

INQUIRY INTO ZONAL TAXATION

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Submission to

Legislative Assembly

Committee on Investment, Industry and Regional Development

by

RDA Hunter

Inquiry into zonal taxation



An Australian Government Initiative



A NSW Government Initiative

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SUBMISSION TO THE INQUIRY INTO ZONAL TAXATION

The Chair
Mr Kevin Anderson MP
Legislative Assembly Committee
on Investment, Industry and Regional Development
Parliament House
Macquarie Street
Sydney NSW 2000.

Dear Mr Anderson,

Thank you for the invitation to make a submission to the inquiry. On behalf of the Board of RDA Hunter, I submit the following information for consideration by the Legislative Assembly Committee on Investment, Industry and Regional Development.

RDA Hunter's primary purpose is to foster economic development in our region. We therefore welcome consideration of zonal taxation initiatives as a lever to improve the performance of the Hunter's economy and to increase incentives to invest in our region.

Attracting new investment and businesses to our region of NSW is an important part of our role. Regrettably, there have been instances where businesses have by-passed the Hunter due to a more compelling offer of lower state taxes and/or deals on the cost of land coupled with fast development approvals. Identifying zones within the Hunter that attract lower payroll and land taxes, with stamp duty concessions, is a positive step towards levelling out the competition arena for the region.

Zonal taxation incentives should be part of long-term, strategic growth plans and integrated with streamlined frameworks to expedite approvals for land use and utility concessions for businesses in return for measurable and deliverable outcomes.

The zones in which the NSW Government implements a concessional taxation regime will receive greater benefits if these zones are also recognised by the Australian Government. A focus on exemptions from and concessions in relation to state taxes as outlined in the terms of reference of this inquiry would ideally be supported at a federal government level by a higher threshold before employees in these zones commence paying income tax.

The outcomes of these measures will support priorities to:

- Create jobs in regional NSW;
- Assist the timely construction of infrastructure; and
- Make NSW the easiest state to start a business.

On the impact of fuel levies on regional growth, there is a need for further investigation and transparent reporting. From the tugs on Newcastle Harbour, trucks delivering mining inputs, on farms, for horse transportation and vineyards, the input cost of fuel for businesses is a significant area of interest in the Hunter.

Taking into account variations in the size of vehicle and distances travelled, the cost of fuel in short haul transport is typically between 15 to 20% of a total operators' cost. In long haul operations fuel costs consume up to 50% of total costs.

While obtaining accurate measurement data is difficult it is essential to understanding the cost of fuel ratio of short versus long haul kilometres travelled in freight operations. This level of detail is necessary to validate the ratio of fuel costs to operators and to identify the impact of 'lazy' estimates made by transport operators, which can contribute to inaccurate fuel levy calculations. Suppliers need to improve the methodologies and benchmark data on which fuel levies are applied and buyers need to be aware.

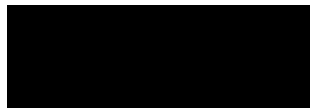
According to supply chain consultant, Richard Koch: "Most transport operators do not differentiate between short and long haul driving when providing their customers with estimates of fuel costs (as a percentage of total costs), instead electing to provide a single fuel cost percentage (20% for example) to measure cost movements from period to period."

The second part of this submission presents an overview of the Hunter and the key elements of the case to trial zonal taxation in this region. The Hunter region has the capacity to grow, networks of integrated infrastructure, and a favourable logistics environment, - with experienced operators and management structures, that are required to support the introduction of zonal taxation initiatives.

RDA Hunter looks forward to the outcomes of the Committee's inquiry into zonal taxation.

If you would like any further information about RDA Hunter or the region, please call me on [REDACTED].

Yours sincerely,



Todd Williams
CEO, RDA Hunter

RDA HUNTER

Regional Development Australia (RDA) Hunter is an autonomous organisation that fosters economic development for the Hunter region of NSW. By taking the lead role on initiatives and collaborating with local stakeholders, RDA Hunter supports:

- Economic growth and Productivity gains;
- Jobs and a Skilled Workforce for the future;
- Federal and State programmes at a regional level;
- Integrated long-term planning; and
- Local businesses and industries developing globally competitive advantages.

RDA Hunter advocates strongly for the region and provides independent and impartial advice directly to governments on priorities and issues. Our activities and initiatives support three strategic areas: **investment**; **infrastructure**; and **innovation**.

Actions by RDA Hunter that foster inter-connections between these three strategic themes help to meet the regional development goals of Commonwealth, State and Local governments.

Strategic planning by RDA Hunter

RDA Hunter works with Hunter stakeholders to:

- Identify funding opportunities, – from January 2010, funding commitments totalling over \$850million for the Hunter has been directly secured by RDA Hunter advocacy and projects;
- Collaborate with other key stakeholders, – so far leading 60 regionally significant projects and partnering on planning and service delivery programmes;
- **Regional Growth Plan for the Hunter** – presenting integrated planning strategies to progress the priorities of the Hunter. An updated Regional Growth Plan will be launched later in 2016;
- **Hunter Investment Prospectus** – an annual publication to promote the region's comparative and competitive advantages and attract investment; and
- **Hunter Economic Infrastructure Plan** which identifies infrastructure priorities and advises planning and funding partners of the business cases for projects that will deliver efficiencies and support productivity improvements. Produced in partnership with I-NSW.

Economic linkages between the Lower Hunter and the Upper Hunter are intensifying due to streamlined supply chains and improving transport connection. Effective responses to community concerns regarding land-use management, transport networks, energy production, tourism and events promotion require integrated planning, policy development and statistical analysis for the entire region from all levels of government.

RDA Hunter works directly with Hunter planners and policymakers to consider the whole region and its relationships beyond the boundaries of LGAs, electorates or clusters that divide the region into “upper” and “lower” segments.

THE HUNTER – A REGION OF ECONOMIC STRENGTH

The Hunter is located north, north-west of Sydney. For statistical purposes, the Hunter is often represented as two regions: *Newcastle and Lake Macquarie* and *Hunter Valley exc. Newcastle*.

At a government level, the Hunter's boundaries include 6 Federal electorates, 10 State electorates and 10 local government areas.

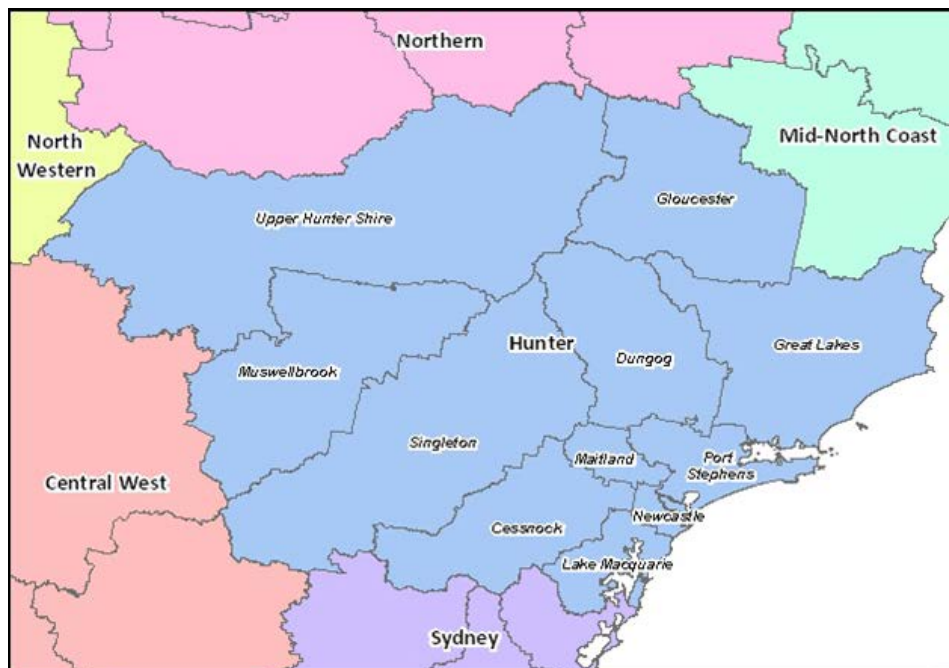


Figure 1 Hunter Statistical Division

Hunter SD - ASGC, 2007 Cat. No. 1216.0.¹

Hunter's Population

The Hunter has around 9% of NSW population. Most of the population of the region lives within 25 km of the coast, with 54.4% of the Hunter's population living in the Newcastle and Lake Macquarie Local Government Areas (LGAs).

*"In 2012-13, the Hunter Valley (exc. Newcastle) SA4 had the largest population growth in the rest of NSW, up by 3,800 people, followed by adjacent Newcastle and Lake Macquarie (3,500). In Newcastle and Lake Macquarie, the largest and fastest growth in the year to 2013 was in the SA2 of Edgeworth - Cameron Park, up by 410 people (3.3%). Adjacent Glendale - Cardiff - Hillsborough in the north of the Lake Macquarie region grew by 320 people, followed by Morisset - Cooranbong (260) on the western shore of Lake Macquarie. Beresfield - Hexham recorded the only decline in the region, down by 30 people."*²

¹ Source: http://www.ipc.nsw.gov.au/Lawlink/bocsar/ll_bocsar.nsf/pages/bocsar_sd_hunter

² Reference: 3218.0 - Regional Population Growth, Australia, 2012-13. Australian Bureau of Statistics. April

Hunter Comparative Advantages and Economic Highlights

The region's natural comparative advantages, include proximity to Sydney, deep water sea port, fresh water rivers, productive lands and a diverse supply of resources.

The Hunter is the major region for economic activity in New South Wales:

- Gross Regional Product for 2013 of \$38.5 billion, ranking above Tasmania, NT and ACT;
- Contributing more than 8 per cent of Gross State Product and 2.6 per cent of GDP;
- A population of 675,231 at 30 June 2015;
- Planning needs to be for an additional 320,000 people in the region by 2036;
- In 2013-14, the Port of Newcastle's total trade value was \$15.5 billion from 159.6 million tonnes in throughput, including 154.4 million tonnes of coal exports, and
- Produces upwards of 60 per cent of the electricity for the State of NSW.

The Hunter is widely known as a major centre for mining and resources with a history of large-scale heavy industry. However, it is the small and medium enterprises (SMEs) sector which constitutes the majority of businesses in the region.

RDA Hunter commissioned Deloitte Access Economics to analyse economic data and report on possible impacts of various trends and scenarios on the Hunter's future. In *Prospects and Challenges for the Hunter Region – a strategic economic study*³ it is forecast that by 2036, the Hunter's economy will have grown by about 75 per cent, to be delivering a Gross Regional Product of \$64.8 billion.

The Hunter is in the top 10 Australian regions for infrastructure direct economic contribution (DEC).

Table 1: Hunter infrastructure DEC, 2031 (\$m)

	2011 \$m	2031 \$m
Newcastle and Lake Macquarie	4,725	7,741
Hunter Valley exc. Newcastle	3,607	6,134
	8,332	13,875

Australian Infrastructure Audit, 2015

2014

³ The Deloitte Access Economics report is available at: <http://www.rdahunter.org.au/> under 'Initiatives'.

Continuing to improve Hunter connectivity

Improving connectivity of the areas in the Hunter with projected strong population growth, meeting the demand for mining production inputs without adversely impacting on mining communities and delivering water and water security to the region remain high priorities on RDA Hunter's economic development agenda.

As the Hunter's future growth of inbound freight logistics to the mining sector is expected to double over the next two decades, further priority economic infrastructure projects are required to deliver a network capable of meeting the freight demand.

RDA Hunter recognises significantly higher future construction costs can be avoided by early corridor preservation. As part of long-term planning for infrastructure development in the Hunter, we advocate for the protection of these priority corridors:

- M1 to Raymond Terrace connecting Newcastle to the National Highway network;
- Freight rail north – south line to bypass Newcastle suburbs;
- New England Highway bypass of Singleton;
- New England Highway bypass of Muswellbrook;
- Completion of Newcastle inner-city road bypass;
- East coast high speed rail network; and
- Water pipe(s) for transferring dam reserves to alleviate impacts of drought.

The Hunter's positive economic development will be built on the region's capacity to:

- Grow through the attraction of investment and talent;
- Construct the economic infrastructure required to maximise its comparative advantages;
- Secure smart partnerships to overcome challenges and commercialise opportunities; and,
- Energise its innovation system to support internationally competitive businesses.

Ends