

INQUIRY INTO ZONAL TAXATION

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The Chair
Legislative Assembly Committee on Investment,
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RE: SUBMISSION TO THE INQUIRY OF ZONAL TAXATION

Dear Sir

Regional Development Australia Far West welcomes the opportunity to contribute to this enquiry and seeks to provide a regional perspective on the potential economic and social impacts of any changes to current zonal taxation.

Regional Development Australia Far West (RDA FW) is a leadership voice for the region. We support the building of local economies and dynamic communities and enhance livability in the Far West by: improving access to government funding and programs; facilitating partnerships and linkages with all tiers of government and the community; and managing a diverse range of projects that create economic, social and natural capital. We are a non-profit, community-based organisation.

The Far West Region encompasses the semi-arid lands of western NSW and shares borders with South Australia and Queensland. The region comprises of 2 Local Government (LGA) areas, Broken Hill City and Central Darling Shire, and along with the unincorporated area of NSW covers an area of approx. 147,000 sq. km. The Far West has a strong economy based on mining, agriculture and tourism, however unemployment is higher than the NSW average and many household incomes are relatively low.

The demographics of the region is unique, and as a snap shot include;

- Low socio economic region
- Higher than average unemployment, especially young people
- An aging population
- A growing Indigenous population
- Limited access to Vocational pathways and training
- Vast distances between centres
- A relatively small regional population
- Higher than average costs for food, fuel and utilities
- Higher than average rates for disease and sickness



Exemptions from, or concessions in relation to, payroll tax, stamp duty, and land tax

The Far West is a critical contributor to the State's economy with mining in the region contributing \$340.1 Million to the regions GRP in 2014-15, and the regions GDP for the same period at \$0.99 billion.

Exemptions and concessions have been used successfully for many years across the world to create jobs and prosperity in depressed regional areas and provide opportunity to attract economic growth through concession in company tax, investment allowances, accelerated depreciation and wage subsidies.

Population predictions in the Far West propose a reduction of 10.5 % over the coming 15 years. The region has worked hard to develop strategies to address this and attract and support investment to diversify the region's economy. Exceptions in relation to payroll tax within the Far West would make a significant difference in the regions ability to attract investors to relocate or begin their business in the region and could further encourage local businesses to diversify and grow their own organisations, thus creating additional employment opportunities.

Concessions in relation to utility charges

Electricity

Rising electricity costs are impacting the Far West with both business and residents experiencing higher than average electricity prices.

As an essential service, it is critical that the electricity market is affordable, equitable and accessible to all. Many disadvantaged residents and businesses in the Far West are struggling with the relentless price increases of the last few years and risk being left behind as technologies, complex tariffs and emerging business models widen the gap.

The impact on business is significant when comparing profitability and sustainability of businesses and electricity costs, the US Government program Energy Star states that 'organisations that improve their energy performance outperform their counterparts by as much as 10%.'

Residents in the Far West pay significantly higher electricity charges than metropolitan centres. When looking for competitive electricity plans on mozo (www.mozo.com.au) a search of postcode 2880 returns a statement 'we'd love to help, but we can't find anyone offering competitive offers for energy in your area at this time.'

The quoted cost of electricity by supplier Powershop in Sydney is; Daily supply charge \$0.8925 cents ex GST and peak usage rate of \$0.2054. In comparison residents in the Far West are currently paying a daily supply charge of \$1.5491 ex GST daily supply charges and peak usage rates of \$0.2978 if supplied by AGL.



The IPART website states 'Energy use varies throughout the year and depends on the number of people per household, the type of dwelling, and the number and age of appliances in use' and 'Further, residents of freestanding houses tend to use more electricity than residents of semi-detached dwellings and flats.' Typically a household with 3-4 residents use about 2,100kWh of electricity per quarter (IPART website).

Characteristically residencies within the region are detached dwellings tending to have even higher usage rates, however when comparing current price structures with this average usage rate it is evident residents in the Far West are paying an additional \$59.10 per quarter for access and an additional \$194.04 in usage charges, equating to a minimum additional expense of \$1012.56 annually. With the extreme variations in temperature in the Far West usage in peak winter and summer times could increase significantly.

Consultation with Centacare's Financial Counsellor indicates more than 50% of clients have electricity arrears and are experiencing difficulty paying their ongoing electricity accounts, with a percentage over \$2000 in arrears.

Lifeline's Financial Counsellor echoes this sentiment and states 'We are seeing a trend where payment plans for electricity are almost as much as rent. It would be impossible to say an exact percentage of clients struggling with electricity accounts because people present with one problem (say threat of losing their car) and as I look at the financial picture I can see the electricity payments are so high its pay one or the other. It would be a conservative estimate that at least 60%+ of my clients are on payment plans for water, electricity, telephones or trying to find the money to get gas.

It is a reality that once the client is behind they seem to have to pay unreasonable payments to catch up or they are on payment plans and never really catch up.'

This issue is further intensified by the fact that in the Far West support with Energy Accounts Payments Assistance vouchers cannot be used to support gas payments as the region doesn't have access to natural gas and must use bottled gas, further disadvantaging the neediest residents of the Far West.

Reports over the summer period highlighted the health consequences for the elderly and young with residents unable to afford electricity to run air-conditioning.

With Australian electricity prices amongst the highest in the world businesses in the region struggle to be competitive on a regional, national and global market when the additional costs of utilities and fuel are factored into their business expenses, further reducing the attractiveness and competitiveness of developing businesses in the region.



Water

To further exacerbate the high cost of living and doing business in the region the Far West receives considerably less rainfall than many other regions within the State, mandating residents interested in growing and harvesting fresh food or enjoying a green garden must use and rely on supplied water, as rainfall alone is not sufficient. Sydney's mean rainfall is 1214.6mm whilst the Far West has an average rainfall of 235mm, this fact also has implications for business in the region limiting agri-business development and commanding greater costs for other businesses that require water usage and provides no viable and sustainable methods of reducing cost through water harvesting.

Central Darling Shire Council advise 'Council's current service charge for water and sewer does not meet full cost attribution, a matter that is being addressed by the Council over the next 4 years, but even so, the Council service charge is currently far in excess of the state average for this service. There is no doubt of the community's' verifiable social and economic inability to absorb any further service charge increases.'

The NSW Health Stats website states 'Broken Hill is a lead endemic area. It was one of the world's largest lead mines, which has left a legacy of widespread lead contamination throughout the city.' Whilst many strategies are being employed to address the lead issues in the region it is widely accepted that to reduce risks associated with lead contamination pathways and driveways etc. should be washed with water other than swept, the limited availability of water in the current situation and the excessive costs associated ensure many of the regions residents are not able to take these simple steps to reduce the risks of lead contamination.

The Far West is regularly exposed to extremes in temperature with summer temperatures often above 40 degrees Celsius, many studies around the globe have highlighted the cooling effect of grass and according to Mississippi State University, a healthy lawn has the same cooling effect as an 8.5-ton air-conditioner. Lawns act as a carbon sink, taking carbon dioxide from the atmosphere. It is reality that many residents of the Far West have removed their lawns and gardens in favour of surfaces that require no water due to the ongoing lack of water security in the region and the ongoing rise in the cost of water.

The Far West doesn't fair well when we look at the health of our people, whilst many factors contribute to the health of the region it remains a fact that food security is a challenge for Aboriginal and Torres Strait Island urban and remote communities (Australian Indigenous HealthInfoNet 2009; COAG 2009). A number of reports in Australia have demonstrated that healthy food (especially perishable items including fruit and vegetables) are more costly, less accessible and of poorer quality in remote/rural areas when compared with their respective metropolitan and urban counterparts (Palermo et al. 2008; Queensland Health 2001; Meedeniya, Smith & Carter 2000; Ward et al. 2012; Department of Health Northern Territory 2013).

Having limited access to nutritious and affordable foods puts one at risk of having poor nutrition. Poor nutrition is associated with poor health and increased risk of developing many diet-related chronic diseases such as cardiovascular disease, type 2 diabetes, stroke, hypertension and some forms of cancer (NHMRC 2013) – Aboriginal populations are more susceptible to these conditions (AIHW 2011).



There is strong evidence that adequate consumption of fruit and vegetables is protective against these diseases (National Public Health Partnership 2001; National Preventative Health Taskforce 2009), however the recent Australian Health Survey has indicated that only 8% of Australians, and 3% of remote Aboriginal populations consume the recommended servings of vegetables.

A 2013 Healthy Food Basket study conducted by the Far West Local Health District indicated the cost of fresh fruit and vegetables in the region was considerably higher than prices paid in metro areas.

Access to low cost, high quality fresh fruit and vegetables could have significant impacts on the health of the region, reducing the public expenditure associated with treatment services. However, the increasing cost of water and ongoing water restrictions and insecurity have impacted heavily on the access of regionally grown fruit and vegetables, thus reducing availability, increasing costs and negatively impacting on the health of the population.

A reduction in the associated costs of water and security of ongoing water supply in the region would have a positive impact and encourage many residents to develop fruit and vegetable gardens, consume healthier foods and take greater pride in the appearance of their homes and business premises.

The impact of fuel levies on regional growth

The Far West covers over 20% of the state and is sparsely populated, residents in the region often travel long distances to access services with many accessing medical services in Adelaide, SA, over 500 km's away.

Long distances and a lack of adequate and affordable public transport across much of the region mandates the use of private vehicles, incurring very high costs for consumers and businesses.

In a recent survey of Primary Producers in the region the cost of fuel was highlighted as a significant cost to their business with an average of over 15% of on-farm costs.

Fuel levies imposed by freight and transport companies are significant costs affecting the efficiency, productivity and growth of the region.

Regional South Australian and local media have been reporting the discrepancies of fuel costs across the Spencer Gulf, Adelaide Metro and Far West for some time. The discrepancies, often significantly highlight the additional costs residents, visitors and business pay for fuel, again further reducing their competitiveness and increasing the general cost of living in the region.

The Royal Automobile Association (RAA) recently informed viewers on Southern Cross Austereo (regional television station) and readers of the Barrier Daily Truth to fuel up prior to travelling to the Far West as the cost of fuel in the region was expensive.



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The visitor economy is one of the regions fastest growing industries, currently contributing over \$110 Million to the region's economy and the impact on this sector with higher than average fuel prices is significant.

Other related matters

In the Far West the flow on impact is; high priced insurance for home and contents, businesses, vehicles and other property items, and acceleration in the price increases of basic goods and services that compose the cost of living – electricity, fresh food, petrol, freight – beyond what would normally be expected.

ABS data for the region highlights rapid ageing in Broken Hill and the Far West. These trends have serious impacts on our local Councils (Broken Hill City Council and Central Darling Shire Council) to continue to deliver adequate services to their citizens. It is a fact that most utilities and rates bills are discounted for pensioners, all be it a minimal discount – but the reality is that the cost of service provision has not decreased.

Far West NSW has one of the highest median ages in NSW at 42.5 years, while the lowest median age is in Sydney at 35.5 years, and generally, the lowest median ages of many local government areas are in and around Sydney, which also offers access to cheaper energy, freight and fuel costs.

Both the Closing the Gap Report and the Dropping of the Edge Report have highlighted the social and economic disadvantage of the Wilcannia community, particularly in relation to the disconnect of the community from services provided to and enjoyed by community members and services that are taken for granted by other communities. The ABS Local Government Area Index of Relative Socio-economic Advantage and Disadvantage, 2011 (released March 2013) ranked Central Darling Shire as the second most disadvantaged local government area in NSW.

Conclusion

The Committee of RDA Far West wholeheartedly believe that growth and diversification in the region is possible, the reduction in population can be reversed and the region has bright prospects, however to support strategies across the region to realize the potential it is critical that the region receive significant concessions to ensure an equal playing field.

Exemptions from, or concessions in relation to, payroll tax, stamp duty, and land tax will greatly support the region in attracting additional investment and industry sectors into the region. In addition, concessions across the region in the costs of utilities will significantly impact both residents and business and support strategies to attract investment and industries into the region.

The livability of the region and its potential to attract additional residents would be greatly improved with a reduction in the cost of utilities to reflect reasonable costs paid by other regions and metro centres in Australia.



In addition, realistic and significant concessions in zonal taxation rates that reflect the additional cost of living and reduced access to services will support the regions attempts to attract new residents and grow the population by helping to offset the additional expenses associated with the cost of living in the region and provide further encouragement for people to consider the Far West as a relocation destination.

Should you wish to discuss this submission further please don't hesitate to contact me.

Yours sincerely



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