

**Submission
No 25**

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES

Organisation: RDA Sydney
Name: Mr Alan Pendleton
Position: Chairperson
Date Received: 23/03/2012

Mr David Elliott MP
Chair
Committee on Economic Development,
Parliament House,
Macquarie Street,
Sydney NSW 2000

Dear Mr Elliott,

Subject: RDA Sydney submission to the Legislative Assembly Committee on Economic Development inquiry into the establishment of special economic zones.

Regional Development Australia – Sydney welcomes the opportunity to provide feedback on the establishment of special economic zones. Please find attached our submission.

Regional Development Australia (RDA) is a partnership between the Australian, state, territory and local governments established to support the growth and development of Australia's regions. RDA is the outcome of the decision made by the Council of Australian Governments (COAG) to merge the activities of the previous national Area Consultative Committees with the state regional development boards.

The RDA Sydney committee builds partnerships between governments, regional development organisations, local businesses, community groups and key regional stakeholders, to provide strategic and targeted responses to economic, environmental and social issues affecting the region of Sydney.

Should any clarification or additional information be required please do not hesitate to contact our Executive Officer, Bob Germaine on 9890 7804 bob.germaine@rdasydney.org.au

Yours sincerely



Alan Pendleton
Chairperson
Regional Development Australia- Sydney
23rd March 2012





**A submission to the Legislative Assembly
Committee on Economic Development -
Inquiry into the Establishment of Special
Economic Zones**

March 2012

Regional Development Australia brings together people and information to promote collaborative decision making for the sustainable and just economic development of Sydney, with a focus on employment growth.

Introduction

About Regional Development Australia (RDA)

Regional Development Australia (RDA) is a partnership between the Australian, State and Local Governments created to strengthen regional communities. RDA Sydney is part of a national network of 55 RDA committees. These committees are made up of local leaders who volunteer their time to work with government, business and community groups to grow and strengthen their communities.

RDA Sydney's purpose is to build partnerships between governments, key regional organisations, local businesses, community groups and key regional stakeholders to provide strategic and targeted responses to economic, environmental and social issues affecting Sydney.

RDA Sydney has developed a Regional Plan for Sydney. It is based on inputs from stakeholders and draws information from 87 existing plans and reports published by the Australian, NSW and Local Governments and other key agencies. The Plan describes Sydney's attributes, industries, employment base and key advantages. The Regional Plan sets out the economic, environmental and social vision for the region, articulating the drivers of change, identifying strengths, weaknesses and opportunities, and listing priorities for action. It is a 'living' document which is updated annually and used by RDA Sydney and its Region to implement specific strategies.

RDA Sydney's priorities are:

- Sustainable economic development and jobs growth for Sydney;
- Skills Development – planning for industry needs in short to medium term;
- Social Inclusion - in particular embedding employment in strategies addressing homelessness, addressing disadvantaged youth skills and employment, and mature workforce participation.

About our submission

The RDA Sydney submission will address three main points:

1. The introduction of special economic zones should not be exclusive to regional and rural New South Wales if the strategy is to achieve lasting financial return to the state as a whole;
2. The establishment of special economic zones should be part of the overall strategic direction of the State and should become a tool for the implementation of key strategies e.g. Industry Action Plans, Employment Land Taskforce, Metropolitan Plan For Sydney 2036;
3. Comment on the policy framework for special economic zones and the importance of Federal Government partnership.

Submission Discussion

1. The introduction of special economic zones should not be exclusive to regional and rural New South Wales if the strategy is to achieve lasting financial return to the state as a whole

Sydney's economy accounts for 70% of the NSW economy. It has a two-way relationship with the State's regional economies – processing their products and providing a gateway for exports and imports, as well as being a substantial market for their finished products.¹ According to ABS Sydney's population is 4.58 million which accounts for 63% of the States total population and it is expected to increase to 6 million (66%) by 2036.

Why is this information important to the establishment of special economic zones? Because learnings from overseas indicate sustainable special economic zones (SEZ) such as Shenzhen in the Peoples Republic of China (PRC) are located in coastal areas with easy access to ports and transport networks. Moreover, they are especially set up in areas adjacent to the PRC's 'internationalized' cities, economic hubs or neighbouring countries. In contrast the PRC's industrial parks are located in coastal areas or the interior provinces² The Industrial Parks may receive some of the preferential policies of SEZ but only after they have been tested under the SEZ structure.

The factors of Shenzhen which have contributed to the success and competitiveness of Shenzhen are:

- Central Government has provided special policy framework for Shenzhen SEZ that has helped to create a 'soft enabling environment';
- Shenzhen has been home to migrants from across the country and more recently from overseas. The innovative spirit of the city stems in part from its vibrant and strongly motivated migrant community (83%);
- Shenzhen's enabling financial environment ensures that finance is available even for relatively risky ventures;
- There is well established infrastructure in Shenzhen, including harbour and airport;
- Shenzhen enjoys the advantage of location. A coastal city bordering Hong Kong, China.
- The Shenzhen government is efficiently run, and apt to continuously reform and upgrade its administrative capacity. The government has provided 'convenient services', through direct one-stop services for large enterprises.³

RDA Sydney's concern is that if you exclude Sydney (or part thereof) as a potential geographical area for special economic zones then you are weakening your potential for a sustainable economic outcome for NSW.

¹ Metropolitan Plan for Sydney 2036 pg. 128

² ADB Special Economic Zones and Competitiveness – A Case Study of Shenzhen, the People's Republic of China. Nov 2007. Wanda Guo and Yueqiu. Pg 4.

³ ADB Special Economic Zones and Competitiveness – A Case Study of Shenzhen, the People's Republic of China. Nov 2007. Wanda Guo and Yueqiu. Pg 8-10

RDA Sydney strongly recommends the South West subregion as per the recommendations within the 'Metropolitan Plan for Sydney 2036' be considered for special economic zone status if the policy framework were to be developed for the following reasons:

- The South West sub region projected employment growth is 18.6% of Sydney's total growth for 2036;;
- Has a relatively low ratio of 0.7 jobs per working resident;
- Self-containment levels also indicate most of its residents work outside the subregion;
- Diversifying types of jobs available is important in encouraging higher-order employment opportunities – securing higher order jobs for the South West subregion will require investment in skills and training, as well as a range of executive housing. Unless this issue is addressed, there could be severe long-term implications for the growth and development of Western Sydney and the metropolitan region as a whole;⁴
- The population will increase from 410,000 (2006) to 875,000 (2036) which is an increase of approximately 113% so it is vital that industry and employment opportunities are developed locally;
- South West Sub Region has direct linkages:
 - Road corridors;
 - Freight rail systems;
 - Employment Lands;
 - Mass Transport systems;
 - Connectivity to gateway infrastructure;
 - Housing;
 - Labour supply.

All of these positive selling points for this sub region require further investment and development but the base infrastructure (soft and hard) is in place which reduces government costs and ensures sustainability for special economic zone establishment.

⁴ Metropolitan Plan for Sydney 2036. Pg 148-149

2. The establishment of special economic zones should be part of the overall strategic direction of the State and should become a tool for the implementation of key strategies e.g. Industry Action Plans, Employment Land Taskforce, Metropolitan Plan For Sydney 2036;

One of the clearest lessons learned from decades of zone development – particularly EPZ development – is that *zones cannot and should not be viewed as a substitute for a country's larger trade and investment reform efforts*. They are one tool in a portfolio of mechanisms commonly employed to create jobs, generate exports, and attract foreign investment, through the provision of incentives, streamlined procedures, and custom-built infrastructure.⁵

RDA Sydney strongly recommends that special economic zones become a tool for:

- **Industry and Investment attraction strategies evolving from the 2021 State Plan;**
- **The implementation of the Industry Action Plan strategies pertaining to the Digital Economy, Professional Business Services, Manufacturing and Tourism Events Sectors;**
- **Implementation strategies for the Metropolitan Plan for Sydney 2036 and the individual sub regional strategies;**
- **Land use and infrastructure strategies - the Employment Lands Taskforce to ensure a longer term, strategic direction can be achieved;**
- **Implementation of the 2021 Regional Action Plans.**

3. Comment on the policy framework for special economic zones and the importance of Federal Government partnership

A SEZ Policy Framework should take into consideration the following:

1. A clear determination of the type of zone to be developed – what is the target sector and how it aligns with other State Government strategies;
2. Will the zone be a private or public development? Overseas experience indicates private development yields the best outcomes;
3. Determining the cost to government in regulating the zone – the regulating authority requires the autonomy and power over all the appropriate government agencies to implement the policy and incentive framework;
4. What is the cost to government in streamlining and provision of incentives? Eg. If relocation of industry from non SEZs to SEZ then loss of tax income occurs;
5. Any tax holidays should be accompanied with time limited KPIs;

⁵ FIAS SPECIAL ECONOMIC ZONES – Performance, Lessons Learned, and implications for Zone Development. April 2008. Pg 51

6. Business Tax and duties is heavily represented in the Federal Taxation System – overseas SEZ seem to have strong drivers at the Federal level to ensure incentives are attractive to Business and Investors with a progressive tax holiday timetable over the establishment phase – where is the engagement with the Federal Government in this process?
7. What is the cost of infrastructure? Is government offering onsite or offsite? A zone designation criteria and controls should be developed – if located close to existing public infrastructure and facilities it will reduce government outlays.
8. How will the SEZ interact with the domestic market – are incentives required for the domestic market to trade with SEZ?
9. Will the SEZ be required to conduct a percentage of local purchasing and contracting?
10. Will there be a training cost for government in up skilling labour as part of the incentive package?⁶

If you require any additional comment regarding RDA Sydney's submission please don't hesitate to contact:

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⁶ Points 1 to 9 FIAS SPECIAL ECONOMIC ZONES – Performance, Lessons Learned, and implications for Zone Development. April 2008.