made by Dr Collits regarding regional development initiatives. Dr Collits believed 'responsibility for regional development strategies should be devolved to the localities and regions concerned, rather than being determined by central governments'¹⁴⁹ and that a more effective way for government to help regional development would be to properly resource regional development institutions, 'give them greater decision making powers in relation to their regions and equip them to undertake greater analytical work on the drivers of their economies.'¹⁵⁰

COMMITTEE COMMENT AND CONCLUSION

- 3.84 The Committee received evidence to the inquiry which argued for the establishment of special economic zones in a number of different types of regions across the State. This included arguments to establish special economic zones in border regions, as was discussed in Chapter Two, as well as proposals to establish special economic zones in either disadvantaged regions or growth regions of the State.

¹⁴⁸ NSW Government. 2012. *A new planning system for New South Wales*, p.43

¹⁴⁹ Submission 27, Australian Centre for Sustainable Business and Development, p.8

¹⁵⁰ Submission 27, Australian Centre for Sustainable Business and Development, p.10

- 3.85 Proponents of establishing special economic zones in disadvantaged or underperforming regions, such as the Barwon-Darling, Central Coast or Narrandera regions, suggested that special economic zones would encourage business investment and generate employment growth and thus alleviate entrenched socio-economic disadvantage and lead to long term economic sustainability.
- 3.86 Other stakeholders advocated for the establishment of special economic zones to capitalise on the competitive advantages and potential for growth demonstrated by particular regions. These stakeholders expressed the view that the establishment of special economic zones in regions such as the Hunter, South Coast or Penrith would provide greater flexibility in planning, attract investment and provide impetus to make the most of the advantageous location, resources or amenities of these regions.
- 3.87 Notwithstanding the support for special economic zones expressed by a number of stakeholders, the Committee also received evidence which suggested the need for caution with regard to the suitability of special economic zones within the New South Wales economy. A number of objections to the special economic zone model were raised during the inquiry, including arguments that:
- designating a particular region as a special economic zone will create its own cross-border issues and will disadvantage neighbouring regions;
 - the drivers of economic growth are highly complex, which makes it difficult for policy makers to decide on appropriate interventions;
 - the evidence about the success of special economic zones is mixed and inconclusive;
 - the type of incentives offered by special economic zones are ineffective; and
 - special economic zones detract from effective competition and may promote inefficiency.
- 3.88 On balance, the Committee is not convinced of the need for, or effectiveness of, establishing special economic zones in New South Wales. The Committee found the arguments against special economic zones to be persuasive, especially the claim that they would create new border issues within New South Wales.
- 3.89 The Committee is not convinced that financial or tax incentives, as suggested in the Committee's terms of reference, will provide long-term solutions for lagging regional economies. The Committee considers that existing initiatives to encourage regional development throughout the State, along with recent reforms such as the appointment of the Cross Border Commissioner and the reform of the planning system, provide greater opportunities for promoting investment and increasing economic development in New South Wales.

FINDING

The Committee encourages the NSW Government to work with industry, local government and other stakeholders to encourage economic development in

regional New South Wales. However, on balance, the Committee finds that the establishment of special economic zones offering state tax and financial incentives is not justified in New South Wales.

Appendix One – List of Submissions

1	Mr Neil Smith
2	Wingecarribee Shire Council
3	Shoalhaven Business Chamber
4	Narrabri Shire Council
5	Gosford City Council
6	Regional Development Australia Hunter
7	Ms Charlotte Finch
8	Broken Hill City Council
9	Leeton Shire Council, Economic Development Officers Riverina
10	Penrith Business Alliance
11	Southern Councils Group
12	Orana Regional Organisation of Councils (OROC)
13	Western Research Institute Limited (WRI)
14	Deniliquin Council
15	NSW Trade & Investment
16	Albury City Council
17	Narrandera Shire Council
18	Australian Industry Group
19	Regional Development Australia Murray
20	RAMROC Councils
21	Central NSW Councils (Centroc)
22	Planning Institute of Australia (NSW Division)
23	Murray Shire Council
24	Regional Development Australia Illawarra (in conjunction with Southern Councils Group and Regional Development Australia Far South Coast)
25	Regional Development Australia Sydney
26	Jerilderie Shire Council
27	Australian Centre for Sustainable Business and Development, University of Southern Queensland
28	Namoi Councils
29	Shoalhaven City Council
30	Mr Andrew Pullen

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES
LIST OF SUBMISSIONS

31	Bland Shire Council
32	NSW Minerals Council
33	NSW Business Chamber
34	Tweed Shire Council
35	Bega Valley Shire Council
36	Regional Development Australia Far West NSW
37	Regional Development Australia Mid North Coast
38	Mr Edward Crawford

Appendix Two – List of Witnesses

MONDAY 30 APRIL 2012, WARATAH ROOM

Witness	Organisation
Mr Luke Aitken Policy Advisor, Regional Policy Initiatives	NSW Business Chamber
Mr Micah Green Economist	NSW Business Chamber
Mr Bijai Kumar Chief Executive Officer	Penrith Business Alliance
Mr Paul Brennan Chairman	Penrith Business Alliance
Mr Tom Murphy Chief Executive Officer	Western Research Institute
Ms Charlotte Finch	
Associate Professor Paul Collits Research Director, Economic Development and Enterprise Collaboration	Australian Centre for Sustainable Business and Development
Ms Lesley Scarlett Executive Officer	Southern Councils Group
Mr Tony Green Acting Chief Executive Officer	Regional Development Australia Illawarra

Appendix Three – Visits of Inspection

VISIT OF INSPECTION TO TWEED HEADS – 7 JUNE 2012

On Thursday 7 June 2012 a delegation of the Committee on Economic Development travelled to Tweed Heads as part of the Committee's Inquiry into the establishment of special economic zones. The purpose of the visit was to meet with stakeholders in the region to discuss economic development issues particular to border regions and whether the establishment of special economic zones in border regions would help alleviate any of the issues.

Four committee members (Mr David Elliott MP, Mr Stuart Ayres MP, Mr Chris Gulaptis MP and Ms Noreen Hay MP) and one staff member (Mr John Miller) attended the site visit.

Mr Elliott, Mr Ayres, Ms Hay and Mr Miller flew from Sydney to Coolangatta, arriving at 9.35 am, and then drove to Twin Towns Services Club (Wharf Street, Tweed Heads). Mr Gulaptis drove directly from his electorate to Twin Towns Services Club.

Meetings at Twin Towns Services Club

Throughout the morning and early afternoon the Committee conducted four meetings with stakeholders in the Boardroom on Level 4 of Twin Towns Services Club.

10.15 am – 11.30 am

The Committee met with the following people:

- Mr David Keenan, General Manager of Tweed Shire Council;
- Cr Barry Longland, Mayor of Tweed Shire Council;
- Cr Phil Youngblutt, Deputy Mayor of Tweed Shire Council;
- Mr Mark Tickle, Economic and Corporate Planner at Tweed Shire Council; and,
- Mr Greg Watt, Regional Liaison Officer for the Department of Premier and Cabinet.

Mr Geoff Provest MP (the local Member for Tweed) also attended the meeting. Topics covered during the meeting included:

- Special economic zones – boundaries and overall strategy
- Planning system
- Infrastructure
- State Government decentralisation
- Regulation vs taxation
- Defining the competitive strengths of a region

COMMITTEE ON ECONOMIC DEVELOPMENT
VISITS OF INSPECTION

- Harmonisation of regulations between states

11.30 am – 12.30 pm

The Committee met with the following people:

- Mr Rory Curtis, President of the Tweed Chamber of Commerce and Industry;
- Ms Bernice Andrews, Business Advisor at the Northern Rivers Business Enterprise Centre;
- Mr Peter Fenton, Vice President of the Southern Gold Coast Chamber of Commerce;
- Mr John Murray, Regional Manager of the Northern Rivers NSW Business Chamber;
- Ms Donna Kildea, Regional President of the Northern Rivers NSW Business Chamber; and,
- Mr Greg Watt, Regional Liaison Officer for the Department of Premier and Cabinet.

Some of the topics covered during the ensuing discussion included:

- Impact of local council on economic development
- Payroll tax, Workers Compensation and accommodation costs
- Regulation vs taxation
- Borders for special economic zones
- Harmonisation of regulations
- Transport – freight and taxis
- Infrastructure and services

The Committee broke for lunch between 12.30 pm and 1.30 pm.

1.30 pm – 2.15 pm

Following the lunch break the Committee met with:

- Mr Simon Stahl, CEO of the Northern Co-operative Meat Company; and
- Mr Gary Burrige, Director East Coast Operations at T&R Pastoral, and Export Chair/APC Chair of the Australian Meat Industry Council.

Some of the topics covered during the discussion included:

- Time spent on compliance with state regulations
- Infrastructure

- Payroll tax
- Fire service levy
- Local government planning
- Workers compensation
- Local government

2.15 pm – 3.00 pm

The Committee met next with Mr Ian Foote, Project Manager at Norco.

Some of the topics covered during the discussion included:

- Electricity costs
- Retention of skilled staff

At 3.00 pm the Committee departed Twin Towns Services Club and travelled to the offices of Piers Property Group (Suite 29, 38 Pearl Street, Kingscliff).

Site visit to Piers Property Group

3.45pm – 4.30 pm

The Committee met with Gail Bartlett, Commercial Manager at Piers Property Management.

Some of the topics covered during the discussion included:

- Harmonisation of regulations and licenses

VISIT OF INSPECTION TO ALBURY – 15 JUNE 2012

On Friday 15 June 2012 a delegation of the Committee on Economic Development travelled to Albury as part of the Committee's Inquiry into the establishment of special economic zones. The purpose of the visit was to meet with stakeholders in the region to discuss economic development issues particular to border regions and whether the establishment of special economic zones in border regions would help alleviate any of the issues.

Three committee members (Mr David Elliott MP, Mr Stuart Ayres MP, and Mr Jamie Parker MP) and one staff member (Ms Carly Maxwell) attended the site visit.

Mr Elliott, Mr Ayres, Mr Parker and Ms Maxwell flew from Sydney to Albury on the morning on 15 June, arriving at 9.20 am.

Meetings

Throughout the morning the Committee held two meetings in the Robert Brown Room at Albury City Council.

10.30 am – 11.20 am

The Committee met with the following people:

- Ms Barbara Hull, Chief Executive Officer, Murray Regional Development Australia;
- Mr Peter Crowe, Chairman, Murray Regional Development Australia
- Mr Ray Stubbs, Executive Officer, RAMROC;

Topics covered during the meeting included:

- Murray-Darling Basin Plan and water use policies
- Economic drivers in Albury
- Relationship between Albury and Wodonga
- Broadband access and the NBN
- Planning
- Harmonisation of licences
- NSW Cross Border Commissioner
- Transport

11.20 am – 12.20 pm

The Committee met with the following people:

- Mr Phil Clements, Chair, Northside Chamber of Commerce;
- Mr David Koschitzke, Chair, Albury Chamber of Commerce;

- Mr Tim Farrah, Regional Manager, Australian Industry Group – Hume and Riverina
- Mr Ben Fooley, Regional Manager, NSW Business Chamber – Murray-Riverina
- Mr Paul Goonan, Regional President, NSW Business Chamber – Murray-Riverina

Some of the topics covered during the ensuing discussion included:

- Payroll tax
- Standardisation of licences, weight limits and trade qualifications
- Transport and road freight
- Workers Compensation
- Local council

The Committee broke for lunch between 12.20 pm and 1.00 pm.

Site visit to Albury Wodonga Health

1.00 pm – 1.30 pm

The Committee met with:

- Mr Stuart Spring, Chief Executive Officer, Albury Wodonga Health
- Mr Ulf Ericson, Chair, Albury Wodonga Health
- Mrs Nicki Melville, Vice Chair, Albury Wodonga Health

Some of the topics covered during the discussion included:

- Background to the establishment of Albury Wodonga Health.
- Industrial awards
- Barriers to cross-border co-operation
- Other areas of potential cross-border amalgamation

Site visit to Mountain H2O

1.45 pm – 3.00 pm

The Committee met with Mr Steven Pitts, Chief Executive Officer, Mountain H2O.

Some of the topics covered during the discussion included:

- Background of Mountain H2O and recent rapid growth
- Transport and rail services

The Committee received a tour of the Mountain H2O facilities.

Further meetings

3.15pm – 4.00 pm

The Committee returned to the Robert Downing Room at Albury City Council and met with the following representatives from WHK, a provider of accounting and business advisory services:

- Mr Peter Tobin, Chief executive, WHK Albury
- Mr Gary West, Principal, WHK Albury

Some of the topics covered during the discussion included:

- Road and rail infrastructure
- Payroll tax, rates and stamp duty
- Workers compensation.
- Strengths of the Albury economy

4.00pm – 5.00 pm

The Committee met with the following local government representatives:

- Cr Alice Glachan, Mayor, Albury City Council
- Mr Michael Keys, Acting General Manager, Albury City Council
- Ms Tracey Squire, Director, Economic Development and Tourism, Albury City Council

Some of the topics covered during the discussion included:

- Local council working with business
- Rail infrastructure
- Evo cities campaign

Appendix Four – Extracts from Minutes

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 5)

9.07 a.m., Wednesday 9 November 2011
Room 1136, Parliament House

Members Present

Mr Elliott (Chair), Mr Ayres (Deputy Chair), Mr Gee, Ms Hay, Mr Parker.

2. Correspondence received from:

(b) The Treasurer, dated 14 October 2011

The Chair referred to correspondence received from the Treasurer, requesting the Committee to examine and inquire into the benefits of special economic zones, with particular emphasis on the potential to economic growth, employment and investment in regional NSW.

The Chair invited Members to comment on the draft terms of reference emailed to them on 8 November 2011 Discussion ensued.

Resolved on the motion of Mr Ayres, seconded Mr Parker:

"That the Committee inquire into and report on the establishment of special economic zones providing state tax and financial incentives to promote economic growth, employment and investment in regional and rural New South Wales; and any other related matters."

The Chair informed Members that he would announce the inquiry in the House that day. He referred Members to the indicative timetable circulated by email on 8 November. He advised that a draft advertisement and a list of stakeholders from whom submissions would be sought would be circulated by email in December for their approval. He suggested that Members forward the names of relevant stakeholders to the secretariat by the end of November for inclusion on the list.

Resolved on the motion of Mr Ayres, seconded by Mr Parker:

"That the Committee advertise the call for submissions to the inquiry in the *Sydney Morning Herald* and *The Land* and on the Committee website on 13 February 2012 and write to relevant stakeholders with a closing date of 23 March 2012."

The committee adjourned at 9.26 a.m. until a date to be determined by the Chair.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 6)

Wednesday, 22 February 2012
Room 1153 Parliament House

Members Present

Mr Elliott (Chair), Mr Ayres (Deputy Chair), Mr Gulaptis, Ms Hay, Mr Parker.

The Chair commenced the meeting at 9.33 am and welcomed the new Committee Member, Mr Christopher Gulaptis.

3. Inquiry into the Establishment of Special Economic Zones

i. Invitation for submissions and advertising

The Chair noted that Members had been notified by email about the commencement of the inquiry and the sending of invitations to 80 stakeholders to make a submission; they had also been sent a copy of the text of advertisements in *The Sydney Morning Herald* and *The Land* as well as the press release. He agreed, in response to a query by Mr Parker, that late invitations could be sent, if Members had additional suggestions, however this should be done as soon as possible.

ii. Submissions

The Chair noted that one submission had already been received and that an expression of interest had been received from Mr Peter Bailey, Chief Executive Officer, Foundation for Regional Development Limited. He proposed to invite Mr Bailey to give a special presentation to the Committee for information in the near future.

Inquiry Timetable

The Chair outlined the timetable for the forthcoming Inquiry activity. Members agreed to meet on 12 April for a deliberative meeting by teleconference to resolve to publish submissions and confirmed their availability for the public hearing on 30 April. . Mrs Hay indicated an apology for the deliberative meeting.

Witnesses

The Chair advised that staff would circulate a proposed list of witnesses to members in advance of the deliberative meeting on 12 April.

Late submissions

Members agreed that a further two weeks was appropriate for the receipt of late submissions.

The committee adjourned at 10.00 am until Thursday 12 April 2012.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 7)

9.10 a.m., Wednesday, 4 April 2012
Room 1153 Parliament House

Members Present

Mr Elliott (Chair), Mr Ayres (Deputy Chair), Mr Gulaptis, Mr Parker.

Apologies

An apology was received from Ms Hay.

The Deputy Chair opened the meeting at 9.10 a.m. He noted that the Chair had advised that he would be late due to a previous commitment.

1. Inquiry into the Establishment of Special Economic Zones

i. Submissions

The Deputy Chair referred to the submissions already circulated by email to Members (Nos 1-32). He noted that an additional submission (No 33) had been received and a hard copy of this was distributed at the meeting.

Resolved, on the motion of Mr Ayres, seconded by Mr Parker:

That the committee authorise the publication on the committee webpage of submissions 1-33.

4. General Business

ii. Witnesses for inquiry into the establishment of special economic zones

The Chair advised that staff would circulate a proposed list of witnesses to members in advance of the next meeting.

5. Next Meetings

The Chair advised that the next meeting would be held by teleconference at 10.00 a.m. on Thursday 12 April, 2012. Members further agreed that the next meeting following the public hearing to on 30 April, would be held on Wednesday, 9 May at 9.00 a.m.

The committee adjourned at 10.05 a.m. until Thursday 12 April 2012.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 8)

10.01 a.m., Friday 20 April 2012
Room 1043 Parliament House

Members Present

Mr Elliott (Chair),
By Teleconference: Mr Ayres (Deputy Chair), Mr Gulaptis, Mr Parker.

Apologies

An apology was received from Ms Hay.

2. Inquiry into the Establishment of Special Economic Zones

i. Correspondence from:

- a. Professor Roy Green, Dean, UTS Business School, University of Technology, Sydney, dated 1 March 2012, advising he will not make a formal submission to the Inquiry and enclosing a journal article relevant to the Inquiry
- b. Office of the Hon Andrew Constance MP, dated 5 April 2012, forwarding a document from Bega Valley Shire Council. The Council has since sent further information and together this is to form a submission from the Council.

Resolved, on the motion of Mr Ayres, seconded by Mr Gulaptis:

That the Committee note the correspondence.

ii. Submissions 34 - 37

The Chair advised the receipt of three additional submissions from Bega Valley Shire Council; RDA Far West NSW; and RDA Mid North Coast.

Resolved, on the motion of Mr Ayres, seconded by Mr Gulaptis:

That the Committee authorises the publication on the Committee's webpage of Submissions 34-37.

iii. Selection of witnesses

The Committee deliberated on the Proposed Witness List for the 30 April hearing, which was circulated with the meeting papers. The Chair informed Members that the Department of Trade and Investment had advised that it would not send a representative to give evidence further to its submission, however questions could be sent if the Committee required further information, after taking evidence from the other witnesses at the public hearing.

Resolved, on the motion of Mr Ayres, seconded by Mr Parker:

That the Committee invite witnesses to give evidence before the Committee at its public hearing on 30 April 2012, as outlined in the proposed witness list.

Resolved on the motion of Mr Ayres, seconded by Mr Gulaptis:

That, where necessary, the Committee seek the Speaker's approval for funds to cover the travel expenses of witnesses so as to enable them to attend the public hearing.

After further deliberation, the Committee also agreed to write to Mr Christopher Eccles, Director General, Department of Premier and Cabinet asking if there was any additional information further to the submission of the Department of Trade and Investment, which would be beneficial to the Inquiry.

iv. Future inquiry activities:

- a. Possible site visits or additional hearing day with regional councils

Resolved, on the motion of Mr Gulaptis, seconded by Mr Ayres:

That the Committee seek the Speaker's approval for two subcommittees, each of three members, to conduct site visits to the Hunter Valley and to Albury / Tweed Heads.

The Committee deliberated on possible witnesses for the site visits and agreed that witnesses might also be invited from the other side of the border in border regions.

- b. Briefings from the Cross Border Commissioner and the Small Business Commissioner

Resolved, on the motion of Mr Ayres, seconded by Mr Parker:

That the Committee invite the Cross Border Commissioner and the Small Business Commissioner to attend the public hearing or a meeting on a sitting day to brief the Committee on issues relating to the inquiry into the establishment of special economic zones.

The committee adjourned at 10.30 a.m. until the public hearing on Monday 30 April 2012.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 9)

Monday, 30 April 2012

9.30 am

Waratah Room, Parliament House

Members Present

Mr Elliott (Chair); Mr Ayres (Deputy Chair), Mr Gulaptis, Mr Parker.

Apologies

An apology was received from Ms Hay.

1. Public Hearing – Inquiry into the Establishment of Special Economic Zones

The Chair declared the commencement of the public hearing at 9:30 am and the witnesses and public were admitted.

Mr Luke Aitken, Policy Advisor, Regional Affairs, NSW Business Chamber was affirmed and examined.

Mr Micah Green, Economist, NSW Business Chamber was sworn and examined.

Evidence concluded, the witnesses withdrew.

Mr Bijai Kumar, Chief Executive Officer, Penrith Business Alliance was sworn and examined.

Mr Paul Brennan, Chairman, Penrith Business Alliance was sworn and examined.

Mr Kumar and Mr Brennan tendered the following documents for the information of the Committee:

- "Special Economic Zones – Performance, Lessons Learned and Implications for Zone Development", International Finance Corporation, April 2008;
- "Financing Public Infrastructure in Queensland", Property Council of Australia (Queensland Division), Final Version 1.1, March 2010;
- Penrith Business Alliance presentation folder of information brochures;
- "Ways for Government to Grow Penrith Regional City – 5 Key Advocacy Issues, NSW Government Election", Penrith Business Alliance, March 2011;
- "Penrith Health and Education Innovation Campus @ UWS Werrington North", Briefing Paper to Government, Penrith Business Alliance;
- "Penrith Health and Education Precinct, Strategic Vision 2011", Penrith Business Alliance.
- "Developing A Penrith Valley Economic Corridor", Report of the University of Western Sydney, Urban Research Centre, January 2011.

Evidence concluded, the witnesses withdrew.

The Committee adjourned at 11:00 am until 11:15 am.

Mr Tom Murphy, Chief Executive Officer, Western Research Institute Limited was affirmed and examined by videoconference.

Evidence concluded, the witness withdrew.

Ms Charlotte Finch was sworn and examined. Ms Finch tabled a document titled "The Barwon Darling Enterprise Zone" prepared by the Western Research Institute and dated 5 September 2003.

Evidence concluded, the witness withdrew.

Associate Professor Paul Collits, Research Director, Economic Development and Enterprise Collaboration, Australian Centre for Sustainable Business and Development was sworn and examined by videoconference.

Evidence concluded, the witness withdrew.

The Committee adjourned at 1:15 pm until 2:30 pm.

Ms Lesley Scarlett, Executive Officer, Southern Councils Group and Mr Tony Green, Acting Chief Executive Officer, RDA Illawarra were affirmed and examined.

Evidence concluded, the witnesses withdrew at 3:16 pm.

At 3:19 pm the Chair commenced the deliberative meeting.

5. General Business

i. Publication of transcript of hearing

Resolved, on the motion of Mr Gulaptis, seconded by Mr Parker:

That the transcript of the hearing on 30 April 2012 be published once members and witnesses have had the opportunity to correct the transcript for inaccuracies.

ii. Acceptance of documents tabled by witnesses.

Resolved, on the motion of Mr Ayres, seconded by Mr Parker:

That the document tabled by Ms Charlotte Finch be accepted as evidence and published on the Committee's website.

COMMITTEE ON ECONOMIC DEVELOPMENT
EXTRACTS FROM MINUTES

iv. Site Visits

Members deliberated on arrangements for site visits for the Inquiry into the Establishment of Special Economic Zones.

Resolved, on the motion of Mr Parker, seconded by Mr Gulaptis:

That a sub-committee of three Members visit Tweed Heads (Mr Elliott, Mr Ayres and Mr Gulaptis) and that a sub-committee of three Members visit Albury (Mr Elliott, Mr Ayres, and Mr Parker).

The Chair advised that he would contact Ms Hay concerning the site visits.

The committee adjourned at 3.34 pm until 9:00 am on Wednesday, 9 May.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 10)

9:07 a.m., Wednesday 9 May 2012
Room 1043 Parliament House

Members Present

Mr Elliott (Chair), Mr Gulaptis, Mr Parker (from 9:15 a.m.)

Apologies

An apology was received from Mr Ayres

2. Inquiry into the Establishment of Special Economic Zones: Schedules for site visits

The Chair noted that the following Members were available to visit Tweed Heads on 7 June:

Mr Stuart Ayres MP, Mr David Elliott MP, Mr Chris Gulaptis MP, Ms Noreen Hay MP; and that the following Members were available to attend the visit to Albury on 15 June:

Mr Stuart Ayres (to be confirmed), Mr David Elliott MP, Ms Noreen Hay MP, and Mr Jamie Parker MP.

As more than three members were available for each site visit, it would be necessary to rescind previous motions passed at the meetings of 20 April and 30 April which referred to subcommittees of only three members.

Resolved, on the motion of Ms Hay, seconded by Mr Gulaptis:

That the following motions from 20 April and 30 April be rescinded:

"That the Committee seek the Speaker's approval for two subcommittees, each of three members, to conduct site visits to the Hunter Valley and to Albury/Tweed Heads."

"That a sub-committee of three Members visit Tweed Heads and that a sub-committee of three Members visit Albury."

Resolved, on the motion of Ms Hay, seconded by Mr Gulaptis:

That the Committee seek the Speaker's approval to conduct site visits to Tweed Heads and Albury.

The Chair noted that Members should notify Committee staff if they wish to stay overnight (at their own expense) rather than fly back the same evening. He also invited them to contact the secretariat with suggestions of stakeholders to meet during the site visits.

4. General Business

- i. Late Item: Email from Ms Solaire Eggert, Parramatta City Council

The Chair referred to the email, dated 6 May 2012, circulated as a Late Item, from Ms Solaire Eggert, Manager, Economic Development, Parramatta City Council expressing interest in the Committee's Inquiry and regretting that the Council was not aware of the closing date for submissions.

COMMITTEE ON ECONOMIC DEVELOPMENT
EXTRACTS FROM MINUTES

Resolved, on the motion of Mr Elliott, seconded by Mr Gulaptis:

That the Committee write to Ms Eggert inviting Parramatta City Council to make a late submission to the Inquiry by 21 May 2012.

The committee adjourned at 9:24 a.m.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC
DEVELOPMENT (NO. 11)

1:34 p.m., Wednesday 23 May 2012
Room 1043 Parliament House

Members Present

Mr David Elliott MP(Chair), Mr Stuart Ayres MP (Deputy Chair) Mr Christopher Gulaptis MP,
and Mr Jamie Parker MP

Apologies

An apology was received from Ms Noreen Hay MP

2. Inquiry into the Establishment of Special Economic Zones

Additional submission received

The Chair noted receipt of an additional submission, Submission No. 38 of Mr Edward Crawford, which addressed economic development issues in relation to Newcastle Airport Limited and RAAF Base Williamtown.

Resolved on the motion of Mr Parker, seconded by Mr Ayres:

That the Committee authorises the publication on the Committee's webpage of Submission No. 38

The committee adjourned at 2:10 p.m.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC
DEVELOPMENT (NO. 12)

2:03 p.m., Monday 4 June 2012
LA Committees Office by teleconference

Members Present

Mr David Elliott MP (Chair); Mr Christopher Gulaptis MP, and Mr Jamie Parker MP

Apologies

Apologies were received from Mr Stuart Ayres MP and Ms Noreen Hay MP

1. Inquiry into the Establishment of Special Economic Zones -Site Visit to
Tweed Heads

The Chair welcomed Members and advised that Mr Greg Watt, Regional Liaison Officer, Department of Premier & Cabinet had contacted the Committee and requested to attend the first two meetings of the Committee's site visit to Tweed Heads. He said that Mr Watt had been asked to attend by the Hon Donald Page MP, Minister for Local Government, and Minister for the North Coast, as the Minister was particularly interested in cross-border issues which were to be the focus of the meetings during the Committee's site visit.

Resolved, on the motion of Mr Elliott, seconded by Mr Gulaptis:

That Mr Greg Watt, Regional Liaison Officer from the Department of Premier & Cabinet, be authorised to attend the first two meetings of the Committee's site visit to the Tweed on Thursday, 7 June 2012.

The committee adjourned at 2:06 p.m.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC
DEVELOPMENT (NO. 13)

10.20 a.m., Thursday 7 June 2012

Level 4 Boardroom, Twin Towns Services Club, Tweed Heads

Members Present

Mr David Elliott MP (Chair), Mr Stuart Ayres MP (Deputy Chair), Mr Christopher Gulaptis MP,
Ms Noreen Hay MP

Apologies

Apologies were received from Mr Jamie Parker MP

1. Inquiry into the Establishment of Special Economic Zones - Site Visit to
Tweed Heads

The Chair advised members that Mr Geoff Provest had requested to attend the first meeting of
the Committee's Tweed Heads site visit.

Resolved, on the motion of Mr Elliott, seconded by Mr Gulaptis:

That Mr Geoff Provest MP, Member for Tweed, be authorised to attend, as an observer, the
first meeting of the Committee's site visit to the Tweed Heads on 7 June 2012.

The committee adjourned at 10.25 a.m. to commence its program of meetings with and site
visits to agencies and businesses in the Tweed.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC
DEVELOPMENT (NO. 14)

9.19 a.m. Wednesday 21 June 2012
Room 1136, Parliament House

Members Present

Mr David Elliott MP (Chair); Mr Christopher Gulaptis MP, Ms Noreen Hay and Mr Jamie Parker
MP

Apologies

Apologies were received from Mr Stuart Ayres MP

2. Inquiry into the Establishment of Special Economic Zones -Site Visit to
Tweed Heads

- a) Travel Reports: Tweed (7 June) and Albury (15 June)

Members noted the above travel reports, copies of which were distributed at the meeting.

- b) Report Drafting

Members deliberated on the intended inquiry outcomes.

The committee adjourned at 9.53 a.m.

MINUTES OF PROCEEDINGS OF THE COMMITTEE ON ECONOMIC DEVELOPMENT (NO. 15)

9.05 a.m. Thursday 18 October 2012
Room 1136, Parliament House

Members Present

Mr David Elliott MP(Chair); Mr Stuart Ayres MP, Ms Noreen Hay MP and Mr Jamie Parker MP

Apologies

Apologies were received from Mr Christopher Gulaptis MP

2. Inquiry into the Establishment of Special Economic Zones

Consideration of Chair's Draft Report

The Committee considered the draft report, previously circulated on 10 October 2012. The Chair noted that Mr Gulaptis had indicated that he had no amendments to make to the report. Discussion ensued.

FINDING (page 44): Mr Ayres moved that the finding of the report be amended by inserting:

The Committee encourages the NSW Government to work with industry, local government and other stakeholders to encourage economic development in regional New South Wales. However, ...

in front of the finding, and inserting the phrase 'offering state tax and financial incentives' following the words '...the Committee finds that the establishment of special economic zones...'

Amendment agreed to.

Resolved on the motion of Mr Ayres, seconded by Mr Parker:

That:

- the draft report, as amended, be the report of the Committee and that it be signed by the Chair and presented to the House;
- the Chair and the Committee Manager be permitted to correct stylistic, typographical and grammatical errors.

Resolved on the motion of Mr Parker, seconded by Mr Ayres:

That the tabled report be published on the Committee's website.

4. Correspondence

Reply from the Director General, Department of Premier and Cabinet dated 19 July 2012, to the Chair's request for information re cross border communities and the National Partnership Agreement to Deliver a Seamless National Economy. Members noted that the advice has been incorporated into the Committee's report on the establishment of special economic zones.

The Committee adjourned at 9.32 a.m.