

**Submission
No 29**

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES

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Submission to

**NSW Legislative Assembly Committee
on
Economic Development**

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Background – Stimulating Economic Development

1. The Shoalhaven is located on the south coast of New South Wales, approximately 160 kilometres from the centre of Sydney. As one of the largest coastal local government areas in the State, Shoalhaven City Council covers 4660square kilometres and is approximately 120km long and 80km wide.
2. Nowra/Bomaderry is the major centre of the Shoalhaven, located on the banks of the Shoalhaven River, providing administrative, commercial and other high order services for the City.
3. The City's economy features small to large businesses located within the major town centres. The main economic drivers are defence, manufacturing, construction, tourism and government services including education and health.
4. The population of the Shoalhaven is approaching 100,000 with persons aged 0 - 14 years (17.3% of total population) being the highest population group and persons aged 55 - 64 years being the second highest group (14.6%). The population is projected to increase to 130,967 by 2031 requiring an additional 14,000 jobs.
5. Shoalhaven City- Council has operated a specific Economic Development Office since 1978 and has had much experience in building economic capacity and wealth generation to grow the economy and the workforce from 17,980 in 1986 to 34,350 today.
6. Council has used various techniques for fostering economic growth including:
 - a. Employment land development – over 185Ha under development (50% sold) and proposals for a further 30Ha of englobo development
 - b. Priced employment land competitively and offered attractive sale terms
 - c. Built factories for lease to relocating industries
 - d. Participated with Govts with assistance packages to business
 - e. Struck a special rate to promote CBD businesses
 - f. Delivering a “Business Treading Lightly” program for efficiency improvements in areas of energy, water and waste.
 - g. Developed and registered the first non residential Community Title subdivision for industrial lots.
 - h. A broad partnership based tourism marketing campaign to create locational awareness for potential tourists
 - i. Being actively involved in Economic Development advocacy and partnerships at the regional level, including serving on committees associated with the area's Economic Development RDAs, SEATS,
 - j. Leveraging many Govt grant programs for projects that will drive economic development in the region through
 - Improved liveability and community outcomes.
 - Regional road MR92 – connectivity from coast to Hume Highway for freight
 - Energy efficiency – business improvement program
 - Recreational facilities (CBD upgrades/ beautification – key employee attraction/retention

Current Situation

7. Council has over 25 serviced parcels of industrial land available for sale in different localities within Shoalhaven, ranging in area from 800m² to over 5ha.
8. Working with NSW Trade & Investment, and its predecessors, many industries have been assisted to relocate, expand and develop within Shoalhaven. Most of these businesses have continue to flourish in our community, and other communities. The long term employment outcomes and investment continue today.

9. The Economic Development activities of Council have been adaptive to the changing environment. Council's latest Economic Development Strategy "*Shoalhaven – an enterprising alternative*" itemises its focus into areas addressing:
 - a. Infrastructure
 - b. Development
 - c. Economic Capability
 - d. Liveability
10. The need by Council and the wider community, supported by Government to address all of these economic drivers is critical. Council has developed specific industry strategic plans based on:
 - a. Industrial land
 - b. Agribusiness
 - c. Defence
 - d. Digital economy
 - e. *Medical education (under development)*
 - f. *Built recreation (under development)*
 - g. *Agricultural business hub (under development)*
11. Having the best economic environment is not good enough if it is located where people do not want to live or find the services not comparable to alternative working communities.
12. In addition to the business environment, it is critical to address
 - a. Recreational facilities, both active & passive
 - b. Arts and culture
 - c. Quality and choice in education, health, retail, and partner/spousal employment.

Stimulating Regional Economic Development – the geographic and economic framework

13. Special Economic Zones suggest that a specific geographic area be identified and within that area special incentives apply. Be they tax relief, grants, free land, a new university or hospital, there needs to be a rationale and framework for this to stimulate an economic and business response.
14. Before any incentive structure is put into place there is a fundamental need to change/reform the planning and approval process within NSW. At best the current planning scheme is one of "DEVELOPMENT CONTROL". Planning schemes at state, regional and local level need to "FACILITATE INVESTMENT" in new ways within any framework of special Economic Zones.
15. Investment in the context of 14 above, will mean not following trends and doing the same within each locality. It will mean creating a niche within a region, backed by research,

traditional strategic planning (transport, economic, cultural, community, ...) to arrive at a land use framework which determines parameters within which an investor can undertake development with a degree of certainty.

16. The regional economic geography of NSW is complicated but can be divided into 4 main categories:
 - a. Metropolitan – characterised by urban development and constrained land for employment and other purposes
 - b. Outer Metropolitan – characterised by expanding urban sprawl with logistics and access to transport corridors critical for success (Newcastle, Central Coast, Western & South Western Sydney and Wollongong and maybe even the Tweed)
 - c. Regional communities – characterised by growing populations, developing employment precincts, in-migration from surrounding regions and metro areas (generally > 20,000)
 - d. Rural communities – characterised by agriculturally based activities and service communities struggling to retain population (<10,000)
17. To enhance a region, the future specialities need to be identified. Simplistically, most communities if asked this question look to tourism – but is that widely sustainable when the overall bucket of domestic tourism related dollars is static. A smaller slice of the cake for all maybe!
18. Examining the strengths and weaknesses of the regional, not just local, economy in depth may identify specific growth sector potential. Within the Shoalhaven one such sector would be Defence rotary wing aviation – training & maintenance, another could be medical training for regional areas. Once there is a network and pattern spread around the regions, then and only then will a co-ordinated patchwork of economic coherence be developed –
REGIONAL ECONOMIC PLANNING
19. The NSW approach to establishing Special Economic Zones is limited by its inability to influence the broader taxation structure as it applies to business and individuals working within those businesses. Utilising incentives and grants does have benefit but will not enhance the State's ability to entice investment by business the same way as a "CAN DO" ethos within the planning process.

Existing & past incentives - comment

20. It should be stated at the outset, that Shoalhaven City Council has supported NSW Government incentive packages to Regional industry. Council has assisted industry to utilise these packages to expand, establish and relocate. The success of Shoalhaven's growth in employment creation is in part attributable to these incentives.
21. Important assistance to Council to undertake specific projects related to Economic Development has also been forthcoming from Government – including utility extension to industrial estates and promotional packages....

22. Council with a small grant by the NSW Govt undertook a revamp of its marketing collateral (mainly web based) and from this has experienced broad interest and relocation enquiries – we believe performing better than another well publicized campaign that utilised over \$1m. The take-up of Regional Relocation grants in the Shoalhaven/South Coast region appears to be well above what could be statistically anticipated.

Special Economic Zone Framework – articulation and incentives

23. Any Special Economic Zone framework needs a geographic basis, an economic vision for regions and a package of incentives. We would refer in particular to the Grattan Institute report of May 2011, “Investing in Regions: Making a difference”
24. Council does not advocate the removal of fees/charge used for a regulatory reporting or licensing purpose eg real estate licences, pollution control licences, gaming licences but rather a responsible review to ensure that the fees charged are commensurate with the administrative overheads incurred to oversee such an industry regulation.
25. In the previous sections the geographic and economic aspects have been talked about – categories of economic geography (16) and the need for a regional perspective (17-19). The need for a new approach to planning has also been espoused (14-15)
26. The incentive package deliverable by a NSW Government is limited by its ability to raise revenue and operate its business.
27. Given that the single largest income deriving tax in NSW is Payroll Tax, it is not likely that this can be abandoned or waived in any significant way unless there is a substantial change and review to the national Goods & Services Tax and its redistribution formula.
28. Albeit a tax against employment, the idea of greater employment and therefore greater tax income to the NSW Government is ironically consistent. It is suggested that the benchmark of payroll tax be used as a criteria for discounts/waivers/rebates of other state fees, charges or taxes. By this it is meant that if a business pays payroll tax then other incentives are applied and the more payroll tax you pay the greater the incentives.
29. Specifically, taking the geographic categories in 16 above and apply an incentive to relief to other charges then the following discounts may apply:
- a. Metropolitan 0% (or even a penalty % in some areas)
 - b. Outer Metropolitan 25%
 - c. Regional 50%
 - d. Rural 75%
- This would mean that if a business was to pay \$100,000 in payroll tax annually in a designated Special Economic Zone in a Regional area, it would receive a \$50,000 annual waiver from other specified State charges – stamp duties, waste levies, heavy vehicle registration, land tax...
30. This would deliver investment in factories, machinery and other productive assets which would generate employment. It would also assist to generate more employment and more payroll tax and more discounts and so the cycle will spiral outwards!
31. In addition to this, the supported industrial sector approach which can overlay the geographical layer, can have its own add-ons. For a specific industry to be supported in Shoalhaven, say Defence aviation, an additional 10-15% could apply. Investment in ethanol production utilising farm waste in rural areas; 40%, music and recording industry in Tamworth 15%; establishment & operation of transport intermodals at designated freight junctions 30%. These incentives could be ongoing or reducing over time.
32. This approach could mean that an incentive could be applied to entice call centres to establish in regional centres with a university that attracts significant numbers of international students giving both support for the university and call centre operator. Other similar examples can be itemised but the principle is the same.

33. This Special Economic Zone model requires further investigation and economic modelling. It would seem abhorrent to be supporting a tax on employment to generate employment but it is suggested that it may just work!!

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