

**Submission
No 18**

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES

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David Elliot MP
Chair
Legislative Assembly Committee on
Economic Development
Parliament of New South Wales
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Dear Mr Elliot,

Inquiry into establishment of Special Economic Zones

Thank you for the opportunity to make a submission to the Committee on the establishment of special economic zones within NSW.

The Australian Industry Group (Ai Group) is a peak national industry association which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries.

Ai Group members operate small, medium and large businesses across a range of industries and the businesses which we directly represent employ more than one million employees.

Ai Group is committed to helping Australian industry with a focus on building competitive and sustainable industries through global integration, skills development, productive and flexible workplace relations, infrastructure development; innovation; and uptake of resource efficiency.

In our experience special economic zones are traditionally and commonly used to provide special incentives for economic and industrial development in selected regions within a country. They have been typically used by less developed economies to fast track economic development by preferencing certain regions over the rest of the economy for tax breaks and other concessions, in the expectation that the benefits of that development will flow through to the economy as a whole. The preferential treatment of SEZ regions usually involves providing benefits that cannot be provided simultaneously across the economy due to the financial impact on revenues.

Ai Group believes there may be scope to extend the concept of SEZs beyond taxation to encompass other areas where government impacts on business, in particular through regulation. This approach could provide the basis for trialling support mechanisms for industry that can be extended across the state without any negative financial impact.

We see merit in special zones being identified, within which innovative regulatory models can be applied, including but limited to:

- Single points of contact – multiple regulators could act through a single point of interface with industry. Such a front line agency would have core competence in influencing skills rather than technical knowledge. They can call in technical experts as required.
- Taken further to include local government, the single point of contact (or one stop shop) could extend to issues such as development and licence approvals. These could be applied on the basis of automatic approval as the default position triggered by meeting certain criteria and/or the regulator failing to raise objections within a short fixed time period.
- Earned trust regulatory models – enterprises who meet certain behavioural criteria are regulated on an exception basis, lightening regulatory burdens for 'good risks' and lowering administrative costs for Government. A sound risk-based approach is needed to underpin this model.
- Regulating for success – compliance activity by regulators (or indeed any interaction from state or local government) is integrated with business capability building mechanisms so that the primary operational objective of government interaction is to enhance the ability of enterprises to meet competitive challenges, which includes regulatory compliance. In other words, regulators' objectives are to help businesses achieve compliance through, and as part of, commercial success.

The above models are not necessarily alternatives, and could work in combination with each other. They could sit alongside any traditional taxation based incentives provided for an SEZ, or they could be the core of the SEZ package on their own.

Finally, we note that SEZs need not be defined by geography. While many SEZs centre on shared export infrastructure, taxation benefits or enhanced regulatory models could be applied to industry subsectors, or to limited numbers of volunteering businesses, rather than to regions. Many reforms may be of interest to businesses who share a sector or regulator but are not physically proximate.

Yours sincerely



Mark Goodsell
Director - NSW