

**REPORT ON PROCEEDINGS BEFORE**

**COMMITTEE ON INVESTMENT, INDUSTRY AND  
REGIONAL DEVELOPMENT**

**INQUIRY INTO ZONAL TAXATION**

**At Macquarie Room, Parliament House, Sydney on Monday, 26 March 2018**

**The Committee met at 9:00 am**

**PRESENT**

Mr Michael Johnsen (Chair)

Mr Greg Aplin  
Mr Clayton Barr  
Mr Adam Crouch  
Mr David Harris

**The CHAIR:** I declare open this public hearing of the Committee on Investment, Industry and Regional Development. Today we will be taking evidence in relation to the inquiry into zonal taxation. Before the proceedings begin, may I remind everyone to switch off their mobile phones as they can interfere with the Hansard recording equipment. My name is Michael Johnsen, I am the Chair of the Committee and the member for Upper Hunter. I am joined by my colleagues Greg Aplin, Deputy Chair and the member for Albury; Clayton Barr, the member for Cessnock; Adam Crouch, the member for Terrigal; and David Harris, the member for Wyong. Jai Rowell, the member for Wollondilly, and Tamara Smith, the member for Ballina, who are the other members of the Committee, are unable to join us today. I note that the Committee has resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines governing coverage of the proceedings are available. I also remind all attending that these proceedings are being broadcast and web streamed and a transcript of evidence will be made and published by the committee.

**TRACEY SQUIRE**, Director, Economic Development and Tourism, Albury City Council, before the Committee via Skype, affirmed and examined

**JO HEWITT**, Acting Economic Development Team Leader, Albury City Council, before the Committee via Skype, affirmed and examined

**The CHAIR:** I welcome Tracey Squire and Jo Hewitt from Albury City Council. Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms SQUIRE:** No, thank you.

**The CHAIR:** Before we commence with questions, would you like to make a brief opening statement?

**Ms SQUIRE:** Thank you. Albury City has a unique position in New South Wales given that we are located adjacent to a similar-sized, cross-border city, being the city of Wodonga. This obviously has a range of implications, which include cross-border competition for investment and the regulatory and taxation anomalies that arise from that position. Of particular relevance to this inquiry are the payroll tax and border disadvantage, utility infrastructure rebates or co-investment, the fuel levy and discounting of cost benefits. We have, in our original submission of 2016, made a range of recommendations. Subsequent to that, we have lodged a submission in response to the interim report dated 22 February. Of particular interest to us were issues two, three and five, our responses to which are detailed in our submission. We are very happy to take any questions that the Committee may have in response to either of those submissions.

**Mr CLAYTON BARR:** In your 2016 submission, the last paragraph on page 1 reads:

There are a number of recent examples of Victoria being the preferred investment destination over NSW.

Can you give us some practical examples of that, so we can understand what you mean by that statement?

**Ms SQUIRE:** Yes, certainly. There are two specific examples that come to mind that are most recent. One relates to a company called XLam, which is a timber manufacturing-style business. They originally approached Albury and were interested in establishing a presence here, which would employ 50 people. Their level of investment was in the order of \$10 million. At the time New South Wales was unable to offer specific incentives to support their location in Albury. The Victorian Government, however, did take the opportunity, admittedly through a joint program that they have running with the Australian Government around diversifying the manufacturing sector, and they were able to offer significant incentives to XLam, which New South Wales simply could not compete with. That business has since established in Wodonga in Victoria.

Another example is a company called Seeley International, an existing Albury business employing around 125 people. They found themselves in a situation where they wanted to expand their operations and their existing facility could not accommodate their business requirements. They made contact with us because they had a desire to stay in Albury, but similar to XLam we were unable, through collaboration with the New South Wales Government, to offer them equivalent incentives that they were being offered by the Victorian Government. As a result, that company has announced that they will be relocating to Wodonga and expanding their business there.

**Mr CLAYTON BARR:** What do you mean by "incentives"?

**Ms SQUIRE:** The reality is that the detail of the incentives package offered by the Victorian Government to this business is obviously confidential between that business and the Victorian Government. But anecdotally we are aware that there were significant incentives compared with our situation here in New South Wales, where we were essentially unable to offer anything on the table in terms of financial incentives and

discounts. At that time the former payroll tax rebate system in place prior to the lowering of the threshold in New South Wales was no longer available, and previously the New South Wales Government also had the Regional Industries Investment Fund, which provided some financial support to businesses that required infrastructure upgrades to facilitate location or expansion. Unfortunately, that program had come to an end as well. In the absence of either of those and despite our conversations with Jobs for NSW, which were also unable to assist, we were not able to put anything on the table for them.

**Mr CLAYTON BARR:** This Committee is inquiring into zonal taxation. You referred to payroll taxation as an issue. I appreciate the commercial-in-confidence but as far as you are aware there is a taxation issue here?

**Ms SQUIRE:** Absolutely there is.

**Mr CLAYTON BARR:** You also spoke about infrastructure, which is an important issue but probably outside the purview of this Committee.

**Ms SQUIRE:** Yes.

**Mr CLAYTON BARR:** Page 3 of your submission talks about discounting the economic benefit of proposed infrastructure. What is your understanding of the meaning of "discounting the economic benefit"?

**Ms SQUIRE:** It would be near on 2½ years ago now that Albury City Council lodged an infrastructure funding application with the New South Wales Government for the creation of enabling infrastructure at its NEXUS Industrial Precinct. That application was supported by an independently prepared cost-benefit analysis and an economic impact assessment. That was packaged and forwarded to the New South Wales Government under what was then the Regional Industries Investment Fund. Ultimately we were notified that we were not successful in securing funding. As a result of that, council lodged a Government Information (Public Access) Act [GIPA] application for all of the documentation from government that supported its considerations around that funding application. What we learnt from that process was that the cost-benefit analysis that had been independently prepared, and the forecast jobs and investment that would be generated by the infrastructure funding, had been discounted in addition to that which had already been applied by the independent assessment.

As a result of that, we saw a significant write down in the benefit-cost ratio [BCR] of the overall project, despite the fact that it was still in the order of two plus as the BCR. As a result of that, we were notified by the New South Wales Government that we were not successful. Our concern came from the fact that cross-border communities which are lodging funding applications need to have confidence that they are going to be given the same consideration as a regional, inland New South Wales city. While certainly there is no doubt that there may be some cross-pollination of economic benefits in cross-border communities from State to State, certainly there are benefits to Victorian communities from New South Wales and similarly we get the benefit of investment that might be being made in Victoria. The issue for us was that by having discounting applied to any infrastructure funding application that we lodged, we are going to be significantly disadvantaged when compared with our other regional New South Wales city neighbours.

**Mr CLAYTON BARR:** Let us use the example that the investment was going to bring about 100 jobs. The discounting that was used was—and correct me if I am wrong—that 30 or 40 of those jobs might be for Victorians. So you are not actually going to create 100 jobs, you are only going to create 60 or 70 jobs. Is that the type of discounting methodology you are talking about?

**Ms SQUIRE:** That is exactly how it works.

**Mr CLAYTON BARR:** At the bottom of the unnumbered page of your supplementary submission it states, "Albury has recently taken part in the development of a regional economic development strategy, facilitated by the New South Wales Department of Premier and Cabinet." Can you tell the Committee about that?

**Ms SQUIRE:** Across regional New South Wales the Department of Premier and Cabinet has engaged consultants to assist regional communities in developing a regional economic development strategy. They have broken up the State into functional economic zones so that communities are combined by way of economic activity and community interest. For Albury, our functional economic zone is the Federation Council and Greater Hume Council, and then Indigo Council and Wodonga Council in Victoria. So our region is actually a cross-border region based on the economic activity that occurs within and across those communities. It has been an extremely worthwhile exercise.

The five local government areas have worked in collaboration with the Department of Premier and Cabinet to prepare a draft regional economic development strategy. One of the opportunities that we identified in that strategy was the opportunity to create a special economic zone that may provide for either some shared

approach to regulations but also potentially the opportunity to create a zone where government fees, charges and taxes could be agreed to be at a comparable rate so that businesses operating anywhere across those zones were on a level playing field, if you like, and to encourage investment on both sides of the border, particularly from a New South Wales perspective, given that the Victorian side of the border tends to have more beneficial or reduced costs and charges. That would at least put New South Wales communities on a level playing field.

**Mr GREG APLIN:** Thank you for appearing before the Committee today. Following on from Mr Barr's questions, in your supplementary submission you support the establishment of special economic zones across the Albury-Wodonga functioning economic region, and you have outlined the potential members. Would a broader regional New South Wales tax zone provide similar benefits to the proposed SEZ [special economic zone]?

**Ms SQUIRE:** Yes, potentially. It would also provide a stimulus for investment and business growth across regional New South Wales. If the Government believed that was appropriate, I think that would be applauded by all regional communities, not only those in a cross-border situation.

**Mr GREG APLIN:** You mentioned the components. Would the proposed council boundaries be considered for that special economic zone?

**Ms SQUIRE:** Yes.

**Mr GREG APLIN:** Would you propose aligning council business rates and charges to Wodonga's rates and charges? What would you reduce and what might you increase? How would that also align with other smaller councils?

**Ms SQUIRE:** We certainly see an opportunity to pilot a special economic zone. Given that Albury-Wodonga is the twentieth largest city in the country, and given its unique cross-border situation with two similar sized communities, we felt there was an opportunity to test and to pilot a special economic zone. We would recommend that the boundaries be aligned with the functional economic zone. In respect of your comments about aligning local government charges, in most instances local government charges in New South Wales are actually lower than the charges imposed in Victoria. We are potentially already competitive in that space, albeit it is something we can consider, and we would need to do so in conjunction with our neighbouring partners in Victoria.

**Mr GREG APLIN:** Your submission proposes creating the special economic zone and "the provision of special incentives and waivers that would drive business and industry attraction and growth into the two cities from across the country". What do you mean by "special incentives"? Can you identify them?

**Ms SQUIRE:** We would be very interested in the New South Wales Government considering the concept of providing direct financial benefit to businesses where they were creating significant job numbers and investment. That is something the Victorian Government appears to do; it regularly stimulates regional economic development. Unfortunately, as we have discussed, we do not have a framework in New South Wales that provides that kind of support at the present time. We see those types of incentives as an opportunity to help the New South Wales Government to manage the significant population growth that is occurring in Sydney. If we can encourage more businesses to move to regional New South Wales, whether they are currently in Sydney or based elsewhere in the country, and then create the jobs that are necessarily to drive particularly the regional cities as population growth centres, that will have a positive flow-on effect in alleviating some of the pressures that might be arising in Sydney.

**Mr GREG APLIN:** So we are talking about targeted grants in this case?

**Ms SQUIRE:** Yes, absolutely. The feedback from business and industry is that payroll tax is a significant burden. If that financial support were to come by way of a rebate or a reduced rate applied to payroll tax for businesses operating in regional New South Wales or those businesses creating significant jobs and investment, that would have a very positive impact.

**Mr GREG APLIN:** Would you like to hazard a guess as to Victoria's response to any lowering of New South Wales State business taxes? Do you think there might be a race to the bottom, as it were?

**Ms SQUIRE:** As is often the case with competition, there is every possibility that that would occur. However, at this point in time the feedback we are getting from business generally, and particularly from larger businesses based in Albury, is that they are starting to turn their sights to the other side of the river given the significant difference between the two current payroll tax rates. Of course, varying rates are applied across the country. If the New South Wales Government's ambition is to have one of the lowest regional payroll tax rates, there is every possibility that another State will look to compete. It would certainly set a benchmark and demonstrate that New South Wales was serious about regional investment.

**Mr ADAM CROUCH:** Thank you for being with us this morning. You mentioned that Jobs for NSW came on board to assist the council in retaining a business in Albury that went to Wodonga. What more could Jobs for NSW have done to assist the council during that process?

**Ms SQUIRE:** In terms of our involvement with Jobs for NSW, my general comments would be that it takes an exceedingly long time to respond to any request, the programs it has developed to support jobs growth and new investment do not actually support jobs growth and new investment, and its focus is very much on start-ups and lending funds. The reality is that if yours is a significant business with a good capital base, the rates being offered by Jobs for NSW are often not as good as those you can secure for yourself. To be brutally honest, we have found that Jobs for NSW has delivered absolutely nothing in terms of capitalising on the major investment opportunities that exist in regional New South Wales.

**Mr ADAM CROUCH:** In terms of that work going to Wodonga, would you say that the Victorian Government was more responsive, more competitive and more hungry to obtain that business than the New South Wales Government?

**Ms SQUIRE:** Absolutely. The Victorian Government has a very different approach. When we talk to major businesses and industry they will have top-of-line figures about what they are expecting to deliver as an outcome in terms of jobs, investment and time frame. In Victoria they can have a discussion with businesses and provide them with an in-principle or indicative level of incentive that is then subject to rigorous financial assessment.

Our experience in New South Wales has been that there is an expectation on the part of government officers that that detailed information will be provided prior to any in-principle offer being made. That again creates a non-competitive situation because if a business is able to get an immediate handle on the level of incentive that might be offered, subject as I said to more detailed rigorous financial analysis, it is much more inclined to progress those conversations with the parties involved. That is something we have not been able to do, and it has put us at a disadvantage.

**Mr ADAM CROUCH:** The discussion has been predominantly about payroll tax. I would like to discuss stamp duty. Of course, commercial stamp duty rates influence businesses, especially new businesses. Are there examples of businesses choosing not to invest in Albury due to the current stamp duty rates?

**Ms SQUIRE:** I am not specifically aware of that being one of the major drivers of investment decision-making or making a decision not to invest in New South Wales. The feedback we have had is that it is much more focused on payroll tax and incentives being provided by the Victorian Government.

**Mr ADAM CROUCH:** Do you have any commercial vacancy rates for the Albury local government area that you can provide to the Committee? You can take that question on notice.

**Ms SQUIRE:** I am happy to take that question on notice and provide that subsequent to today.

**Mr ADAM CROUCH:** When providing that data could you also consider if stamp duty concessions could stimulate business investment in Albury?

**Ms SQUIRE:** I certainly can. Thank you.

**The CHAIR:** If we looked at stamp duty as a potential up-front capital cost barrier to business and changes to payroll tax thresholds as an ongoing cost barrier, do you think stamp duty changes or exemptions on businesses or commercial property for businesses relocating, for example, would be an appropriate incentive in that context?

**Ms SQUIRE:** Absolutely I do. Any reduction in government charges that are having a capital impact on business, particularly when it is going through an expansion or a relocation phase, would be most welcomed and would facilitate an increased level of investment and job creation. If I could just make the comment though, relocating businesses and new businesses are just as important as expanding existing business. We have found in terms of jobs growth and investment that we have a diversified and stable economy across Albury-Wodonga and a lot of the jobs growth that comes across the two cities actually comes from existing businesses that are expanding. My additional comment would be in terms of any rebates or discounts that might be applied, do not forget about those expanding businesses because they have an important contribution to make to regional economic development as well and they should be eligible for those same rebates or discounts.

**Mr DAVID HARRIS:** Have you done any analysis on the economic loss to Albury City Council of having those businesses relocating to Victoria in terms of rates, for example?

**Ms SQUIRE:** No, we have not done any detailed analysis. I guess when those opportunities are lost we tend to move on and try to pursue the next opportunity as much as we possibly can. But if you look at Seeley

as an example, there is a loss of payroll tax of 125-plus employees and the opportunity cost of not securing the additional payroll tax that would have been generated by the 125 new jobs. In terms of economic impact, because we are one economy across both Albury and Wodonga, my expectation would be that local businesses would not necessarily be disadvantaged by the fact that the business was located in Wodonga. From a rates perspective, yes, obviously there would have been a loss of income there. But we do not want to be in a situation in 10 years time where Albury is still a population of 52,000 with 4,000 businesses and Wodonga is a 70,000 or 80,000 population with 5,000 businesses. We want to make sure that across the two cities we are achieving equitable growth and attracting investment across the board. At this point in time that is our priority. With the current scenarios, there is every possibility that Wodonga will continue to grow and Albury may well find itself unable to attract the scale of investment that we would like to in order to sustain the economy.

**Mr DAVID HARRIS:** Do you currently have industrial land or commercial land that is available on the Albury side of the border allocated or identified? With what is happening with Victorian incentives, what challenges do you have to get out there and sell Albury as a place to set up your business?

**Ms SQUIRE:** In terms of our industrial land offer, we have an exceptional industrial land offer. We have a whole range of investment opportunities available. We are working with the New South Wales Government at the moment under the Growing Local Economies program for some enabling infrastructure that we need at our large-scale heavy industrial precinct. Hopefully we will be successful in that regard. Council has already invested in the order of \$12 million in that particular precinct, a private intermodal operator has already invested \$15 million and we have got a number of major industries already operating out in that area, which is NEXUS. But, as I mentioned, we do have a requirement for three enabling infrastructure components which we are working through with the New South Wales Government at the moment.

In terms of the investment appeal of Albury, because the city is more mature I would argue it offers a more urban metropolitan feel than Wodonga and from a lifestyle and landscape perspective it is second to none. We find that investors' first preference is Albury. The challenge usually comes post that. We can provide them with the sites, we can provide them with the city offer, but we cannot then match that incentive. As I am sure you would all appreciate for business, a lot of times it does come down to the hard, cold fact of cash and improving that on an ongoing basis to support business sustainability.

**Mr DAVID HARRIS:** If there was a formal special economic zone, do you think that Albury would have other advantages in order to make sure there was not just an equalisation but that you would do better out of such a zone?

**Ms SQUIRE:** Absolutely I believe that without a doubt.

**The CHAIR:** What sort of industries or types of businesses are you looking to attract and/or grow in Albury?

**Ms SQUIRE:** We are talking to a range of businesses at the moment. Manufacturing and transport and logistics are very important to us. We have a long history of manufacturing in this region and we have significant skills and capabilities from a workforce point of view in that space. The manufacturers we are talking to at the moment are the innovators. They are not the traditional style manufacturers but they are manufacturing high-quality goods often at lower volumes and distributing them not just nationally but globally. Another sector that is incredibly important to us is the health sector. As a major regional centre we have a regional cancer centre here in Albury. But we are servicing a population of around 200,000 people for health services, so we are always interested in any new health providers or allied health providers that can enhance our existing health offer.

The other large sectors for us are the professional services and government sectors. There is a significant defence base operating at Bandiana. We have the Australian Taxation Office based here in Albury, which can employ anywhere up to 1,000 people at any one time. The professional services sector obviously again supports the regional community. We find that there is strong interest from a whole raft of professional service providers. Particularly we are finding interest more recently in the knowledge space in terms of information communication and technology companies and data management companies, which is promising.

**The CHAIR:** Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing. The replies to those questions will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms SQUIRE:** Yes, we certainly would.

**The CHAIR:** Thank you very much for your time. It is wonderful to see that the technology worked for 95 per cent of the time. Thanks again and have a great day.

**Ms SQUIRE:** Thanks for the opportunity to participate.

**(The witnesses withdrew)**

**LUKE AITKEN**, Senior Manager, Policy, NSW Business Chamber, affirmed and examined

**MARK FROST**, Policy Manager, Business Regulation and Economics, NSW Business Chamber, affirmed and examined

**The CHAIR:** I thank you both for appearing today before the Committee. Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr AITKEN:** No.

**The CHAIR:** Before we commence questions would either or both of you like to make an opening statement?

**Mr AITKEN:** The NSW Business Chamber would like to thank the Committee today for the opportunity to make a submission and to appear before you to discuss this important inquiry. The chamber represents more than 20,000 businesses spanning all industry sectors and more than 65 per cent of our members are from regional New South Wales. Our regional members and their communities in which they are located face many unique challenges. Regional New South Wales is growing at less than half the pace of metropolitan Sydney. Many regional areas face high rates of unemployment and the local economies are less diversified, making them vulnerable to external shocks such as weather events, currency movements or changes in government policy. For these reasons, and many more, it is necessary that all tiers of government design policies that meet the needs of our regional communities.

A key focus of this inquiry has been to consider what role there is for tax policy to cater to the needs of regional communities. In our submission we have made a strong case for increasing the payroll tax threshold from \$750,000 to at least \$1 million. This will not only reduce the tax burden for small and medium enterprises but we estimate that it will reduce statewide tax administration costs by up to \$40 million. Payroll tax is a particularly insidious tax as it penalises businesses who want to employ new staff, increase staff hours or even deliver wage increases to their employees. Under our proposal, the threshold increase would apply statewide but would target relief to the smaller and medium enterprises which are so important to regional communities.

New South Wales regions have a high relative share of businesses just over the payroll tax threshold, so this policy change is calibrated to benefit the regions even though geography does not determine eligibility. New South Wales is currently being surpassed by just about every other jurisdiction when it comes to payroll tax. Victoria has increased its threshold and introduced a lower rate for regional businesses. The new South Australian Government is going to increase the threshold to \$1.5 million, and the Australian Capital Territory recently increased its threshold to \$2 million. New South Wales is fast falling behind and this has a particular impact on businesses located close to the border. One of the benefits of increasing the threshold is that it substantially neutralises the impact of the lower rate currently offered to businesses in Victoria.

Apart from payroll tax, we welcome the Committee's exploration of policies that support regional New South Wales but do so in a way which is geographically blind. This includes consideration of issues such as how infrastructure projects are assessed, building greater connectivity between regional centres, supporting regional exporters in accessing new markets, targeting policies to support the dispersal of tourists out into regional New South Wales and resulting cross-border disparities and regulatory issues faced on our borders. Thank you again for the opportunity to appear before you today and we welcome any questions from the Committee.

**The CHAIR:** I note that you mention an increase in payroll tax threshold broadly across the State as opposed to having any zone. What about the idea of having a regional rural zone outside of the city metro areas of a different threshold potentially? Given that in your opening statement you said that typically regional areas have higher levels of unemployment, do you not see that incentive would assist in that process? You said something like 65 per cent of your members come from regional areas. You have a substantive membership base and a job to do in term of representation for regional areas. Do you not think a regional zone for payroll tax would be appropriate?

**Mr AITKEN:** One thing that is apparent when you start to look at the tax policy settings is that simplicity is the key. We do not want to add further complexity by ring-fencing certain rates or thresholds. It has always been a challenge for governments to define what is regional in New South Wales. We have seen varying definitions. I might have Mr Frost talk to this. If we do make a threshold increase, by its very nature, because of the businesses that operate in regional New South Wales, more benefits flow to the regions than to metropolitan areas. If we lift the threshold we have more businesses sitting in regional New South Wales that are actually just at the threshold of tipping into the payroll tax having to pay payroll tax.

By its very nature, if you apply a threshold increase statewide more regional businesses are going to keep out of the payroll tax system. One of the reasons why we want to keep businesses out of that payroll tax system is that in our last red tape survey that we undertook we found that just complying with the payroll tax system just as you tip over costs the average business \$10,000. It is a significant regulatory burden that is placed on businesses as they tip over the threshold. More businesses out in regional New South Wales are just close to that threshold, so if you do increase it more benefits flow to regions.

**Mr FROST:** Thank you for the question. In our thinking about these issues, one of the things that comes to our minds are what are the best policy instruments to address policy challenges that regional members face. Unfortunately, often tax policy is a blunt policy instrument and when you are looking at altering tax policy settings to achieve certain policy objectives you have other unintended consequences elsewhere. When you look at a business in the outskirts of Campbelltown, for example, whether that business should be treated differently to an exact business 20 kilometres or 30 kilometres down the Hume Highway. In some ways you might be shifting the goalposts in terms of the kinds of issues we are concerned about, particularly in border regions, for example, creating those distortions and shifting where the distortions occur.

All that said, that is by no means any reflection of our sense of the need for policies to cater to regional needs. We have not necessarily embraced the Victorian model of having a regional rate of payroll tax, but that does not mean that other policy instruments that we feel are better placed, better suited to meet the needs of regional New South Wales should not be used. We believe they very much should be used.

There is a whole range of things that we would be talking about in that grab bag. When we are looking at questions around tax policy, we are very mindful of the distortions that it might generate, what other secondary impacts it might have on other businesses that may just be outside the scope of whatever regional rate might be generated. Our view is that we need more substantial payroll tax reform in the State as well. We would be very reluctant to support a proposal that limits the scope of payroll tax relief. We would like to see as many small to medium enterprises in New South Wales get access to a more competitive rate of payroll tax, because we are losing out to other States in this country.

**The CHAIR:** Can you expand on those other policy levers that you believe would be an incentive, if you like? What would some of those be?

**Mr FROST:** Sure. Of the things we are thinking about and that we have previously talked about, for us one of the top issues is making sure that regional New South Wales receives its fair share of the asset recycling proceeds, and we are not just talking about commitments to one-third of the proceeds but actually ironclad plans around what is going to happen, that the cost-benefit assessment framework that is used to identify, select and choose projects does not disadvantage regional New South Wales—that is one area; I can expand on that further. But we are also looking at more targeted policies to address high rates of youth unemployment in some areas of regional New South Wales. In our forthcoming budget submission we are proposing that the Government look at some pilots to try to identify areas where there are particularly high rates of youth unemployment, to work out what policies work and then with a view to rolling that out statewide, depending on what works and what does not.

Another thing that we would say is that when you are looking at New South Wales businesses and particularly those in the regions, they need support and help to get their products out to market, so we would like to see policies that assist New South Wales businesses to access new markets, whether in Australia or abroad—building on, for example, the Commonwealth Export Market Development Grants and enabling and promoting New South Wales as a State of origin when we are looking at international markets—things like that, which I think are very important.

The other thing, and this is reflective of the broader infrastructure point, is being able to get products from the regions to where they are finally consumed, whatever they may be. It is also really important to make sure that there is that infrastructure and that ability. Access to the markets is incredibly important. Those are the kinds of things that we would be looking at and that we would support. But also every community is different and unique, and will have their own challenges that may require a more bespoke policy response.

**The CHAIR:** Thank you. I would like to expand a little bit more on that if I may. You brought up a number of things. One was recycling of assets and having a third go to not just commitments but to having identified and committing to or actually building certain pieces of infrastructure, whatever the case may be, which is happening. You also brought up something I thought was interesting from a policy perspective. What do you think is more efficient: recycling taxes or lowering taxes and letting business do what you are suggesting—that is, have the opportunity through less tax burden to be able to address issues such as youth unemployment, access to markets and so on? Do you think we should recycle taxes or do you think we should lower taxes and allow business to do this?

**Mr FROST:** You may like to clarify for me, but if by "recycling taxes" you mean collecting tax and then using that money for various other—

**The CHAIR:** Yes.

**Mr FROST:** There is a role for government to provide the things that the private sector cannot. If we are talking about roads and things like that, the private sector does not deliver those things and the same goes for all sorts of other enabling infrastructure. To give an example of the kinds of dividends that we can be talking about when we are looking at government playing an active role, the Export Market Development Grants deliver around \$7 for every dollar of government funding invested. That is a Commonwealth scheme, but that is illustrative of the kinds of dividends that smart and strategic government spending can have. Of course we support lower taxes—we have come to the Committee today saying that we believe the payroll threshold should be increased for that very reason. But I do not think the flipside of that is a general black-and-white principle that there is no role for government. Our very firm view would be that there is.

**Mr AITKEN:** Absolutely. With the points that Mr Frost made before about infrastructure, there is a big opportunity that has been recognised by the Government around the opportunity to build a legacy greater than just the infrastructure that is put in the ground. We have been very supportive of the Infrastructure Skills Legacy Program—there are three pilots running—where there are some targets around employment outcomes and training outcomes from those projects. We will be pushing that we need to see a few more of those in the regions. We would like to see a couple more identified where there is an opportunity to grow the skills and experience. One thing we find, and it is quite frustrating, is that areas of high youth unemployment are also areas in which there are often skills shortages. There is a massive disconnect and there is a role for government in addressing that. We will never come out and ask for further taxes or levies, but we will always be arguing for a smarter spend from government in terms of projects that are identified and the way in which investments might be made. Obviously there is an opportunity with the skills and employment, but we absolutely support, 100 per cent, procurement policies that help small- and medium-sized enterprises [SMEs] participate in the delivery of infrastructure or other government services.

**The CHAIR:** Okay.

**Mr GREG APLIN:** Thank you for appearing before the Committee today. In the context of your supplementary submission and the relationship you brought to bear on the Victorian payroll tax arrangements, you mentioned that there could be in the short run some grounds to consider arrangements specific to regional New South Wales. I would like to follow the third point. You wrote:

*Promotion of regional development as a means to alleviate pressures facing Sydney—regional payroll tax arrangements could potentially encourage employers and employees to relocate.*

Could we get your views on the Victorian regional payroll tax approach, whereby, as we all know, areas outside of Melbourne are provided a lower payroll tax rate, and your interpretation of how that might impact on regional New South Wales and for what period? You did mention "in the short run".

**Mr FROST:** Sure. The very first point that we would make about that is it is not just the Victorian rate that is hurting New South Wales businesses. We are looking at three other neighbouring jurisdictions that have much more competitive rates than we have here in New South Wales: Queensland with a threshold of \$1.1 million, the Australian Capital Territory with a threshold of \$2 million and South Australia with a threshold to increase to \$1.5 million. At \$750,000, even before we talk about what has happened in Victoria, we are getting it at all sides. Obviously it hurts businesses that are close to the Victorian border, particularly where their businesses are operating in a market where it is easy for consumers to shift where they demand their products and services, but it is not just businesses at the border. When we look at businesses even here in Sydney they are competing with businesses in other jurisdictions too.

With a modern economy where there is trade not just between countries but within States, any rate of tax that is higher in New South Wales—and, just to clarify, when I say "rate of tax" I am considering the whole of the payroll tax threshold and rate structure, referring to effective rates of tax that are paid by New South Wales businesses—when we take that into its totality it has a very real impact. In many ways a bigger impact on the Victorian side of the border has been the increase in their threshold over the past couple of years as well as the regional rate, so it absolutely hurts and it is not just a short-term impact—that is a long-run impact. We are not convinced that it follows that we should adopt their policy. We believe that a threshold increase would, for most businesses—for example, along the border in Albury—reduce their effective rate of tax by a greater amount than what a regional variance would deliver. That is why we have supported that. It has the dual benefit of benefiting all the other businesses across the State that similarly compete with businesses in other jurisdictions.

**Mr GREG APLIN:** I understand that, but you mentioned that "in the short run" there may be some grounds. I want to explore that further, particularly in the context of your reference in your earlier submission to China's special economic zones, which were for a defined period until a particular point was reached, at which stage those incentives were withdrawn.

**Mr FROST:** China is a really interesting case. It was pursuing a reform program and going through a period of trialling new policies. China was not quite sure what the impacts of them might be in that setting, being a communist country and completely changing the structure of its economy. I think the rationale for China to use special economic zones is quite different to that of Australia. I do not think we are in the same situation.

**Mr GREG APLIN:** I will just bring you back to the objectives. We are talking about common objectives here. Let us leave aside the different jurisdictions and concentrate on what we want to achieve and how best to go about it. I am interested that you mentioned "in the short run". Would you define that as a period of five or 10 years, or whatever?

**Mr FROST:** When you are looking at tax policy, if the end point is to deliver a lower rate of payroll tax for everybody then, absolutely, we would support that. Indeed, our submission supported that. We made a point that we would be very supportive of a lower rate of payroll tax for regional businesses if that were part of a transition towards lower payroll tax for all New South Wales businesses. I am not sure I quite see the policy basis for having some sort of a short-run special economic zone in the context of tax policy settings.

**Mr GREG APLIN:** I am picking it up from your submission. That is why I asked the question.

**Mr FROST:** I think with respect to the "short run", I would have to go back and have a look at the specific point that we were making. Short-run policy objectives would be more around looking at things like where regions are at different points in the economic cycle, and things like that. As Luke mentioned in the opening statement, Sydney is growing at around twice the pace of regional New South Wales—very much at different points in our economic cycles. For those reasons there may be some rationale—whether it follows that you adjust quite substantial foundations of tax policy to overcome and address that requires a lot more consideration—but I think we would probably be looking at some of those short-term macro-economic factors that require consideration.

**Mr GREG APLIN:** My last question will take you on from there. If changes to indirect taxes in regional New South Wales result in more businesses moving to or expanding in regional areas of New South Wales, what regional infrastructure is required to support such increases in business activity?

**Mr FROST:** That is a pretty tricky question. It depends on the structure and composition of businesses that move. There are all kinds of considerations in how they fit into supply chains. Obviously, road infrastructure is very important, and not just that but some of the soft infrastructure that we may not normally think about. Institutions that can develop skills and training and those sorts of things are also incredibly important.

**Mr AITKEN:** I might jump in there. It was welcome to see, looking at the agenda for today, that there are a number of local governments that are engaging with the Committee today. An alignment in terms of the infrastructure delivery between State and local and some enabling infrastructure—obviously roads and making sure there are serviced lots that businesses can come into. You often hear of businesses that have the welcome mat thrown out to them in other States where there are already serviced lots that they can step into.

Mark touched on softer infrastructure, things like hospitals. Some of the reasons for skilled people not moving to the regions are concerns about access to health services, education services and the like. This all impacts in terms of the skills business can attract. Obviously, businesses do not make the decision to move into a regional area lightly; they do not move anywhere lightly. They plan for the long term so they want the confidence that they can attract the skills they need to grow their businesses. Obviously freight networks play a critical role. Access to markets is going to be even more critical as we look to expand our exports even further. That is fundamental, as is having a conversation with local government and ensuring there are enough other services there for the community, that it is an attractive place to live and work in.

**The CHAIR:** We were talking about the lack of a skilled workforce in certain areas, and so forth. There has been a fairly long-term history of success with TAFE going into businesses and assisting with apprenticeships and training on site. Rather than students going to a building somewhere, they literally go into businesses. The Government is working on these Connected Learning Centres in smaller areas, in particular, where their focus is purely about working with that local region or town, with businesses and their particular requirements, so that there is an educational outcome leading directly to a job. Do you think there are more opportunities to expand on that, or do you think that there is a particular direction that should be taken to provide that job outcome for that training over and above what might already be happening?

**Mr AITKEN:** Absolutely, investment in skills, wherever it can occur, would be strongly welcomed by the business community, and working closely with the industry in your local area to ensure that it does lead to a job outcome. You touched on TAFE, but one thing the Chamber would emphasise is that we should be engaging even earlier with young people. We have seen some fantastic examples of trade schools operating outside the State system—in the Catholic system. We did quite a bit of work with the Southern Cross Vocational College in Burwood. People tend to call it the united nations of Catholic schools. It was built when having trade training centres was Federal Government policy. All of the schools within the dioceses came together and recognised that they could all deliver a little bit in their schools but if they all banded together they could build something quite substantial.

This is a school purely focused around vocational education and training [VET]. It has connections straight into the industry. It runs a number of catering businesses that the kids can get skills and experience in. They are seeing engagement and jobs outcomes from that school. They are doing a more longitudinal study on the students—I think it is over five years—and 86 per cent or 87 per cent are in full-time work or further training and education. So I think there is a lot of opportunity to get more creative in terms of how they deliver training and connecting with industry, both within schools and TAFEs and from private providers as well.

**The CHAIR:** Do you think business has a role to play in having some skin in the game in terms of assisting in building skills amongst the workforce?

**Mr AITKEN:** I think it is probably inherent in terms of businesses that take on apprentices. An apprenticeship is a training role. So people are investing their time and their money. That is not usually recognised externally. It does take a lot of time and effort to put that investment into a young person. It is always a big frustration for a business that might see a second- or third-year apprentice leave the business. We probably need to recognise, support and acknowledge some of that investment made by business owners in developing their people. It is a big thing to take on, especially for a small to medium enterprise [SME]. There is always a role. There is skin in the game. Businesses take on a big risk taking on a young person and making those investments. We need to make sure that it is recognised by the community, rather than there being anything that we need to tack on in addition to that.

**Mr DAVID HARRIS:** Do you have estimates of how many businesses in regional New South Wales are close to or just over the threshold?

**Mr FROST:** Yes. In answering that question, I should clarify that we do not have access to the data that Revenue NSW would have to assess for that. This is only our judgement based on the data that we have seen, but Mr Aitken started by saying that we estimate that a threshold increase would reduce tax administration costs by up to \$40 million. There are about 600 businesses just below the threshold that no longer have to keep their eye out for whether their payroll is going to breach or not. You are looking at around 1,000 businesses that are just at the stage of crossing the threshold, where in any given year they may be in or out. You are looking at 2,500 businesses that are just over the threshold that would have less complex payrolls as a result. It is quite a significant number of businesses.

In terms of the share of that going to regional New South Wales, we do not have access data on that because that is not publicly available. If you look at the Australian Bureau of Statistics [ABS] Counts of Australian Businesses data you can kind of see how New South Wales has a higher relative share of businesses in regional New South Wales that would have payrolls just above the threshold. When you look at Sydney's central business district [CBD] you will see many big corporates that have many hundreds of staff, but with regional New South Wales we are talking about a high relative share of businesses that probably have between 10 and 50 employees and those businesses would benefit.

**Mr CLAYTON BARR:** I make a request that we get the information about business bands from Revenue NSW, because surely if we are going to consider changing payroll tax we would have to know the implications.

**The CHAIR:** I would ask you to move that as a motion in a deliberative, but thank you for the idea.

**Mr CLAYTON BARR:** Mr Frost, thank you for the time and energy put into your two submissions, which are fascinating reading. My summary would be no, do not do zonal taxation. Am I right?

**Mr FROST:** I think what we are saying is calibrate tax policy in a way that benefits regional businesses, but make it geographically blind. If you make geography part of the eligibility criteria, you are inserting insertions into the tax system. That does not mean that you cannot make changes to payroll tax or other taxes that the Committee is looking at, as I understand, or that you cannot make changes to tax policy that would ensure benefits flow to regional New South Wales. Indeed, if you speak to Treasury, for example—and I am not

speaking for Treasury I would guess that they would favour a payroll tax rate reduction rather than a threshold increase.

**Mr CLAYTON BARR:** They will not speak to us.

**Mr FROST:** There are all sorts of theoretical efficiency arguments for that, but we believe different to that. One of our reasons—and not the only reason—is that we want to ensure that a payroll tax cut delivers relief to regional businesses. Yes and no is my answer.

**Mr CLAYTON BARR:** I disagree. I think you have explained why the answer is no. You are saying that we should alter the tax system in a way that it applies to everyone. We are inquiring into zonal changes, and I think you are saying no to them.

**Mr FROST:** That is correct. We are not saying that your postcode should determine the rate of tax you pay.

**Mr CLAYTON BARR:** That would mean that some business operating further down the road would be in a different zone.

**Mr FROST:** Correct.

**Mr CLAYTON BARR:** I turn to the proposed threshold for the change. In your 2016 submission it was \$850,000; in your recent submission it is \$1 million; we have a submission proposing \$900,000. Is this a science?

**Mr FROST:** It probably is art versus science. You are correct that previously we proposed \$850,000 and now we have gone higher than that. One of the reasons for that is that other jurisdictions subsequently have moved further than we have—indeed, we have not moved for quite some time, probably more than five years now. We are being left further and further behind. Another thing I would point out is that over the past year or so there have been particularly strong payroll tax receipts by the Government. On that basis, from our point of view, we believe that strong employment growth is a really good thing, but even stronger employment growth would be better and one way to do that would be to give an even bigger payroll tax cut to incentivise job creation. If the Government has the capacity to do that, because it is receiving higher than expected payroll tax, then we would up the ambition.

**Mr CLAYTON BARR:** Mr Aitken, I have a question about the \$10,000 in expenses to deal with a payroll tax issue. Does it require an external person to do that work or does the business reallocate resources to do the work?

**Mr AITKEN:** In some circumstances, absolutely it means employing an external person, but it also involves time and understanding whether or not you are going to be liable for payroll tax. We included some of that time cost in doing an assessment around eligibility. One thing that we have heard in feedback from members—and this is not a slight on Revenue NSW; we understand it is a very complex system and it implements it as best it can—in terms of some auditing processes around payroll tax liability is when you are audited by Revenue NSW it takes the old Australian Taxation Office [ATO] approach, which is a bit of a fishing exercise.

You have to produce everything, even though they are just interested in one aspect. We had one member who had a \$1,500 payroll tax liability, I think, but he spent \$3,500 to comply with the audit process. If that process had been more targeted, that cost would come down significantly. There are some operational things in the system that could be improved. In terms of the \$10,000 mark, it really does impact people just tipping over the threshold because it is new and there is a greater investment in figuring out what is in and what is out, what goes into the calculation of wages and what does not.

**Mr FROST:** If I could add to that, the \$10,000 figure is from our survey of members. We took out those who reported the most extreme figures and we took out those who were perhaps underestimating, but we have also done a bottom-up estimation of how you might get to \$10,000 in costs. When we talk to our members, the kind of thing we hear is that it takes up around a third of the full-time staff member. If you think about it in those terms, it is pretty easy to work out how you get to \$10,000 in costs purely by labour time. Another point that I would emphasise is the definition of wages. It is not a simple readout from accounting systems; it is a more complex process of working out what a contract is for, which discount to apply and if a discount is applied then keeping on file the basis for making the assessment, monitoring revenue rulings to work out if there are any changes—this is not a simple system and you have to have your wits about you if you are a business owner.

**Mr AITKEN:** It is a wonder why anyone wants to grow a business.

**Mr CLAYTON BARR:** We could argue that the \$40 million being spent creates 400 jobs, and if we increase the threshold we are going to lose those jobs. That is just me being a bit cheeky.

**Mr FROST:** Correct.

**Mr CLAYTON BARR:** I have a question about your graph to do with the New South Wales payroll tax system ranking on page 5 of your supplementary submission. You said that Victoria was increasing its threshold. Could you confirm that and tell us what the increase is?

**Mr FROST:** They are three-quarters of the way through a \$100,000 threshold increase.

**Mr CLAYTON BARR:** So going from \$625?

**Mr FROST:** They have increased it from—I have it in front of me so I will just make sure I get it correct for you.

**Mr CLAYTON BARR:** It was \$625, so it is on its way to \$725?

**Mr FROST:** It is going to be \$650 on 1 July this year. That was a \$100,000 threshold increase over the past several years.

**Mr CLAYTON BARR:** So once it gets to \$650 it will stop there?

**Mr FROST:** That is correct.

**Mr CLAYTON BARR:** In the immediate term?

**Mr FROST:** Correct. But I would like to clarify that while that is a lower threshold than New South Wales, they have a much lower rate than we have. We should view these things in terms of where they are moving, rather than necessarily the levels as they sit.

**Mr CLAYTON BARR:** With regard to the graph and the New South Wales payroll taxing system ranking out of eight jurisdictions, am I correct in assuming that number eight means you are the worst and number one means that you are the best?

**Mr FROST:** That is correct.

**Mr CLAYTON BARR:** The bottom of the graph is essentially broken down into payroll sizes of about half a million dollars each, is that correct?

**Mr FROST:** Yes.

**Mr CLAYTON BARR:** I am surprised that you had that quite specific data broken down into those half a million dollar brackets.

**Mr FROST:** What this chart is showing is that if you pop in the payroll tax settings of different jurisdictions into, let us say, Excel and you look at a hypothetical business at different payroll sizes—this chart shows the range from zero to \$10 million, but I guess you could go up to any number—which payroll tax system in Australia would rank best for your business? Just to pick a number—if you are looking at that very final point at \$10 million, New South Wales would be the fifth best jurisdiction for you to operate in and Victoria would be the best jurisdiction for your business to locate in from a payroll tax liability perspective. This is not drawing on any data of what is actually paid by businesses.

**Mr CLAYTON BARR:** This is hypothetical.

**Mr FROST:** This is literally just looking at the rates, thresholds and systems that each jurisdiction has.

**Mr ADAM CROUCH:** The Committee heard anecdotal evidence from Albury City Council that a particular business established itself over the border and in addition to the payroll tax they discussed added incentives which the Victorian Government provided to secure that business. Obviously some benefits are commercial-in-confidence but anecdotally is the NSW Business Chamber aware of some of the benefits being offered by other jurisdictions?

**Mr AITKEN:** This is a bit of a tricky one because obviously the Victorian Government got a package from the Federal Government—the industry transformation package with the closure of the motor industry in Victoria—so there is some additional money flowing around.

**Mr ADAM CROUCH:** Were similar packages offered to South Australia as well with the closure of its car industry?

**Mr AITKEN:** I believe so. There is some additional money flowing around so they are capable of doing these sorts of things and it has been targeted towards that. I am not too sure in terms of what other incentives might be put there. What we hear back, and it is probably more frustrating, is that some local governments do it quite well, in terms of their economic development manager, which can often also be the same thing as a tourism development manager because that is often in many areas the primary industry that the council area looks after. But just being engaged with industry and discussing these opportunities and seeing what leaders—it does not necessarily need to be financial but ensuring that there are lots available, that there is some industrial land that is capable of being expanded into, that it is appropriately zoned and that it is kept ring-fenced a little bit from residential areas. We do hear a bit like that and some councils are very good in terms of engaging with people, there is confidence that councils have made some good plans, they have recognised the role of employment and industry investment in an area and they have designed the local environmental plan [LEP] in a way that can allow for that to happen. But in terms of actual dollar incentives that are coming from different sectors, there is not too much that we are aware of from other jurisdictions.

**Mr ADAM CROUCH:** You spoke about individual councils engaging productively and effectively with business. It sounds as if councils are looking at economic development in a bit of ad hoc way. Do you think there is a role for the State Government to be giving standardised guidance to all of our regional councils? I know of one instance where a council has not had an economic development officer for six months. So effectively if someone goes to that council there is literally no person out there selling the benefits of that particular region. Do you think that is something the State Government could be involved in?

**Mr AITKEN:** It is something that we have looked at in terms of other inquiries that have gone on. As the Committee would be aware, there is a group called Regional Development Australia [RDA], which sort of operates as a fourth tier of government. It was initially established to provide funding and to undertake assessments, but it has branched out a lot more in terms of that regional development function. When those were being reviewed the Chamber believed that they could be substantially just removed—they are part funded by the Commonwealth and part funded by the State Government, but delivering a function that is pretty much delivered by local government or the Regional Organisations of Councils [ROCs] anyway.

We thought if you took that funding away and just provided it to the ROCs—we were proposing quite significant reforms to ROCs at the time, and local government reform was on the table at the time as well—if you could just get a single, a more coherent voice around regional development. Far too often you get people coming to regions and they hear three different noises coming essentially from the State Government, local government and the RDA. Getting some consistency behind that so people can step behind a plan and really work towards it, I think is a big part of it. If you are trying to attract a business and you have too many voices in the room and it is not coherent, that is going to be a commercial risk for them and they are less likely to invest.

**Mr ADAM CROUCH:** You mentioned in your submission about the threshold being raised to one million dollars, but at no point can I see the subject of lowering the actual rate from the current 5.45. It is more about focusing on the increase in the threshold. Does the NSW Business Chamber believe that by increasing the threshold you will get a better result rather than by reducing the rate?

**Mr FROST:** Absolutely. Apart from the fact that if you reduce the rate all you would be doing would be—well, it would be better than nothing, but you would be concentrating relief to larger businesses. We support doing it in a way that ensures that small and medium enterprises [SMEs] benefit. Apart from that, you do not get any efficiency dividend from a tax administration point of view. Again going back to Treasury, they would pull out some computable general equilibrium modelling which would show you that there are economic benefits associated with reducing the rate.

Our view is that that does not properly cost the tax administration impact on business. This is a tricky area in terms of trying to assess the relative magnitude of each impact, but our view is overall in terms of where it delivers payroll tax relief and the way in which it can reduce tax administration costs. If all you are doing is reducing the rate, every business that now has to register for payroll tax and do all of the things they currently have to do, they do all of that, they retain all of those processes, but they are just paying a slightly smaller amount of tax. So we would rather businesses to not even have to bother with the thing.

**Mr ADAM CROUCH:** Victoria has been mentioned quite a few times, but South Australia also comes up in some of the data with regard to its thresholds being changed and its rates being significantly lower. Are you able to provide some data that shows that having those lower rates in addition to the thresholds in South Australia, for instance, have actually provided economic benefit to regional areas in South Australia? When one looks at the overall unemployment in New South Wales it is a lot lower than that of South Australia.

So while desperately trying to grab a higher threshold and a lower rate, it may not have actually had any net improvement in South Australia as an example. You can take this question on notice if you would

prefer, but is the NSW Business Chamber able to come back and show the Committee how having a higher rate and a higher threshold than New South Wales compared to South Australia, which has a significantly lower rate and also a variable rate potentially, would prove the benefits of that? Has it actually worked for them? Is there actual proof that that has actually worked?

**Mr FROST:** One of the challenges with anything in economics is that you do not have the ability to measure the impact of a policy change relative to a counterfactual. That is a standard thing in economics. I suspect that it is studied to a greater extent in other areas, and there might be more evidence than what is available in this case. It would be very hard to find data that is easily able to tell that story. However, that does not in any way, shape or form reflect on the fact that this is not a major impost on business and a major barrier to taking on new staff. It is about the techniques you can use to measure; it is not in any way a reflection of the impact. I will conclude with an anecdote. We have businesses that tell us that payroll tax is the difference between taking on a new staff member and not. We hear that all the time. I have no doubt that it will have a massive impact in terms of employment, jobs growth and so on.

**Mr CLAYTON BARR:** I am interested in the road freight restrictions part of your first submission. That potentially is a lever that might be within the purview of this Committee. I am not saying whether it is or is not. Can you explain how that works now and what would be a better plan?

**Mr AITKEN:** From time to time members have called us about this issue around Christmas time each year. There was a big export business at Coffs Harbour—a major manufacturer in the mining industry that delivered a lot of things to mines in Canada. It was also a major employer in the region. It had significant challenges in terms of accessing port facilities and delivering those goods. One of the challenges it had was coordinating massive B-triples getting goods to the port. It consistently found the coordination on the Queensland side of the border was far better than the coordination with Roads and Maritime Services, which had much more engagement with local councils around road weight limits. We often see issues with last-mile impacts or road freight in terms of councils not allowing idling in certain areas and the need to transfer to other trucks to meet road weight limits in different areas. With opportunities to make investments in new intermodal hubs and the like, getting as much road freight as we can onto track will be critical to ensuring that that works effectively in the future.

**Mr CLAYTON BARR:** What about the registration costs?

**Mr AITKEN:** That is not something we have looked at in detail. Registration and licensing costs are always a significant impost. There are also issues with compliance with work health and safety regulations and having to be inducted to each site. That can often impact significantly on freight because one delivery might go to four different sites, which means four different inductions even if it involves the same business. We hear about those issues consistently, and they add to the costs. I cannot remember the estimate, but I believe that about 10 per cent of the cost of getting goods delivered in Australia is attributable to freight costs.

**Mr CLAYTON BARR:** You mentioned state development areas and China. If we were to have a special economic zone for whatever reason, we would have to have a time frame, whether it be five years, seven years or 10 years. Would that not be problematic for businesses? Those that got in early would get the most benefit. Once we got 75 per cent or 80 per cent into the time frame, businesses would have less incentive to go there.

**Mr AITKEN:** That is a potential with any time limit; it would create distortions and the like. The Chamber has examined, and it would support, the planning system with regard to special zones. South East Queensland has a number of highly flexible zones available for enterprises. They are called "special enterprise zones", which give new business opportunities a lot of leeway in the planning system in terms of how they might develop. Opportunities like that, even though they do not necessarily need to be time limited, might generate some innovative ideas that would not normally emerge through the planning system.

**Mr FROST:** When we talk about special zones or whatever, the first thing I think about is the policy objective. What are we trying to deliver? If the objective is to support regional New South Wales, why restrict it to a particular zone? You would not have one zone; you would make the policies available across the State. You might want to have a regional split, and that would be fine. At least you would not say the favourable policies are available only within this circle. Unless you want to trial policies or to say that in this area there are economies of scope or something of the like—such as the example about planning—the starting point is what you are trying to achieve. We have mentioned trialling some measures to address youth unemployment. That is a clear policy objective in a given area with a view to expanding those policies. If we have a set of policy objectives as a starting point, we can then calibrate the best suite of policies to achieve them.

**Mr CLAYTON BARR:** That was good. Thank you.

**The CHAIR:** It was good to see the member consolidating his questions.

**Mr CLAYTON BARR:** The wise gentlemen at the other end of the table managed to provide many answers to questions I did not ask.

**Mr GREG APLIN:** I represent a regional area on the Victorian border. I was intrigued that you included some quotes about the Albury region targeted in your supplementary submission. You concluded a paragraph by saying that "targeted measures that ensure cross-border competitive neutrality need to be examined to address this issue". You have started to address that area. Can you expand on that?

**Mr AITKEN:** One issue in terms of infrastructure investment in cross-border areas relates to assessment of projects where benefits accrue across the border as well as in New South Wales. Obviously any infrastructure investment that occurs in Albury will likely benefit residents in Wodonga because they might utilise that infrastructure. We have heard about discounting being done. Treasury does have guidance in terms how to undertake benefit-cost assessments. There is definitely a mechanism within that assessment recommending that government departments discount appropriately if there are benefits accruing across the border.

**Mr FROST:** I would touch on probably two things. The first issue is where regulation is implemented that has a particularly profound impact in a border region because the other side of the border does not have a similar or comparable policy. A very good example of that is the container deposit scheme. That New South Wales scheme is impacting on businesses close to the border because Victoria does not have an equivalent scheme. In effect, it means a tax is imposed on a very price-sensitive product in New South Wales that is not imposed in Victoria. A small independent supermarket in Albury can save X dollars by doing its grocery shopping across the border, and consumers will do that. We are looking at developing policies and we have put in a submission to the Independent Pricing and Regulatory Tribunal review with regard to the container deposit scheme looking at proposing a border region adjustment mechanism to resolve that. That is an example of where we feel that policies can be set up to neutralise the impact of a regulatory change.

If I could just also note on the payroll tax side of things, a threshold increase to \$1 million would mean that most businesses in Albury, for example, are either better off or at least no worse off locating on the New South Wales side of the border than in Victoria. We reckon around 140 businesses in Albury would still be better off in Victoria. But when you have 140 businesses—if that is the sort of pool of businesses you are talking about—that is when you can go and have a chat to those businesses, work out what their challenges are, what their priorities are, what is important for them and actually understand what their issues are. That, I believe, and I think the Chamber would believe, is a better approach and a needed approach to ensure that the needs of businesses in terms of where they locate are met.

**Mr ADAM CROUCH:** We have been talking a lot about payroll tax, but stamp duty also comes into play with businesses. In your supplementary submission you noted that there is merit in exploring whether changes to stamp duty and the rate, threshold and structure could support regional business. Could you elaborate on what commercial concessions could effectively form, how that would affect business and how regional stamp duty concessions would affect the State budget?

**Mr FROST:** We would support any policy change that reduces the collection of stamp duty in New South Wales. It costs 80¢ in economic costs to collect \$1 of stamp duty. That is compared with virtually zero for efficient forms of land tax. It is quite remarkable that in 2018 we would rely so heavily on such an inefficient tax. We would fully support any recommendation from the Committee on reducing stamp duty. Of course, our broader position is that we should reduce our reliance on stamp duty in general, not necessarily as a targeted measure for regional businesses, but in the context of the issues the Committee is considering we would be very supportive of any recommendation or finding that we should have some sort of regional concession and so on.

The existing stamp duty regime is one that probably already is geared to have some elements in its design that are favourable to regional owners of property because it has a threshold and rate structure that tends to hit higher land value transactions more so than lower land value transactions. Then there are also other exemptions and the like. I think this is a really big challenge, looking at stamp duty, but I think from our business members' point of view every time they want to buy and sell property, which is a commercial decision that they may need to make, they get hit with a massive tax. It is very inefficient and very costly. In terms of the impact on the budget, again you would have to look into where that is coming from based on the urban and regional split from data from revenue in New South Wales.

**Mr ADAM CROUCH:** You think the benefit could be a lot greater for regional businesses than metropolitan ones?

**Mr FROST:** Not necessarily. I think all businesses suffer from paying stamp duty. I think it is blind. It is a massive impost on business irrespective of where it is located.

**Mr AITKEN:** The Government did have in place—not for business I do not believe—a regional relocation grant that did help with stamp duty. We probably would not propose something like that again. From personal anecdote, I caught up with some friends down in the Shoalhaven who had just moved there, they were moving anyway. They got the benefit of that even though they were just moving from Wollongong. I do not think it was really what the policy was driving at. It was really trying to push people out to the regions. There were some adjustments made to make it more general. A lot of people who will be employed are not looking to purchase a property out in regional New South Wales. They might move to rent. We need to be very careful around these tax settings, as Mr Frost mentioned at the outset. We need to be careful with any sort of distortions that lead to adverse behaviour and do the opposite to what we are trying to achieve here.

**The CHAIR:** Let us say, for example, there is a stamp duty exemption on a business relocating to a regional area in addition to changes to payroll tax rates, thresholds or whatever the case may be. So there is up-front incentive and an ongoing incentive. I understand that you do not necessarily agree that a zonal taxation rate should apply, but that is what we are here for. Do you think a stamp duty exemption on the purchase of a commercial or industrial premises for a business relocating out of Sydney to a regional area would be of benefit and do you think that would be an appropriate incentive as an initial capital cost saving? I will also put some context around that. As to the relocation grant that you speak of, people will not relocate if they do not have a job to go to and they need a job. From my perspective, if there is a stamp duty exemption on a business relocating there is an incentive for people to go with it and work there. Do you think that, as some sort of overall package, that would be beneficial and incentive enough?

**Mr FROST:** If your objective is to create incentives to encourage people to relocate to the regions, and to encourage and promote development in the regions then absolutely it would be a great way to do it. One of the main reasons it would be a great way to do it is that you would kill two birds with one stone. You would give the incentive but you would at the same time, for at least that transaction, get rid of a massive impediment as to how that business wants to structure its business by way of the decisions that it makes about is it going to invest, is it going to purchase an asset or whatever. It would be, in my view, a very good way of achieving that policy objective because you get the incentive component but you also remove that 80¢ in the dollar that I talked about in terms of economic cost. Not to oversimplify things, but that is a \$1.80 in benefits from \$1 of spend if that is a sort of a crude way of putting it. From that point of view, it would be not a bad way, I would have thought, to target such an incentive arrangement.

**The CHAIR:** I think that is an excellent way to complete this discussion. Thank you very much for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Mr AITKEN:** Absolutely.

**Mr FROST:** Yes.

(The witnesses withdrew)

(Short adjournment)

**MEGAN DIXON**, Executive Officer, Regional Development Australia Orana, before the Committee via Skype/teleconference, affirmed and examined

**The CHAIR:** Hello, Ms Dixon, my name is Michael Johnsen, Chair of the Committee. I believe you can see us all.

**Ms DIXON:** I can.

**The CHAIR:** I welcome Megan Dixon from Regional Development Australia Orana, who is giving evidence via audiovisual telecommunications. Thank you for appearing before the Committee today. Before we proceed, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms DIXON:** No.

**The CHAIR:** Given the time delay in our communications and in the interests of making sure that Hansard is able to record everything, there may need to be lag time between the questions and answers.

**Ms DIXON:** I am getting a delay on the line. I may need you to clarify. It is here in Dubbo, it is not you.

**The CHAIR:** We are getting the same thing. Would you be comfortable with a teleconference to enable appropriate communication. Would that suit you?

**Ms DIXON:** Yes, that would be fine to switch.

**The CHAIR:** The staff will organise that now.

**(Short adjournment)**

**The CHAIR:** Before we commence any questions would you like to make a brief opening statement?

**Ms DIXON:** I would. Regional Development Australia [RDA] Orana has twice provided a submission to this hearing. In terms of how we see our region growing and the impact on our region and to paint a little picture for you, we are taking 12 local government areas, we include Mudgee, Dubbo and we extend out to the communities of Cobar, Bourke and up to Walgett, which hits the Queensland border. It is a very diverse region, but very productive in terms of the production and gross regional product [GRP] that is generated within the region. It is a mix of agriculture and mining, as well as public service, with growing economies in health and education.

One of the key concerns that we have is the issue around growing the region and the competition that regional—to some extent, and it is not quite the right term, but the hardship faced by regional businesses in terms of them choosing to locate the businesses and operate in our region. One of the things that our submission identifies is the need to have a broader application in terms of zonal rebates for payroll and our submission around that is that we would like to seek not only differential between the regions and regional communities within New South Wales but also those communities that are a little bit more isolated. If I use Cobar as a very classic example of that, Cobar is a thriving mining community of around 4,000 people. What has happened in that community is that without incentives there has been a drift of businesses and people away from Cobar. They tend to operate on a drive-in drive-out basis, and they operate as contractors in that community rather than living and working in the community.

What that means is that it has a huge impact on the community of Cobar. It has a flow-on effect of how the community actually is in terms of education and services that are provided within the community, as well as things like sporting facilities and access to volunteers, because those people are not living in the community any more. They tend to drive in and drive out from Dubbo. Putting in a rebate to recognise that isolation might be a disincentive for those businesses that are shifting into communities like Dubbo to remain and operate and live in Cobar, communities that are thriving and important communities for New South Wales in terms of the production and how they operate as well.

**The CHAIR:** Thank you very much. Committee members, are there any questions?

**Mr CLAYTON BARR:** Of course I have some.

**The CHAIR:** I will hand over to Mr Barr, member for Cessnock.

**Mr CLAYTON BARR:** Ms Dixon, thank you very much for your time. I want to go back to the last point you were making, which I also found fascinating in your submission. Please correct me if I am wrong. My

understanding is that you are putting forward a proposal that not only should we identify regional as separate from metro—say, Sydney, Newcastle or Wollongong—but even within the regions you see Dubbo as doing quite well so it might not need the same assistance as somewhere like Cobar. It is almost as if you are suggesting we should have three, four or even five tiers of assistance—is that fair to say?

**Ms DIXON:** That is an accurate representation of where we believe the system should be. To clarify and explain it in terms of the tiers, Dubbo is still a really important community. It is a growing community. Any assistance that can be provided that supports both decentralisation to some extent of business as well as the growth that is occurring in this community by encouraging business investment to occur is still important. In a community like Dubbo, it is still a growing community and business investment is much harder to achieve than population investment. But then when you look at communities like Cobar and Bourke, which have thrived in their own rights, what we are seeing within our region is that quite a few businesses choose to locate in a centre like Dubbo. They are mainly doing that, one, for access to labour and, two, for lifestyles for their families, so it is not essentially a business decision. What we would like to see is that by putting incentives in place we think it becomes more of a business decisions in terms of a business deciding where they are going to locate. If the incentives are better for a business in Cobar and Bourke, they will remain in Cobar and Bourke rather than drift into Dubbo.

**Mr CLAYTON BARR:** Okay. You have made a fair point. Is it fair for me to summarise that as saying that some of these centres like Dubbo or Bathurst—or we could probably name a few others—are sucking in all the investment energy in that broader region into those bigger centres? Is that fair? Are they sucking the investment energy in and depriving some of those more isolated areas?

**Ms DIXON:** Yes. To some degree that occurs. Those centres still have a role. Centres like Dubbo, Tamworth, Bathurst and Orange operate and have a role as vibrant regional service centres. But if I use Bourke as an example, even Brewarrina does not have an electrician based in Brewarrina, so they operate on a drive-in drive-out contractor coming out and servicing them. And they are probably most likely servicing them from Dubbo. What we believe is that if there is an extra incentive for a business to operate in and be based in Brewarrina, they will do that rather than be located in Dubbo so that they are actually servicing and growing and providing not only a community benefit but also a business benefit to that community that it resides in.

**Mr CLAYTON BARR:** I take you to your first submission and the case study called Fletcher International Exports. I want to ask specifically about the second paragraph in the case study. It reads:

Previously the Office of State Revenue introduced an online portal to register trainees' and apprentices' exemption from payroll tax. However, the business did not proceed with this process as it was found to be onerous and duplicitous ...

Can you tell me what exactly that means so I can identify whether there is anything we can do about that through this Committee?

**Ms DIXON:** Yes. At the time we prepared that submission we did work with—as we do with any submission, we consult local business and we ask them to provide input into issues that they are experiencing around the submission that we are preparing—and consulted with Roger Fletcher. He is one of our largest employers in the region. He relies very heavily on his workforce. One of the issues for him was that, so he decided not to proceed. There are a couple of different issues around that. One is that trainees and apprentices within his business float in and float out, so he does have a high turnover of staff due to the nature of his industry. There are also some issues that are for a different matter in terms of work ethic of youth and their willingness to work in an environment like Fletchers, which is a meat manufacturer or abattoir. That high turnover means that the load on data entry would have been quite high and then there is the issue of him needing to train somebody to operate that system and use it, so it does not provide a huge benefit to him because there is an added cost in somebody needing to learn a new system within his business.

**Mr CLAYTON BARR:** In summary, he thought it was easier and probably cheaper to simply pay the payroll tax instead of doing the online registration stuff to get the exemptions.

**Ms DIXON:** Yes.

**Mr CLAYTON BARR:** Wow. I take you to your second submission. On page two, towards the bottom of the page in the second-last paragraph, it talks about an analysis in which:

... 60% of actively trading businesses are classed as non-employing and 28% of businesses employ 1-4 staff.

That is about 88 per cent of your businesses. That would suggest that that 88 per cent of businesses are not paying any payroll tax at all. Would that be fair?

**Ms DIXON:** That would be fair. We have done an analysis and the number has grown. The data we have provided to you is Australian Bureau of Statistics [ABS] research. We believe that we probably have about

25 per cent of businesses that are paying payroll tax. That is based on the fact that the region is growing. It is very viable. We have some firms coming in that are doing some quite innovative work. A classic example is in Nyngan we have a business called Lawlab that is on its way to being Australia's largest conveyancing firm, employing 30 people in Nyngan doing conveyancing, and growing, looking to expand that workforce. They treble every year, I believe. We think the number has grown and there is a lag in the ABS data around that. Most firms are operating quite successfully and well and the region at the moment in terms of economic activity is on an upward trajectory, so we believe that the number will continue to increase.

**Mr CLAYTON BARR:** On that final point, in Orana, employment, business, investment, industry, turnover and all that sort of stuff is on the way up—you are improving, getting better and better every day.

**Ms DIXON:** Yes. It is driven by both public and private investment. We have quite a few construction projects occurring—projects like the inland rail. The construction that will occur around the inland rail will have a large impact on us. Most of the new construction, which is between Narromine and Narrabri is actually within the Orana region. They have not started that leg. As an example, we have some mine expansion occurring. The XPT and rail workshops are coming in. That will drive business for business growth. We also have quite a few solar or renewable energy projects occurring in the region, and we have some mine expansions that drive business activity, let alone what is happening in the agriculture sector, with additional value-added and manufacturing business occurring as well.

**Mr CLAYTON BARR:** Terrific. Thank you.

**Mr DAVID HARRIS:** I have two questions. You were talking about the electrician not living in the town. How does payroll tax exemption assist that issue or are there other levers that might be more appropriate to help that particular situation?

**Ms DIXON:** There are probably other levers that would impact that type of operation. It was probably a poor example to provide you, but it is a very good example of the situation where, west of Dubbo or Nyngan it gets harder and harder to find these business operations. Part of that is because some of those trades compete for skills in terms of domestic and construction consumption versus mining consumption. If you look at the data, most of the electricians west of Nyngan are probably employed in mines—not doing domestic consumption work. So other incentives and mechanisms are more appropriate for consideration.

If we looked at the amount of activity that is occurring in a place like Cobar or Bourke you see that somebody who is based in Bourke or Cobar can service both communities quite comfortably—and probably Brewarrina as well. But they are being serviced out of Dubbo rather than Cobar, Bourke or Brewarrina. So the growth occurs in Dubbo rather than in Cobar, Bourke or Brewarrina. The number of contracting firms that service the mines base and that base themselves in Dubbo rather than in Cobar, is growing. I think that is where one of the differences will occur. Those larger contracting firms do have a payroll, and encouraging them to [inaudible] through payroll incentives makes a better case for them to stay and have their workforce based there.

**Mr DAVID HARRIS:** I was very interested in the idea of the stamp duty exemptions for young farmers. Can you talk a little bit more about that?

**Ms DIXON:** Agriculture is extremely important to our region. We see a changing of the guard occurring within our region, from older farmers or from farming families where the children are looking to expand and purchase and grow their farming businesses. We want to see that sector grow and thrive. The role of young farmers is extremely important, so exemptions that assist them to acquire land and operate are really important. One of the things that comes from that—and what we see in terms of that community and how they work—is that they are more willing to try new things, more willing to do some value-adding, and more willing to innovate on farm, as well. How we grow and support that is really important to us and our community. We think that the role of young farmers is quite important.

**Mr DAVID HARRIS:** What age limit would you put on it? How would you categorise "young"?

**Ms DIXON:** Under-35s.

**Mr DAVID HARRIS:** They would have trouble competing with large multinationals that are currently buying up a lot of farmland.

**Ms DIXON:** Definitely. That is occurring in our region. As I said, one of things we saw was that younger farmers tend to try new things. A classic example is a farming family where one of the sons has been supported by the family to put in a feedlot. He is doing that in Coonamble. I believe he is operating on a lease. His goal is to grow and become very successful. That feedlot does all sorts of things in driving employment, because it is quite intensive agriculture. It is not traditional for our region because it is a beef feedlot. Anything

we can do to support and encourage that occurring is a really good thing for New South Wales and for our communities.

**Mr DAVID HARRIS:** In your submission you talked about the exemption being for first enterprises. Is there a role, also, for young farmers who are seeking to expand intergenerational farms, where they inherit a property and want to expand it? Do you think it should be limited to first enterprise or that maybe we should look at age, innovation and things like that?

**Ms DIXON:** It is probably both. It is not an issue that the committee has discussed, but I think it would be fair for me to reflect their opinion by saying that where a young farmer was innovative and looking to expand and do something a little bit different with their property, as well as increase their viability through an expansion, the stamp duty concession should apply.

**The CHAIR:** I am Michael Johnsen, member for Upper Hunter and Chair. I would like to go a bit further on that stamp duty exemption for young farmers. There are potentially some issues around that that I would like to explore a little bit further. For example, what about where a young farmer might be working under a corporate structure? How would those exemptions work when ABC Proprietary Limited could be an offshoot of a multinational or could be Joe and Mary and their two kids? How do we make the differentiation?

**Ms DIXON:** I understand what you are saying. I think the differentiation comes through the scrutiny that you do when they are applying for that exemption. In terms of how they are financing their operation and what their relationships are with other companies that might be underwriting that investment. It comes through the diligence process that occurs when you are looking to apply some form of exemption or rebate for concessions.

**The CHAIR:** Can I put you on notice and ask you to put your mind to that issue and provide the Committee in writing with some particular ideas of how in a practical sense this may work from your perspective?

**Ms DIXON:** Yes.

**Mr GREG APLIN:** I was interested to hear about the company established in Nyngan. I recognise that governments would have a lot of questions in relation to providing what could be called subsidies for the establishment of what might otherwise be considered unviable businesses in smaller towns in rural New South Wales. What was the attraction for the establishment of that law firm with some 30 clients in Nyngan? Please comment in relation to the problems we had with Skype this morning and how communications affect businesses.

**Ms DIXON:** Before I comment on that, I want to pick up on you saying that they are unviable because they are located in the regions. One of the issues for businesses operating out of regions is the additional expenses they incur from operating out of a region. There is a differential in a number of costs including transport and things like electricity and power as well as telecommunications. Anything that government can do to even the playing field between a regional business and a metropolitan business is really important, so that businesses on the same playing field would not be unviable. They play an extremely important role in those communities by generating production and value for the State of New South Wales. I am quite passionate about that, as you can probably tell.

**Mr GREG APLIN:** That is exactly where I wanted to take you. I was looking for the points that you raised in your original submission.

**Ms DIXON:** In terms of the business I talked about in Nyngan, it is a law firm and the two principals of that law firm are from Nyngan and own farming enterprises in Nyngan. They love Nyngan and they have built their own software. They are on an expansion path and they are innovative in their approach. Regional businesses tend to be forced to be innovative because of their isolation, for want of a better word. They are faced with some additional costs around their telecoms, which is an issue. They have trialled different technologies; they do not use Skype because it does not work on low bandwidth.

Instead they use a different product called Zoom, so they have trialled lots of different technologies to see what will work for them. In terms of bandwidth they are sweating on the National Broadband Network [NBN] coming to Nyngan and making a difference for them. RDA Orana is playing a role supporting them and working through some issues around making sure that NBN is not delayed and that it is installed at a capacity that suits their business and enables them to continue to grow. They plan to grow and their preference is to keep the business in Nyngan and not to have to offshore it.

**Mr GREG APLIN:** You touched on fuel levies, utility costs and things like that. Please expand on those issues. What regional infrastructure might be required to support increases in business moving to the Orana region?

**Ms DIXON:** We are really fortunate in that we are reasonably well serviced by road and rail. If you talk to some people, they will tell you we actually have the best rail system and access to the Port of Botany from Dubbo and we have reasonable road infrastructure. We have just put in a submission to New South Wales freight and ports. In terms of businesses operating in the region and being attracted to the region, we believe that businesses should locate here because they will do well. They should not come here because of an incentive, but when it comes to supporting growth in a region the incentive does play an important role, particularly in attracting the larger firms to put their bases here. We think that there is a benefit to the State of New South Wales by supporting regional growth and regional activity. In the media we see that Sydney, as an example, and metropolitan areas are facing traffic congestion and not being able to handle the population growth.

**Mr GREG APLIN:** I fully understand where you are coming from in supporting the town because I was one of the television people who established the first television translator in Nyngan back in the mid-1980s along with our engineers.

**Mr ADAM CROUCH:** You mentioned that you are seeing economic growth and so improved employment opportunities in the Orana area. There is a \$750,000 threshold for the payroll tax and in part of your submission you spoke about that. Given that your region is growing, do you have a particular preference for either reviewing the threshold or decreasing the rate of payroll tax?

**Ms DIXON:** One of the issues for us is how that growth occurs and where that growth comes from. It becomes more complex in terms of: Do we want the growth to occur by another multinational basing their business here or through the natural growth of local companies doing really well and employing more people? Our region is really fortunate in that we probably have a mix between local entrepreneurs and multinationals. Roger Fletcher, without a doubt, is our shining star as a local company that has done so well in the 30 years it has been here. What he has done for community is fantastic and there are other firms like that in our region. We are very fortunate to have them. The multinationals also play an important role and add something to our community. We advocate for a reduction for regional and isolated, for want of a better word, businesses. Those businesses that choose to make their base at Cobar, or at Bourke, or at Walgett and that have the potential to grow and employ, we would like to see a differential for them that encourages them to stay invested in those communities. We would also like to see a reduction in the rate of payroll tax.

**Mr ADAM CROUCH:** Has the RDA seen a trend in employment in the Orana region? Has one standout area exceeded others?

**Ms DIXON:** We have seen some changes and, to put some perspective on that, at the moment six of our 12 local government areas [LGAs] would be at what is considered full employment. Labour for us is a key issue in our region, and attracting labour to the region to meet labour demand is critical to us.

We have seen growth in health and education in particular—that is not just in the public sector, there has been growth in the private sector as well. The National Disability Insurance Scheme [NDIS] is obviously leading. The changes that are occurring around the NDIS are also probably pushing some of the growth in the health sector that will continue, but that is probably a national issue. That is a classic example of a sector that is growing. Our aged care sector has also played a significant role in that, and that has been private investment as much as public—probably more private investment than public. The mining demand has increased as well because we are a region that is quite fortunate in the mix of mining that occurs in the region.

**Mr ADAM CROUCH:** You have mentioned the idea of an isolated or remote category being added to a regional tax system. Victoria has a two-tiered tax system, both metropolitan and regional, but your comments relate to a third system—that is, isolated or remote. How would you envisage implementing that, given that you could create a situation where people could move across the road or to a different local government area to get a benefit? Do you not think that could create more of a problem rather than solving it?

**Ms DIXON:** No, I am an optimist. I do not think it would create more of a problem. I think the biggest concern would be people who might manipulate the system by putting their base there and not necessarily being completely committed to that base. It needs to be more than having an office presence in terms of there being capacity and I think that is indicated by the number of staff who live and reside in the area they are operating from. That would possibly be a way of handling that. To prove that the staff are also located in those areas, for example, so that their postcode is a Cobar postcode and not necessarily a Dubbo postcode. That is how you would get that transparency.

**Mr ADAM CROUCH:** You are saying that a percentage of a remote or distant population would be how one would gauge that? For example, effectively 400 people live in a particular town or area and 40 people are being employed in that remote or isolated area so that is how you would look at judging it?

**Ms DIXON:** Yes.

**The CHAIR:** You have suggested that there may be more than one regional zone outside of Sydney, Newcastle or Wollongong, for example, in fact there could be a series of them. I am interested in the complexity issues. I take you back to what you said about Fletchers. You said that Roger Fletcher made the decision that it was all too hard and he did not worry about going into the new system to try to make it easier. Do you think, even though the circumstances might be different, that businesses would see a level of complexity that would just make it too hard and therefore it may not have any future benefit?

**Ms DIXON:** That is a really good question. I think there are a couple of different drivers that sit behind those decisions. Roger is an established business with a workforce of around 400 people. In terms of Roger's decision to disregard something that was put in place, I think it was seen as less important to him in terms of him operating a successful and profitable business. It needs to be put back into the context of comparing apples with oranges in deciding to operate in a location like Dubbo versus deciding to operate in a location like Bourke, which has some different variances and different things that actually drive those decisions. A really good example is that a small stock abattoir is being built at Bourke at the moment. It could have been built at Dubbo, Narramine or Nyngan but they chose Bourke. Some of the reasons that they may have chosen Bourke were the incentives that were provided to them because Bourke had an unemployment rate at the time of 12 per cent—it is now sitting at 8 per cent—and the State Government has supported the development of the project; it has had percentage rules.

But I think one of the other main factors for the reason that business is in Bourke is its access to supply chains—it is planning to mainly slaughter and process goats. It is understanding the different supply chains and those different regions for a business to be located in a particular location. If I use Cobar as an example and the issue of contractors based in Cobar versus contractors based in Dubbo, I think the business case would be strong enough for a business to be located in Cobar. Most of their work is probably generated by the three mines that are actually located in Cobar, but they are choosing to locate in Dubbo for different reasons than business reasons. So if we can make the business reasons strong enough for them to actually be in Cobar then that is a good outcome.

**Mr ADAM CROUCH:** You can take this question on notice. Further to the question by David Harris about young farmers with stamp duty concessions, are you able to confirm whether the commercial property usage around the Orana region is underutilised at the moment and whether stamp duty reductions would benefit if that is the case?

**Ms DIXON:** I would probably need to look. I suspect that in our region I think we have actually got some room for growth to build or for construction of commercial property. In terms of young farmers I would need to go and do some research.

**Mr ADAM CROUCH:** That is fine.

**The CHAIR:** Thank you for appearing before the Committee today via teleconference. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms DIXON:** Yes.

(The witness withdrew)

**DARRIEA TURLEY**, AM, Mayor, Broken Hill City Council, before the Committee via Skype, affirmed and examined

**DAVID GALLAGHER**, President, Western Division of Councils of NSW, before the Committee via Skype, affirmed and examined

**The CHAIR:** Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Ms TURLEY:** No.

**Mr GALLAGHER:** No.

**The CHAIR:** Before we commence with questions, would like to make an opening statement?

**Ms TURLEY:** As the Mayor of Broken Hill, I thank members for providing Broken Hill City Council with the opportunity to speak today to the Committee on Investment, Industry and Regional Development's inquiry into zonal taxation. As acknowledged in our submission that informed the interim report, payroll tax, stamp duty, land tax, utility charges and fuel costs all factor into the overall cost of doing business in regional New South Wales, and, as such, in the Far West of New South Wales. I represent the people of Broken Hill, but the economic health of our city is reliant on the economic health of the Far West region of New South Wales. Broken Hill is a service centre for the mining and agriculture industries of the Far West, and recent advances in technology have resulted in lower-cost and competitive processing options, which have resulted in a flurry of activity.

We have had increased investment in production exploration by national and international companies in products such as gold, mineral sands, iron ore, cobalt and potentially uranium. Pardon the pun, but Broken Hill continues to be a potential minefield of product that will ensure a long and sustainable future for our city. In noting this, the steady population decline due to the fluctuation in mining since the 1970s has resulted in a decreased council rate base, which is impacting on the ability of the community to sustain the city as a vibrant place to live, to work and to invest. In the 1970s, Broken Hill had about 30,000 people, and more than 3,500 of them were employed in mining. The population is now 18,000 and only 70 of those people work in the mining industry.

According to the 2016 Census, the population was 18,027, which is a decline of 9 per cent since 2006. That is, in 10 years our population has decreased by 9 per cent. The two main mining operators—Perilya Mining Corporation and CBH Resources—together employ more than 500 workers in mining work. The promise of newer mining operations and the investment in exploration that confirms the importance of Broken Hill as a mining centre, with strong capital and social investment, must be secured to ensure that it is a town where people want to live, to work and to invest.

We recognise the existence of new facilities, attractions and opportunities identified to improve amenity and to encourage people to value Broken Hill as a city for investors. Many of these directions are outlined in the council's urban design strategy, the Living Museum + Perfect Light Project, and the community's strategic plan. They provide a framework for our plans for the future. Any move to reduce the burden of cost for a regional business will create a business environment that is part of the overall outcomes and disadvantage in the Broken Hill region and location.

The projections indicate that the population will decrease by 20 per cent by 2026 if there is no aggressive strategic intervention. Continuing down the business as usual path will likely see our population decline. The effects of the flow-on are evident. A well-presented but empty central trade area and good tourism offering variable visitation overall will result in a declining population no matter what we do. The current strategy calls for a broadening of economic investment. I will jump to the key issues in the terms of reference. In terms of payroll tax, council read with interest the comments about the implementation of the Victorian regional payroll tax system, and it supports the inquiry's recommendation that a further review of the Victorian arrangement be undertaken to analyse the scheme, its advantages and challenges and how they could be transferred to New South Wales.

However, as council noted in a recent submission to the Legislative Council Standing Committee on State Development inquiry into regional development and a global Sydney, there is a complexity to regional New South Wales that is not adequately addressed in current boundary definitions. In that submission council supported the suggestion of moving away from the two-tiered metropolitan regional model to a three-tiered model that describes the third tier as the remainder of New South Wales. It also noted a fourth tier and that there

are regions within regions. In regions such as the Far West, it is worth examining the definition of "regional" when studying the influence of zonal taxation decisions.

In terms of property, I have talked about our population decline. Broken Hill finds itself in the same position as many rural and regional remote towns in the Far West, having many vacant premises in our main shopping precinct and in our second precinct in Oxide and Patton streets. The main shopping precinct in our high street is being dramatically affected by vacant properties. The downturn in the main street shopping strip is likely to be a national issue. That is in part due to the increase in online shopping. We were informed last week that Big W in Broken Hill will close in June. There is potentially a national benefit in investigating the means available to address this situation through a changed taxation law, such as a staged withdrawal of taxation benefits falling to owners of commercial premises in the retail shopping district to discourage long-term vacancies and the situation seen in the Broken Hill main street in recent years.

I have to say to the Committee that if you walk down our main street, on one side every second shop is empty. It is absolutely a disgrace because every tourist that comes into town wants to spend money. Council has chosen not to reiterate at the hearing in support for a number of changes to the State and Commonwealth legislation. However, Council does encourage the inquiry to continue to seek tax concessions for rural, regional and remote communities to encourage more businesses to take up commercial leases in premises.

In terms of energy, the high and rising cost of energy has been the subject of much political and community discussion in recent years. Between 2000 and 2014 household electricity prices across the country have increased by 174 per cent. More recently, we have seen a plateau in prices, but with the cost of wholesale electricity now escalating and reports that network charges are set to increase electricity prices are likely once again to rise. With this trend continuing into the foreseeable future. We see the issues and how they affect local businesses constantly. The inequity between Sydney and New South Wales regions was highlighted in the NSW Council of Social Service 2017 report that showed a pronounced difference between bills in metropolitan Sydney and central and western New South Wales. The average electricity bill for central and western New South Wales was around \$644 while Sydney was \$362.

The 2017 Energy and Water Ombudsman report by Janine Young noted that affordability issues such as payment difficulties, disconnection and high bills factored into 32 per cent of complaints that were received from the Far West region in the 2015 and 2016 financial year compared with others. The Energy and Water Ombudsman also noted that people in regional, rural and remote communities face particular challenges trying to stay connected to electricity. These challenges include distance, high food and petrol costs, extreme weather conditions and ageing housing stock often fitted with poor quality appliances, with the last two factors contributing to excessive energy bills.

As a council committed to encouraging families to move to and live in Broken Hill and businesses to invest in the region, Council calls on the Government to address these inequalities. Concessions for utility charges would have a significant impact for our region, particularly for small business and those lower income families. Council acknowledges the current rebates are noted in the interim report but also calls to the attention of the inquiry that, given the inequalities in the cost of utilities in rural and regional areas, rebates as applied do not address the differential cost across the State of New South Wales.

Council acknowledges the Regional Development Australia [RDA] submission that stated that businesses in this region struggle to be competitive in broader markets when additional costs of utilities and fuel are factored into the expenses. RDA Far West argued that 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. The council supports the RDA Far West submission that the creation of regional concessions for utility costs would significantly and positively impact regional residents and business and support strategies to attract investment into industry and into the area.

In terms of fuel, I guess there is no doubt that we have one of the highest fuel prices in Australia. Utility costs combined with long distances and limited public transport necessitate the use of private transport, including high fuel costs for consumers and business—I would also add for accessing health services as well. The Far West region is heavily dependent on mining and agriculture and in turn relies on diesel consumption to produce the primary and value-added products and services which drive our regional economy. The communities of the Far West face some additional costs due to the distance between regional centres. Our closest town is 270 kilometres away if you do not include Menindee, which has a population of less than 700. The impact on business growth is that the tyranny of distance proves to be a deterrent for those considering making the commitment to relocate and build profitable and successful businesses.

In closing, fuel levies imposed by freight and transport companies are significant costs affecting efficiency and productivity of business and the productivity and productive growth of the region. In order for

zonal concessions or exemptions to make a significant difference, the measures need to be consistent with the level of disadvantage and inequity present in the Far West. Simply making small changes will not be enough to improve economic activity and productivity in the region.

**The CHAIR:** Thank you. Councillor Gallagher, would you also like to make a brief statement? I remind you that we have until about 12.30 and we would like to ask some questions as well.

**Mr GALLAGHER:** Certainly. Thank you for the opportunity. As chairman of the Western Division of Councils and on behalf of the Western Divisions of Councils I offer my sincere appreciation for the opportunity of speaking to you today. The Western Division of Councils of NSW is a collaborative body representing 11 councils in the Far West. The western division covers 42 per cent of the State, with member councils representing more than 40,000 outback residents. The Western Division of Councils represents a diverse range of extremely successful industries and individuals as separate and collaborative local government areas; however, we face a significant challenge in the coming years to develop and grow our communities and sustain them in a positive manner.

Population predictions in the Far West of New South Wales are proposed to reduce by about 10 per cent over the upcoming 15 years. In order to attract a greater investment and population growth in the Far West, it is critical to equalise the playing field in the form of exemptions or concessions in relation to payroll tax, stamp duty and land tax. The Far West is a critical contributor to the State's economy. In mining alone the region is contributing \$341.1 million to regions and the GRP in 2014-15. Exemptions to concessions have been successful for many years across the world. They create jobs and prosperity in depressed regional areas and provide opportunities to attract economic growth through concessions in company tax, investment allowances and accelerated depreciation in wages and subsidies.

Rising electricity costs are impacting the Far West with both businesses 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. Most disadvantaged residents and businesses in the Far West are struggling with relentless price rises in the last two years and risk being left behind as technology, complex tariffs and emerging business model widen the gap. When comparing the current price structure with the average usage and rate, it is evident that residents of the Far West are paying an additional \$59.10 per quarter and an average of an additional \$194.04 in usage charges. This is equal to a minimum amount of expense of \$1,012 annually. With the extreme variations in temperature, the Far West uses electricity in peak in winter and summer and these are increasing significantly.

Consultation with the CentaCare Broken Hill financial counsellor indicates that more than 50 per cent of their clients have electricity in arrears and are experiencing extreme difficulties in paying their ongoing electricity prices. The Lifeline Broken Hill Country to Coast financial counsellor echoes these statements and they say that we are seeing a trend where payment plans for electricity are almost as much as rent. With Australian electric prices amongst the highest in the world, businesses in the regions struggle to be competitive on a regional basis. With additional cost in utilities and fuel factored into these business expenses, it further reduces the attractiveness and competitiveness in developing business in the region.

Reductions in electricity outgoings will have a significant positive impact on our combined areas to attract and retain residents and businesses. The Western Division of Councils also acknowledges the RDA Far West submission which stated that businesses in this region are struggling to compete with the broader markets if additional costs of utilities and fuel are factored into these expenses. The RDA submits that livability in the region of the Far West and its potential to attract additional residents will be greatly improved with the reduction of the cost of utilities to reflect reasonable costs paid by other regions and metro centres in Australia. As well, the recreation of regional concessions of utility costs would significantly and positively impact on regional residents and businesses and support strategies to attract investment and industry to this area.

In relation to water, to further exacerbate the high cost of living and doing business, the Far West receives a considerably less amount of water than the east of the State. Sydney's mean rainfall is about 1,214.6 millimetres while some regions of the Far West have an average rainfall of 235 millimetres. This has implications for residents and businesses in the region. It limits agribusiness development and commands greater costs for other businesses who use water. The Far West is regularly exposed to extreme summer temperatures above 40 degrees Celsius. Many studies around the globe have highlighted the cooling effect of lawns. According the Missouri State University a healthy lawn has the same cooling effect as an 8.5 tonne air conditioner. Lawns act as a carbon sink taking carbon dioxide from the atmosphere. Many residents and businesses in the Far West are removing their lawns and gardens in favour of services that require no water, this is only due to the cost of water.

The impact of fuel levies and regional growth—the Western Division Councils represent a significant but sparsely populated area of the State. Long distances and a lack of adequate and affordable transport across much of the region mandates the use of private vehicles, incurring very high costs to customers and businesses. In a recent survey, the primary producers of the region state fuel costs have increased, are a significant cost to their business and are, on average, 15 per cent of on-farm costs. Fuel levies imposed by freight and transport companies significantly affect the cost of products in the Far West.

The flow on effect—there are unreasonable and unsustainable pricing increases on basic goods and services that compose the cost of living. Items such as electricity, fresh food, petrol and freight are beyond what would normally be expected. Exemptions or concessions from payroll tax, stamp duty and land tax will greatly support the region, and attract additional investment and industry sectors. In addition, concessions across the region with the costs of utilities would significantly impact residents and business, and support strategies to attract investment and industry to the Far West. Realistically, a significant concession in the zonal taxation rates that reflect additional costs of living and reduce accessibility to services would be supported by the regions in an attempt to attract new residents and growth of 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 destination and a home. Thank you for the opportunity to speak with you today.

**The CHAIR:** You have both given a good background as to a range of issues that Broken Hill and Western Division Councils face. For the rest of the time we will concentrate on issues around zonal taxation, as is our brief. I will hand over to Mr Adam Crouch, member for Terrigal, for the first question.

**Mr ADAM CROUCH:** Thank you for taking part. Madam Mayor, are you aware of how many businesses in the Broken Hill area would currently be paying payroll tax, those that reach the \$750,000 threshold? If you do not have those numbers you can take it on notice.

**Ms TURLEY:** No, I do not. Councillor Gallagher is the chair of Regional Development Australia [RDA] and maybe Councillor Gallagher might have that information.

**Mr ADAM CROUCH:** How many businesses in Broken Hill and Western New South Wales, for the 11 councils, in that region would be affected by the current payroll tax threshold of \$750,000?

**Mr GALLAGHER:** I do not think it would be a great amount, but it would be a considerable amount. If I could explain that, I will get back to you with the exact numbers by the end of the day.

**Mr ADAM CROUCH:** If you could, come back to the Committee with the numbers of businesses in the region that would be affected by payroll tax. Madam Mayor, you mentioned a drop in population but a growth in business to some degree. Does Broken Hill City Council have a dedicated economic development officer?

**Ms TURLEY:** We have a position that is currently vacant and that position was really about the state of Broken Hill. It had a title, but the job reflected how we look at our economic development. We understand that, though mining outside of Broken Hill—like I said there was the gold development, Ausgold, although it was based 300 kilometres away in Tibooburra—they were based in Broken Hill. A lot of mining development is external, but it is happening in Broken Hill. They are going to have an investment. We are really pushing the position not to have fly-in fly-out. Fly-in fly-out does not work for anyone. Fly-in fly-out has so many problems with it for the community and for the workers themselves. We have always pushed, when we are negotiating with mining companies, no matter how big the mining site is—we are talking to Cobalt Blue at the moment, we are looking at a lithium mine—we are pushing to make sure that the workforce is based in Broken Hill.

I have been to many presentations of mining companies, about all other businesses, and new development. You have to remember that we are looking at the solar industry in Broken Hill. We have the second-biggest solar farm. We have a wind farm being developed at the moment. There are conversations about another solar development that could be the biggest in the world. We looked at that when I go there and attended those meetings and I look behind me at who is actually attending and there is an older workforce that is looking for jobs. A workforce that have lost their positions in the mining industry that are out there, are available and skilled and want to work. They are sitting there hungry for jobs.

At the moment we are running around without the pop-up businesses happening and we have an 8 per cent unemployment rate. At the moment I said it is 4 per cent, but there are three major developments that will disappear in a couple of years, in a year. Before that it is 8 per cent unemployment. Of that there is an older employee base from the skill-based mining industry that we are looking for jobs for. It is a tough industry. We do have a position. We are about to recruit for it. It has to come across. It is not just about the landscape of local businesses in Broken Hill, but how do we support and attract the industries that will be based outside but hopefully have a home in our city?

**Mr ADAM CROUCH:** Given your proximity to the South Australian border, have you got evidence of businesses choosing to leave Broken Hill and your council region to go to South Australia, given its zonal tax rates on payroll tax?

**Ms TURLEY:** To be honest, I have not heard of businesses leaving Broken Hill to go to South Australia. I had a person that ran an international business that was based in Broken Hill, but was not high employment in town itself. We have a business that is based—development of a mine—in South Australia. Their employees will be based in South Australia, they are not looking at employing in New South Wales at all. The issue for us is really, we have masses of land, we have lots of natural resources, but how do we make businesses viable in the community?

How do we say to Sydney: Instead of building where you are going to pay for your land at such a rate you have an opportunity out here? How do we say to businesses come to the bush and set up business because that is the answer? You are looking at affordable housing for staff. You are looking at industry where you can afford to build on land. And yet, we know the other part of it is how viable is it when you look at energy bills, fuel bills and the employment tax?

**Mr ADAM CROUCH:** You would be saying that a benefit to stamp duty in areas like Broken Hill would be more beneficial than potentially having reductions or changes in payroll tax?

**Ms TURLEY:** I do not think I would be willing to commit to that in a public environment.

**Mr GALLAGHER:** In relation to payroll tax in relation to moving to South Australia, of course it has attractive payroll tax reductions over there. When you are looking at business in the Far West in areas like Broken Hill, they ask for power, we have power; they look for water, we have water; they look for land, we have land; there is a tick in the box in every area. With reduction of the utilities, reduction of land tax and a reduction of payroll tax you would get a lot more attraction to the areas of the Far West.

**Ms TURLEY:** If you could package it up, the other element of working in, particularly, Broken Hill is that we are the only airport that has direct flights to three capital cities. Yet we cannot attract a business because of the concern about the other costs that will go with that.

**Mr CLAYTON BARR:** Madam Mayor and Councillor, thanks for joining us. The written submission that you have made—and you have just expanded on that significantly with your opening statements—seems to be encouraging a harsher taxing regime on commercial premises that are left vacant. Is that a fair summary?

**Ms TURLEY:** Personally I do have issues with premises that are vacant and with Regional Development Australia [RDA] we are looking at a renewable program. When the submission came in, to be very honest, some of the thoughts were influenced by the staff of the day. But I am going to say that you are looking at the picture of the Far West. You are looking at a community that is 47 per cent on the minimum wage. We would look at any benefit that the Government would look at to try to work a relationship of how we would attract business. We are really [inaudible] around that area and so if we thought there was a concept that we could pursue then we would do it. That is called opportunities for council. I hope that when we look at the outcomes of this review and the considerations for rural and regional—I think there was a reference about looking at regions within regions—the Far West is so unique that our next council is 200 kilometres away. We are very unique, so if we want to attract business, we are going to have to address a combination of issues.

**Mr GALLAGHER:** Madam Mayor has alluded to a position we have on the regional development of the Far West. We are actually pushing it out to the regional councils. We are going on the Newcastle model when the earthquake was in Newcastle and there were plenty of vacant shops. It is called Renew the Far West. We are encouraging business owners or landlords to offer new businesses a reduction in rent—and again payroll tax, utility costs and so forth will come into that—giving a reduction of rent to occupy those shops to invigorate the central business district and other areas. That is an incentive we are doing in the Far West. It has been very successful. In one area of Broken Hill it has employed more than 40 people at this present stage. That is an area we could bring up.

**Mr CLAYTON BARR:** I am going to ask another question about the previous submission. Before I do that, I want to clarify that the previous submission was from 2016 and was made under a previous mayor, Councillor Wincen Cuy, is that right?

**Ms TURLEY:** That is correct.

**Mr CLAYTON BARR:** I appreciate that the landscape has shifted and the submission might have reflected the views held at that time and might not reflect those held now. I want to ask about amendments to the Local Government Act. The recommendation at the time seemed to suggest the removal of rate capping.

**Ms TURLEY:** My understanding is for our council that the mayor of the day believed that rate capping was a real issue and how we address that. You are talking about rateable land. I struggle with that concept, to be honest, but this is part of our submission. I think the mayor of the day believed that there should not be any rate capping. Or are we talking about rate pegging?

**Mr CLAYTON BARR:** Yes.

**Ms TURLEY:** And I think the mayor of the day believed that if we could increase the rates according to the services to be delivered then we may have a better income. When we look at the services that local government has to deliver but the limited access to funding, it is such a challenge. I say this respectfully, we do not have parking meters to get income from. We are very limited as to how we can do that. The concern for rural councils is that we are going to end up being grant councils. We are going to end up with a Northern Territory model. Probably the idea of removing rate capping is really saying, "Look at us. We are really struggling in the Far West." We have looked at the Far West Initiative about how councils would work together. Our council has unanimously agreed to go for a joint organisation [JO], but we are always looking at how we generate income. At the time the mayor wrote that submission we were running a \$6 million deficit budget. Local government is supposed to help generate economic development. How can we do that when we cannot even look at how to make ourselves viable?

**Mr CLAYTON BARR:** Thank you both.

**Mr DAVID HARRIS:** Thank you both for joining us today. I am interested in the tiered system you are putting forward. You said there would possibly be four tiers. What criteria would come into play with that fourth tier? I have heard of two tiers and three tiers, but the system of four tiers interests me as to how you would define that.

**Ms TURLEY:** It is interesting because the everyday job I work in is health and we always struggle to say how remote finance looked at in the health model, because you have less population but more [inaudible]. The concept is around how we actually identify that remoteness as a fourth tier but as a strong opportunity—the food bowl of the Far West is out here and the mining industry is out here. Our gross domestic product [GDP], although it has decreased—we had very strong GDP once upon a time—how do we actually get that up? Because then all of New South Wales would benefit. If we finally looked at that isolation, the issues around the rural and remote areas, maybe we would be able to focus on some extra concessions in that area to actually address it. I know that although we are not focusing on a [inaudible], someone has talked to me about the pricing of electricity and they said there is a specific zone that prices us much higher than others. I have not got my head around that yet—perhaps someone else in the inquiry could—but they have said specifically that Broken Hill has a different pricing structure. If that could be addressed, what could it be? And finally looking at that remoteness for what it is, given the opportunities.

**Mr DAVID HARRIS:** Would you base it around population or economic development?

**Ms TURLEY:** A combination of both—maybe a value of both—but certainly you have to put the isolation into that equation.

**Mr DAVID HARRIS:** Yes.

**Ms TURLEY:** Distance and remoteness. It is easy to say, "Broken Hill, sadly you are 18,000 now." I think when I was first elected to local government it was 26,000. It sounds like, "Broken Hill, you're a strong community," but the reality is we are nearly 1,400 kilometres from your office. If I was attending a meeting in Dubbo, that is over 700 kilometres. If you wonder why people are relating this to people going to South Australia for a whole range of services, you need to look at that remoteness. There are some towns there that could really grow and benefit. Look at Menindee. Menindee was a viticulture/agriculture town. We have had droughts. We have had issues with water. But why is it that Menindee has died? Why has it been that this town that was so vibrant is now dead?

If we do not look at another region, if we do not say that these areas need to have some kind of special concession—and population could influence it in a different way. Broken Hill is 18,000 but how far is it to us to access any services? On top of that, for an example, at the moment with our electricity because of the redistribution of staff, any issue for us around electricity and the grid in those remote towns is going to be affected about how many days you may not have power. We are looking at the model. I am not an expert in that area, but I can say that distance has to be part of the model; it has to be an equation. There are all those other equations about understanding social impacts that could come into that.

**Mr GALLAGHER:** I echo the comments of Councillor Turley in relation to the isolation and the population of that part of the submission.

**Mr DAVID HARRIS:** I will be there at the end of next week, so we might be able to talk about it.

**Ms TURLEY:** Oh, good. We will be happy to welcome you.

**Mr GREG APLIN:** Good morning and thank you for joining us. My question goes to some of the remarks you made in your comprehensive introductory statements. You canvassed a range of possible concessions that could be attractive to businesses considering relocating or indeed expanding in your areas. Have there been specific calls for any reductions in payroll tax, stamp duty or specific infrastructure that you might like to bring to our attention?

**Mr GALLAGHER:** Agribusiness is a vital part of the Far West of New South Wales. Bourke abattoir, for instance, has 200 jobs coming into Bourke in the new future, opening up. Similar things should be done in the southern part of the western division like, again, here in Broken Hill. Reduction in payroll taxes and stamp duty on the land could be of major benefit to the multi-species abattoirs, especially around these areas. We are a food bowl. We have mixed breeds of cattle and mixed breeds of goats and the exporting of that. A reduction in payroll tax and/or a reduction in land tax would, I think, attract businesses to move out to the west. That would assist us greatly.

The major one for me would be the land tax, to attract businesses to the area, so that they could purchase land and set up at a regional cost and employ the local people in the area. That would benefit the economy—with the exporting of certain species of cattle and goats, for instance—at the present stage. Those are two of the major commodities of people in my area. Years ago, goats were slaughtered just to get them off the land; now they are a major commodity to keep people alive. So that is a defining issue. I warn you that we are about to have our fire alarm tested.

Many years ago, there seemed to be greater collaboration. If you were looking at a new industry—I was chair and vice chair of Regional Development Australia [RDA] many years ago—there was great collaboration and pulling in of partners. I would like to see that progressed better. I know you are looking at stamp duty and the payroll tax and infrastructure development as well. What is their opportunity to help businesses grow? Certainly there is the abattoir at Bourke. There will be a major mine just outside of Broken Hill which looks like having a slurry pipe over 400 kilometres. So we are looking at big infrastructure.

It would be good if we had State and Federal governments collaborating better, if we were able to look at stamp duty and payroll tax and those things, and if we had that one person who could bring those players together. Originally I was hoping that the western initiative was going to bring everybody together, that State and Federal governments would be at the table with local government, so that when we had these developments come up we would have easy access to people who could make decisions. I take it that it is a question from Albury. I did go to Albury City Council recently and it has a thing saying, "We are about red carpet and not red tape."

If industry development could be about red carpet and not red tape and if we could look at a package for rural and remote communities—as we said, regions within regions—looking at a whole range of things, it could attract business. We have the land and the airport access to the three capital cities. That could make such a difference to all those towns in between. Councillor Gallagher and I, in our jobs, travel to those areas. We hear the talk, the conversations. We want to see red tape dealt with—we love to see incentives—but we want to hear someone say, "Let's make it happen; how do we make it happen?" When we have an idea, a concept, we have the key players at the table, not someone we constantly have to find.

**The CHAIR:** Thank you both very much for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions?

**Ms TURLEY:** Happy to.

**Mr GALLAGHER:** Happy to.

**The CHAIR:** Wonderful. Thank you, again. Enjoy the rest of your day. We appreciate your contribution.

**(The witnesses withdrew)**

**(Luncheon adjournment)**

**TROY DANIEL GREEN**, General Manager, Tweed Shire Council, before the Committee via teleconference, affirmed and examined

**KYM KRANEN**, Senior Economic Development Business Facilitation Officer, Tweed Shire Council, before the Committee via teleconference, affirmed and examined

**The CHAIR:** I welcome Troy Green and Kym Kranen from Tweed Shire Council. Before we commence with questions, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr GREEN:** No.

**The CHAIR:** Would you like to make a brief opening statement?

**Mr GREEN:** I would like to talk to the first point, being payroll tax. The Tweed shire is located on the New South Wales and Queensland border. New South Wales payroll tax, at 5.45 per cent, is 0.71 per cent higher than the Queensland levy, at 4.74 per cent. This inequity represents a competitive disadvantage that is an issue regularly highlighted by many of our larger businesses. By way of an example, the New South Wales payroll tax for a business with 70 employees on the average wage is around \$35,500 dearer than it is in Queensland. It is also a disincentive to prospective businesses looking at relocating to the Tweed.

In March and April 2017, the South Murwillumbah industrial area sustained substantial flood damage and many of the shire's largest employers were not only faced with huge financial losses and clean-up costs but also had to pay their payroll tax in that same period, which became quite contentious. Submissions were made to various New South Wales government departments advocating for the reduction or suspension of payroll tax for businesses impacted by natural disaster. Deferrals were provided, but businesses were seeking a suspension for a period of three months to assist with the initial clean-up. This is an approach that would have been welcomed to assist those businesses most affected. While a grant of up to \$25,000 was made available, this money was used to replace office furniture and the like which was washed away in the floodwaters. It required filling out a lot of paperwork and resulted in administrative stress at a time when businesses were trying to keep afloat. A more cost-effective way might have been to have forgone a grant and suspended payroll tax for three months.

More flexibility and a business-friendly approach is needed when cash flow crises like this arise. At this time several of these business owners spoke of their option to relocate to Queensland, out of flood-prone land and to enjoy smaller payroll tax rates. The New South Wales Government has responded in a positive way, and we thank them for that, by funding some land in our commercial area in South Murwillumbah, which is above the probable maximum flood level at RL12. Those businesses will now be able to do a land swap to relocate. That will protect them so we will not have that issue, but the Committee may like to keep this in mind for areas in New South Wales that face a natural disaster.

Moving to stamp duty concessions for regional commercial properties, a concession on stamp duty for regional commercial properties would be welcomed by Tweed Shire Council and Tweed commercial property investors alike. The difference in stamp duty, in all honesty, is not huge. On a \$1 million property, the difference is just over \$2,500, but as with lower payroll tax obligations, lower stamp duty would also encourage business to remain on the New South Wales side of the border. Tweed Heads in New South Wales and Coolangatta in Queensland are known as the Twin Towns. They sit side by side, and Coolangatta is also known as the Gold Coast's second city, outside of Southport-Broadbeach. The Gold Coast City Master Plan seeks to extend and grow the Coolangatta central business district [CBD], which is close to the Gold Coast Airport. There is a risk that commercial enterprises on the New South Wales side of the border will relocate or build on the Queensland side of the border. Stamp duty concessions would enable investment and development of the Tweed CBD. This would support the New South Wales Government's North Coast Strategy, which identifies Tweed as a regional city.

Introducing stamp duty concessions to achieve parity for investors in New South Wales would encourage them to look more closely at creating jobs and growth in the Tweed rather than in the adjoining city of Coolangatta, Queensland. The power of proximity is a double-edged sword. With a current population of more than 570,000, being a neighbouring shire to the Gold Coast Council can be great for businesses that are established and happy to stay in the Tweed; however, the lure of lower operating costs will always be there for those businesses, while ever the New South Wales taxation levies are not as competitive and business friendly as those in Queensland.

On the issue of land tax, for a property with a land value of \$1 million, land tax in New South Wales is approximately \$1,500 dearer than in Queensland, so even for small home-based businesses that find themselves

having to pay land tax, the tax over the border is competitive. We would ask the Committee to think about a model similar to what was introduced at the time when Queensland did not have a fuel excise levy, so that taxation in New South Wales had stepped up the further away you were from the border. Tweed fuel stations did not have the New South Wales levy imposed so that they could compete with the Queensland stations just over the border, but as you got to Byron Bay, for example, the concession was half as much and by the time you got to Grafton it was phased out. The Committee could consider something like that for payroll tax, stamp duty and land tax.

**The CHAIR:** Ms Kranen, do you wish to make an opening statement?

**Mrs KRANEN:** That was a statement from both of us.

**Mr GREG APLIN:** My name is Greg Aplin. I am the member for Albury at the other end of the State so we share some of the same concerns. We also had some flooding but not quite in the same manner as yours. You mentioned that some businesses had talked about relocating to Queensland. What has been your experience with local businesses moving from New South Wales to Queensland? Can you quantify that? Can you give any reasons as to why they may have undertaken that move?

**Mr GREEN:** What we find is that we often get businesses from the western suburbs of Sydney coming up looking for large parcels of land. Trying to provide that in the Tweed in an area that is not flood prone is problematic in the first place, but when they go across to the Gold Coast they have pretty strong incentives to try to attract those businesses over there. We have had to change some of our local policies here. So we have developed a business investment policy that looks at deferral of developer contributions, for example. One of the biggest challenges that we have—if you wanted to ask me in all honesty and would be the biggest single thing that this Committee could do, and it is not in your scope but if you had to arrange it—is developer contributions, particularly for roads within our Tweed Road Contribution Plan. The population that sits around the Gold Coast directly to our border is not calculated in the Roads and Maritime Services calculation. For example, if you were at Wyong or Gosford and you got a compass out and drew a 50-kilometre radius you might capture 500,000 people in that radius so all your on-ramps onto the freeway going into Sydney will be funded by the State Government through State levies. If I was at Liverpool, where I used to work before here, if you drew a little circumference round you could easily get a population of—sorry, I said 500,000 people; it is 100,000 people—of 100,000 people so your on-ramps onto the M5 or the M7 will be funded by the State Government.

Unfortunately for the Tweed, Albury and Queanbeyan, the populations of Wodonga and Canberra, and the Gold Coast in Tweed's case, are not factored in. So when you try to capture that 100,000 population at the Tweed we fall 10,000 people short—we have a population of around 90,000 people. We are in a situation where we are funding through our own Tweed Road Contribution Plan on-ramps onto the Pacific Highway, onto the freeway, and that impost is absolutely massive to businesses. So they come to have a look. One example is the World Gym. They wanted to come and start in the Tweed but the road contribution plan was going to be a quarter of a million dollars. They were able to establish that same gym at Burleigh Heads on the Gold Coast and their road contribution plan was zero. So it was a quarter of a million dollars cheaper for them to go across the border, whereas our road contribution plan would have been significantly lower if we were not having to fund \$17 million on-ramps onto the freeway.

It is simply because the New South Wales Government will not recognise populations or the people who travel every day backwards and forwards across our borders. We know there is about 6,000 people who commute one way or the other outside of the normal freeway traffic that is headed further north, but the Government does not recognise those and it is putting pressure on the local road systems. That is something for which we have been advocating for a long time. We can see that it would affect really just Albury, Queanbeyan and the Tweed. Broken Hill does not have that issue or other border towns; it is only those three towns because Albury and Queanbeyan will continue to grow. We really think that needs to change. That would make establishing a business in the Tweed substantially cheaper in the first place.

With respect to payroll tax, where we have people threaten us, these are our big employers who have been here for 70 or 80 years. They are the likes of our big transport companies and our truss manufacturers and so forth that employ 70-plus staff. Every now and again going over the border, when they sit down and have a look at the extra cost that they have got to run into Murwillumbah with their truck movements each day, as well as these other higher costs around land tax and payroll tax, it is tempting for them to relocate. I think the thing that keeps them here in all honesty is that our commercial land to purchase is still cheaper. The upfront capital that they need to outlay to get across the border is certainly more expensive. We have had some success in attracting businesses that were going to relocate to the Gold Coast to locate in the Tweed.

A perfect example of that is Stone & Wood Brewing Company. They are a local brewer that established in Byron Bay. When they outgrew Byron Bay they were looking for a suitable large parcel of land on which to build a new brewery. The Gold Coast was certainly something that they were seriously considering. The thing that got us over the line with them was the fact that we have got really great quality water in the Tweed. Importantly, we were able to establish that business investment policy that allowed for the deferral of some of those contributions. With those road contribution plans—if the RMS changed their formula so it was simply a 50-kilometre radius and not a 50-kilometre radius within New South Wales we would have been lower again—we would certainly be much more competitive in the Tweed to attract and retain people.

**Mr ADAM CROUCH:** Ms Kranen, as the Economic Development Officer it is your job to sell the benefits of the Tweed to potential business investors and try to retain existing ones. Given that Queensland payroll tax is 4.57 per cent and that you also have a higher threshold, if you had to choose between the two of them, which would be the one that you would say would have a better opportunity to encourage economic development in the Tweed?

**Mrs KRANEN:** That is a very good question. The Tweed is not home to large business—because of our demographic and our values here we have more small to medium business. So I am thinking that threshold might be the key, but without doing some calculations that is off the top of my head. That is my gut feeling—namely, that lowering the threshold would be helpful.

**Mr ADAM CROUCH:** Could you come back to the Committee with an idea as to how many businesses in the Tweed would currently fall in over the \$750,000 threshold for New South Wales and how an increase in that threshold would benefit those businesses—roughly how many businesses, et cetera?

**Mrs KRANEN:** I will do that.

**Mr ADAM CROUCH:** Mr Green mentioned the deferrals that you have had. How long a period of time are we talking about with those deferrals?

**Mr GREEN:** We put those in place in 2013 and it has been very successful in being able to attract businesses. Also recently a big change that we made was to the way that we levied section 64 water charges. We have provided the option where they do not pay any—and this is the problem with the system of developer contributions per se. Developer contributions sit with the land parcel. Suppose Kym Kranen and I wanted to start some business that value added to something and we were going to rent a premises and we put our DA in and we get approval and we pay our developer contributions. Then we can get in a conundrum where the land owner can say to us, "You need to move out, we are moving in there ourselves." And if I just go next door I have got to pay those developer contributions all over again. Or if we expand and we grow and we have to relocate somewhere else I have got to pay those developer contributions all over again.

When a company brought that to my attention that it is paying \$3 million in developer contributions, I said to the boys, "That's a lot of money to pump into a property when you've got no security of tenure", particularly for water. What we did is we introduced a higher use water consumption charge. Instead of charging \$2.80 a kilolitre of water we put the charge up to \$5 and we put \$2.80 towards the usage and the remainder money we put towards providing the infrastructure to get them there.

**Mr ADAM CROUCH:** It becomes a user pays system effectively?

**Mr GREEN:** A full on user pays system, which is much better for businesses as they move leases and move around. The developer contribution charges for businesses are certainly the biggest impediment, which is why I think Coolangatta has been more successful in attracting commercial property than the Tweed. If you drive down Coolangatta and Tweed Heads they are two totally different towns. You have got Coolangatta that is modern and new and vibrant and expanding and Tweed looks like it is stuck in the 1970s and 1980s. There is some development happening but I think it is the fact that our road contribution plans are just too high. I have got roadworks that probably have a \$250 million to \$300 million shortfall and we still provide a 40 per cent concession if they are employment-generating lands.

However, it is still too much and it simply comes down to the fact that a small shire with 90,000 people, when you have got a freeway that intersects our town, which it does, having to fund on ramps and other arterial roads just does not work. If you ask me, the single strongest thing that you could do to really promote growth for these border towns like Albury, Queanbeyan and Tweed would be to start to treat us the way you treat Wyong or Gosford or Liverpool or Penrith or any of those towns. The community of Penrith are not having to fund an on ramp onto the M4 or major arterial roads like the Northern Road. They are picked up by the State government.

**Mr ADAM CROUCH:** From your experience, are you finding that the stamp duty arrangements in Queensland are more attractive for businesses than they are in New South Wales and is this reflected by businesses in the Tweed looking to go to Queensland?

**Mr GREEN:** No, I do not think the stamp duty is a major driver in all honesty. I think the payroll tax is a bigger driver. Land tax is probably a bigger issue than stamp duty because the land tax also feeds into the cost that they pay for rent. But it is a bit of a balance, because the land is cheaper in the Tweed.

**Mr ADAM CROUCH:** It offsets itself.

**Mr GREEN:** It offsets itself. I raise it as a point for you to consider because I do not know whether it is the same in Albury and Queanbeyan. I have tried to look at it holistically, but from a Tweed perspective I point to the payroll tax and the threshold. If you look at the threshold of \$750,000, if the average wage is \$75,000, probably the majority of businesses would have less than 10 employees. So we have got a lot that have less than 10 and then we have got a hell of a lot that have 70. For those guys that have 70 that can grow and become bigger, that is when they start having capital behind them and they can look across to Ashford, for example. Industrial land at Ashford is still reasonably competitive. They are the ones that I think we need to target because they are the ones who are really contributing to the New South Wales broader economy in a big way. They are the ones often that have to pay the large developer contributions as well. I really think, for me, if there is a way that we can really look at that RMS formula and the payroll tax, that is probably the way to go.

**The CHAIR:** Have you guys put any thought into what an appropriate payroll tax threshold might be from your perspective?

**Mr GREEN:** It depends. I guess I have tried to think about it from a State perspective. I still think the majority of our small businesses would have less than 10. I do not know whether that means they do not want to go bigger because they do not want to be caught up in the payroll tax, or whether it is just the nature of the beast here that we have got a lot of smaller businesses. I am probably at the other end where I think it is probably more the rate that is probably more important than the threshold. As I said, you start to pay some big payroll tax. At 5.45 per cent it can be a payroll tax bill of \$272,500. That is potentially another four employees that they are not able to put on. You are starting to talk big money. I think because of our vicinity to south-east Queensland, it is not very attractive to try to get those bigger businesses that will employ larger numbers over the border because on a \$5 million wage bill it is going to cost you \$35,500 more every year in payroll tax.

**The CHAIR:** I suppose if Kym Kranen is able to get those answers on the other question that Mr Crouch had about the number of businesses and perhaps those on the threshold, if you like, that may actually indicate something.

**Mrs KRANEN:** I am going to do some surveying as well. I am in close contact with quite a few of those larger businesses at the moment because of land swaps that we are in the middle of. I am actually going to do a bit of a survey and ask them the question of what would be more beneficial, a lower tax rate or a higher threshold.

**Mr GREEN:** Can I throw another idea to the Committee? One of the things that we face in the Tweed is an ageing workforce. I do not know whether the Committee would have an appetite to have a look at concessions if you had youth or trainees or disabled workers or Indigenous workers and whether they would be exempt. It might be a way to try to encourage businesses to invest in our youth. Our youth unemployment is higher here than our general unemployment, so we tend to lose our youth to the cities. You might want to cap it. You might have to say that you can only have a maximum number of these youth, disabled or Indigenous employees, you can have no more than 20 per cent and then the concession does not kick in. But it certainly would be a way for businesses to have a look at targeting areas where the State Government is trying to get businesses to invest and employ people from those particular minority groups or target groups.

**Mr GREG APLIN:** You referred in your opening statement to a zonal tax approach to fuel costs. From memory it was the late 1980s and 1990s. Can you expand upon what effect that had on businesses? The answer will lead to another question.

**Mrs KRANEN:** I was working for a company that sold fuel at that time. I saw a great many people instead of driving to Tweed Heads or across the border, they would buy fuel in town. We certainly had quite a lot of service stations open and doing well. I look around now and we do not have so many and we do see people that will go up once a week, do their shopping, get their fuel from over the border because it is cheaper. It definitely has an effect on the economy of a small town that is close to the border, like Murwillumbah for example. The phasing out of that, obviously if you were going to travel south you would make sure that you got your fuel in town before you made your journey. It kept money in town, in Murwillumbah. It did have quite an

effect on our economy. Now I am seeing service stations close down fairly regularly. We saw one recently and another one is teetering as well.

**Mr GREEN:** I think the closure now is more Woolworths and Coles dominating the market. Queensland no longer gives the 10 per cent rebate. The reality was when Queensland was providing 10¢ a litre cheaper subsidy there would not have been a service station in Tweed if there was not that zonal taxation; everyone would have driven across the border to get it 10¢ a litre cheaper. I do not think anyone would have jumped in the car from Ballina and driven to Coolangatta to fill up, but it was certainly an issue right on the border area. I do not know how far south you need to go. I personally think Grafton was way too far, 2½ hours away. It is like saying some one is going to jump in the car at Penrith and drive to Orange to fill up. It is not going to happen. Would someone jump in a car at Penrith and go to Emu Plains, absolutely, if it was 10¢ a litre cheaper.

**Mr GREG APLIN:** Would a regional payroll tax approach in New South Wales add further administrative burdens to New South Wales businesses, particularly if they operated in Queensland metropolitan and regional New South Wales?

**Mrs KRANEN:** I have to tell you that that is one thing that small businesses do complain of, it is the paperwork. I know the New South Wales Government is doing a lot of work to phase out that paperwork, which I congratulate you on, it is fantastic. That is a great question because some of these businesses probably would not stand for more paperwork. Red tape is really choking them. Whereas some would; I do not know. I am unsure about that. The larger companies that are in several different locations, they have admin. staff who could cope with the extra. The small mum and dad businesses, I am unsure.

**Mr GREEN:** If you had a regional taxation rate where it was 5.45 per cent in Sydney and then outside of Sydney it was 4.2 per cent, I think you would find that it would have an effect of growing some of the larger regional centres because you have more and more people with big businesses in the city have a look to say, well, it is actually cheaper for us now to manufacture in Newcastle or Bathurst or Muswellbrook or somewhere rather than to keep the manufacturing in Sydney. Whether that is what you want or not, I do not know. The fact of the matter is most jobs are in Sydney and most people leave regional areas to seek employment. It would be a way to decentralise by not using a government lever, in other words, not relocating the Office of Local Government to Nowra. This would be a huge financial incentive for some businesses to seriously look at regional areas to have a look at part of their major operations and with that would come jobs, growth and prosperity. Personally, I think it would be a great idea.

**Mr GREG APLIN:** Any view on special economic zones and the benefits that might bring across a broader region?

**Mr GREEN:** If there was a special economic zone on the border it would benefit the Northern Rivers. We know there are people in Ballina who commute to Tweed for work. It is an easy commute with the freeway from Ballina-Byron to get to the Tweed. So more jobs in the Tweed would create more jobs for the region and the businesses that support jobs in the Tweed. There is a lot of strength and merit to that. Realistically, from a whole of New South Wales perspective, your growth pressures are in Sydney. You are bursting at the seams, your housing affordability is out of control and your commute times are crazy. If you are lucky enough to score a job in a regional area you get out of there. That is what I did. I was lucky enough to score a job here. I got out of there. I could not handle it any more.

The reality is that unless there is the jobs to go to you get stuck in the rat race. I look at it more as a holistic regional approach like you have suggested. Basically, draw a little ring fence around the big population of Sydney and try to get a regional rate outside of that. Unless you have areas in population decline, like Cowra and Moree, you might want to have a regional taxation zone, but certainly Tweed is not a population in decline. The risk to the State Government for Tweed is that it will be a dormitory residential suburb of south-east Queensland and the taxation revenues that we would otherwise get will be going to Queensland because all we are is a housing estate, The Tweed, and all the jobs are over the border. It is about keeping the jobs in New South Wales as well.

**The CHAIR:** Thank you for appearing before the Committee today via teleconference. The Committee may wish to send you additional questions in writing, the replies of which will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions that the Committee may have?

**Mr GREEN:** Yes, we would.

(The witnesses withdrew)

**DIANNE EVERSON**, Co-owner and Finance Manager, The Everson's Group, affirmed and examined

**KERRI RIDDINGTON**, Human Resources Manager, The Everson's Group, affirmed and examined

**The CHAIR:** I welcome Dianne Everson and Kerri Riddington from The Everson's Group. Thank you for appearing before the Committee today. Before we proceed, do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mrs EVERSON:** No.

**Ms RIDDINGTON:** No.

**The CHAIR:** Before we commence with questions, would either or both of you like to make a brief statement?

**Ms RIDDINGTON:** Yes, I think we should, Mrs Everson, don't you?

**Mrs EVERSON:** Yes. Ms Riddington is the spokesperson.

**The CHAIR:** I will leave it up to you.

**Ms RIDDINGTON:** First up, we would really like to thank you very much for your kind invitation to attend today. You probably read my submission that I wrote to the Committee. We have come a long way today. We take it very seriously. We have committed assets like Mrs Everson's and my time today to come down and fly here and stay overnight, so it is not something that we take lightly. We take payroll tax as a very important issue to our company. We have a lot of competitors in other States. We would really appreciate the Committee's thoughtfulness in trying to get at least parity or better with our competitors in other States. I know it is difficult because a lot of revenue in New South Wales comes out of payroll tax and other taxation, but I appreciate—and the company appreciates—the inquiry. We really hope that we can do something in the near future because I think this has been going on for quite some time. We would really appreciate your efforts on this and for your constituents. Thank you.

**The CHAIR:** I may have missed it, but I see you employ around 200 people.

**Ms RIDDINGTON:** That is right.

**The CHAIR:** Clearly payroll tax is an issue for you. How long has the business been going?

**Mrs EVERSON:** My husband and I actually bought it 30 years ago this month—bought it for the debt at the bank.

**The CHAIR:** Okay. What keeps you there? What keeps you in New South Wales and where you are?

**Ms RIDDINGTON:** Mrs Everson might like to have a bit to say about this as well. The Everson family and the Hudson family—Mrs Everson is a Hudson—have been in the Macleay Valley for five generations. They started their business from scratch. It was a tiny little abattoir. They have grown that business substantially over the last 30-plus years. Their family is there, their friends are there, our colleagues are there, our co-workers are there. Under very difficult circumstances it has kept us in New South Wales. We are very loyal to New South Wales. We are very loyal to our region. If you know the Macleay Valley, Kempsey, Frederickton and the surrounding regions like the Rocks—I come from South West Rocks—you would appreciate the loyalty and the family that come from our region. We are committed.

One good thing is that we are in between Sydney and Brisbane. That is a really good location for us for our distribution network for our products. We are very grateful to the highway deviation because that makes us more flood proof than we were before. We still have a lot of our employees coming from other regions like, for example, if I am coming in from Arakoon and I am floodbound, I cannot get to work. And we have a lot of other people in our area who cannot come to work. The Everson family have put their heart and soul into their business. They have invested heavily in a water treatment plant, a rendering plant—huge capital investment for our region. We are the largest private employer, so if we went that would be catastrophic for our region, and the Everson family would not let that happen. Mrs Everson, would you like to say something?

**Mrs EVERSON:** I am a bit emotional. My husband and I, as I said before, [REDACTED] so at the end of the day I had five children and \$23. And we just decided that we had to keep it going. I went to the dole office and they offered me a box of tissues. I said, "I want \$100 a week for 10 weeks until we see if we get this place operational." But we were given no help. I had no overdraft, no anything. Anyway, we just kept at it, didn't we?

**Ms RIDDINGTON:** Kept going.

**Mrs EVERSON:** Ms Riddington did not know us then, but it has been a long haul. The other thing about why we have stayed there is because we all believe we live in paradise, don't we?

**Ms RIDDINGTON:** Yes.

**Mrs EVERSON:** God's country up there. Financially we would not be able to move to another State.

**Ms RIDDINGTON:** You could not uproot it.

**Mrs EVERSON:** You could not uproot it.

**Ms RIDDINGTON:** You would have to shut it.

**Mrs EVERSON:** And we have a lot of people who have worked with us—left school today, come to us tomorrow and they have been there for 30 years. Families and—

**The CHAIR:** You just said you would not be able to shift the business anywhere, you would have to close it. Given that we are talking about zonal taxation, payroll tax, stamp duty and things like that, do you find that that is a handbrake on your capacity to grow? Would you grow? Do you have the capacity to grow, that is, is there a greater market share that you could have or new markets?

**Mrs EVERSON:** The handbrake that we have on us is that we are on 30 acres and there are a number of acres next to us on both sides. We need to be able to buy one of those properties, but they do not want to sell. You cannot make them sell. We had a beef floor where we processed beef, sheep, pigs, goats, buffalo and whatever, and the only way we could increase the capacity was to build on top of that and make it two storeys, because we have no more room. We do not even really have enough car park, do we?

**Ms RIDDINGTON:** No. Can you ask that question again, please?

**The CHAIR:** Understanding the geographic constraints that you just spoke about—

**Ms RIDDINGTON:** I will talk about the money side of that.

**The CHAIR:** —is there the capacity for your business to grow? Are there, for example, payroll tax implications? Is there a threshold for you that makes it worth jumping to the next step or deciding not to do it because it is just not economically viable for you?

**Ms RIDDINGTON:** I know in my submission I said that it was a handbrake. It is a handbrake on business. I do believe that it is a tax on jobs. If we want to incentivise employers—especially in regional New South Wales—we really have to look at taxation. That is why I am glad you are doing it. For example, if I could get rid of a third of the payroll tax we could employ another five to eight people.

**The CHAIR:** Would you?

**Mrs EVERSON:** Yes.

**Ms RIDDINGTON:** Yes; we would. We have come through the worst three or four years that the cattle industry has ever seen. We have managed to keep our heads above water, but we still have to pay our taxes. They are a fixed cost. I will give you a little bit of an example. Every year our payroll tax is \$500,000. Our workers compensation is \$500,000. That is just that. Then we have GST, PAYG and everything.

**Mrs EVERSON:** And superannuation.

**Ms RIDDINGTON:** We have fixed costs that we cannot avoid. However, even if we went to parity with the Victorian system, at 3.65 per cent for regional areas, with a threshold of 650 on, I think, 1 July this year, that would save us 30 per cent on our payroll tax. Therefore we could employ another five to eight people. We have just heavily invested—is it \$1.8 million or \$2 million?—in the rendering plant.

**Mrs EVERSON:** It is \$1.8 million.

**Ms RIDDINGTON:** That is The Everson's Group money—no grants, no nothing. From our point of view, if the Government could just give us a little bit of leeway, for parity, that would be great. My answer to you is, yes, we would employ more people, we would be able to invest more, and we would be able to build our business. I can give you another example. Please tell me if I am going on too long.

**The CHAIR:** No. You have until about 2.45 p.m.

**Ms RIDDINGTON:** There is another example I would like to give you. There are a lot of abattoirs in Victoria and southern Queensland. The abattoirs in Victoria have the breaks because they are in regional areas,

so they get the 3.65 per cent. I know this is not a relevant thing for the Committee, but it may provide you some background information. We have a lot of lamb or ovine species that are shipped into Victoria from New South Wales. They are processed in Victoria. They pay the 3.65 per cent, get the tax break, and then ship them past us up to Queensland. So the competition is getting a huge tax break in Victoria. They are buying ovine species. It could be hogget branded as lamb; under the Victorian legislation it is perfectly legal. We have different legislation in New South Wales; we cannot do that. So that is a handbrake. They get the good side of the 3.65 per cent, and we get the 5.45 per cent and we are still having to pay. We cannot compete.

**The CHAIR:** Something has been brought to my attention; it was probably worthwhile that it was. I just want to check that you are happy that the evidence that you have just given will be made public, given that there was potentially commercial-in-confidence information there.

**Ms RIDDINGTON:** I do not think that I have said anything commercial-in-confidence.

**The CHAIR:** I was just checking for your purpose that you were comfortable giving numbers out.

**Mr CLAYTON BARR:** What are the options, Chair? Could the ladies say that they do not want the information disclosed when the *Hansard* comes out?

**The CHAIR:** They could do that, or we could redact any other financial information.

**Ms RIDDINGTON:** Let's redact the financial information. You can't?

**The CHAIR:** We have broadcast what we have said up until now, but—

**Ms RIDDINGTON:** That is all right. I do not think that there is anything that I would be bothered about in what I have just said.

**Mr CLAYTON BARR:** The chances of anybody actually watching the broadcast—

**Ms RIDDINGTON:** That is a really good point.

**Mrs EVERSON:** Somebody asked me if this was going to be televised.

**The CHAIR:** Have confidence, Clayton.

**Ms RIDDINGTON:** I am sure we would not come in front of the cricket.

**The CHAIR:** We are looking to do the right thing.

**Ms RIDDINGTON:** Thank you for that.

**Mr ADAM CROUCH:** Ladies, thank you so much for making the trip today. It is so obvious how passionate you are about your industry and your business. You should be commended for that. The fact that you have travelled down here to make your submissions face to face is a real credit to you. We have discussed the handbrake that Victoria gets with its reduced tax.

**Ms RIDDINGTON:** No, the incentive.

**Mr ADAM CROUCH:** The incentive, I should have said, is a handbrake on your doing business. If you had an option of either raising the threshold or lowering the tax rate—or you had to choose between the two of them—as a business of 200-plus employees, which would be more beneficial for you?

**Ms RIDDINGTON:** Why is there a choice between the two?

**Mrs EVERSON:** We would take both.

**Mr ADAM CROUCH:** That would happen in a perfect world, but if you had to, which would be the bigger asset to your business?

**Ms RIDDINGTON:** We talked about this on the plane, coming down. You would know that South Australia has a \$1.5 million threshold and a kind of parity with New South Wales on the tax. I do not know about Ms Everson, but I would like to see the tax rate lowered, and I would like to see the difference between regional and metropolitan areas clearly delineated. The Victorian model is there. I know it is politically different; it is a Labor government. However, I think it is very good. At least it gives me a good argument. That is what I would prefer, but if it came down to it and you significantly increased the threshold, then we would not mind that much either.

**Mr ADAM CROUCH:** Up on the mid North Coast, where you are, does the local government offer you any incentives? You mentioned the two blocks of land next to you, which are privately owned I suspect. Is

local government able to assist you with any economic assistance? Being the biggest employer in that region, are they working productively with you in any way at all?

**Ms RIDDINGTON:** We have a very good relationship with the mayor, and a very good relationship with our local member, Melinda Pavey. I did a big submission to the council a few years ago in order to reduce their volume of water. They did reduce it, but it is still significantly high. We do not get any kind of financial assistance from anybody. I am very grateful that we get the apprentices and the trainees. We put 200-odd trainees and, I think, 10 apprentices through over the last six years, but we really do not get any assistance.

I am very grateful, too, to the Small Business Commissioner. We had a great meeting with Kylie Bryden Smith. The mayor of Kempsey, Liz Campbell, organised it. That was great. She has really helped us form some linkages with some government departments but it was really only to get our own money back. It was not really anyone offering us assistance. I think it is the largest employer in our region by a long way—bigger than Nestlé or Akubra, the national brand. We would like some assistance but in a lot of cases we do not really know where to go. We have come up against brick walls. That is why we are here today: to make it very clear that we would like to have this payroll tax thing rectified.

**Mr ADAM CROUCH:** I gather from what you were saying earlier that most of those apprentices who come through your organisation are probably still there working full-time permanently. That is a real credit to you. We had submissions earlier about putting multiple tiers into the payroll tax system: having a non-regional or metropolitan one, a regional one and then going even further and having a remote area tier. Being The Everson's Group human resource manager and, I suspect, the person responsible for organising the payroll tax, do you see that that could create an additional burden on your business if we had multiple levels of payroll tax? So rather than having two systems we would potentially have four, and it would depend on how far away you were from the Sydney metropolitan area.

**Ms RIDDINGTON:** I always think the simpler the better. If I was to do it, I would do metropolitan, regional. I know you are going to have problems because I have read the other research you guys have done. You are going to have problems on your borders, so that is quite an interesting curly Q. My view would be if you made the delineation between metropolitan—Newcastle, Sydney, Wollongong, and whichever ones you choose per population—and the rest is regional, why would you want to have a third level?

**Mr ADAM CROUCH:** Or even a fourth?

**Ms RIDDINGTON:** Or even a fourth. What is the rationale behind that?

**Mr ADAM CROUCH:** That is some of the evidence we have received today.

**Ms RIDDINGTON:** Have you?

**Mr ADAM CROUCH:** There are various ideas about the tax system. Some areas are even more remote and the question is whether they get a greater tax break because of their physical distance from Sydney metro.

**Ms RIDDINGTON:** You are talking, like, Broken Hill?

**Mr ADAM CROUCH:** Yes.

**Ms RIDDINGTON:** Okay. Yes, I can see that. I can also see excises on diesel. There is a whole range of stuff that hits rural and regional. My preferred view—what do you think? My preferred view is two things.

**Mrs EVERSON:** Yes, both.

**Mr ADAM CROUCH:** Metro and regional?

**Ms RIDDINGTON:** Yes.

**Mr CLAYTON BARR:** Ladies, I thank you for making the effort to come here. I congratulate you on all your trainees and apprentices.

**Ms RIDDINGTON:** Thank you.

**Mr CLAYTON BARR:** And I congratulate you on the awards you have received for being an employer, particularly with regard to Indigenous employment.

**Ms RIDDINGTON:** Thank you.

**Mr CLAYTON BARR:** I want to take you back to the story you told us about cattle being shipped south over the border.

**Ms RIDDINGTON:** No, ovine.

**Mr CLAYTON BARR:** Sorry, sheep. Are you aware of whether that business relocated over the border because of the tax?

**Ms RIDDINGTON:** No.

**Mrs EVERSON:** No.

**Ms RIDDINGTON:** They were always there.

**Mrs EVERSON:** What happens is the Victorians come into New South Wales—

**Ms RIDDINGTON:** To the sales.

**Mrs EVERSON:** —to the sales. They buy hogget at the sales, take them back over the border and roll them as lamb.

**Ms RIDDINGTON:** Because they can under their legislation.

**Mrs EVERSON:** Their legislation allows them to do that. We are not allowed to do that. They are paying a cheap price for hogget and then turning it into lamb, and they can sell the lamb a lot cheaper than had they bought lamb at the correct price.

**Mr CLAYTON BARR:** That was more a story about other regulations as opposed to the payroll tax issue?

**Ms RIDDINGTON:** Absolutely. That is why I said it—

**Mr CLAYTON BARR:** I am sorry; my error.

**Ms RIDDINGTON:** —but by way of background about level playing fields. It is a very difficult thing to understand and we have fought this issue for a long time. I wanted to say that our competition in Victoria get a lot of breaks that we do not get, and they still drive their product up the highway past us into Queensland, into Sydney, or wherever. What I am trying to do—I do not know how you guys go with harmonisation. Have you got entrée into the Commonwealth? What can you influence to have harmonisation? Would that be an issue in Australia if we were on an even playing field?

**The CHAIR:** We have the Council of Australian Governments [COAG].

**Ms RIDDINGTON:** I know that.

**The CHAIR:** COAG covers all portfolios.

**Ms RIDDINGTON:** Does it? Everything?

**The CHAIR:** Yes. All you see is the Prime Minister and the Premiers, but there is a range of them at ministerial levels.

**Mr CLAYTON BARR:** I suspect even if you reached harmonisation, if everyone agreed on a figure, at some stage down the track one of the States would want a competitive edge, so the figure is reduced again.

**Ms RIDDINGTON:** I am not saying we should do away with competition; it just would make more sense because at the moment it seems pretty chaotic.

**Mr CLAYTON BARR:** On many fronts. I want to ask you about land tax. I am a little bit confused about some of the evidence we have been given. My understanding is that you would not pay land tax on the land that you are using for primary production purposes?

**Ms RIDDINGTON:** I do not think we pay land tax.

**Mrs EVERSON:** No.

**Mr CLAYTON BARR:** You have the abattoir on site.

**Ms RIDDINGTON:** Yes, they live on site.

**Mrs EVERSON:** We live on site.

**Mr CLAYTON BARR:** You also have acres and acres of grasslands where you have animals running around?

**Ms RIDDINGTON:** No.

**Mrs EVERSON:** No. We have 30 acres where the abattoir is and where our house is. We live at the back of it, and we have 70 acres over on the other side of the road.

**Ms RIDDINGTON:** Yes, over the road.

**Mrs EVERSON:** We do not rear our own livestock; we buy it.

**Ms RIDDINGTON:** It is not like a feedlot.

**Mrs EVERSON:** If we buy a B-double of cattle from Dubbo and bring them home, we put the cattle out there so they can have a rest for a few days and then we bring them across and they meet their maker.

**Mr CLAYTON BARR:** That is a nice way to put it.

**Mrs EVERSON:** They are processed.

**Ms RIDDINGTON:** Do you like a good steak?

**Mr CLAYTON BARR:** I certainly enjoy a good steak.

**Ms RIDDINGTON:** That is good.

**The CHAIR:** We are all regional members; we are pretty safe.

**Mr ADAM CROUCH:** We are all regional members and I suspect many of us are consumers of your product.

**Ms RIDDINGTON:** Are you?

**Mrs EVERSON:** If you want to have any of our lamb, go to Neil Perry's Rockpool. He will only use our lamb.

**Mr ADAM CROUCH:** That is a plug for Neil Perry's Rockpool.

**Mr CLAYTON BARR:** I wanted to clarify the land tax.

**Ms RIDDINGTON:** That is all right. It is not a problem.

**Mr GREG APLIN:** I reiterate the comments and thank you for coming; we really appreciate it. We have heard from other witnesses both today and through their submissions that they believe that some employers use contractors to avoid payroll tax. Are most of your employees local residents? Do you use contractors?

**Ms RIDDINGTON:** The only contractors we use are on a 417 visa. At the moment I have eight in our boning room. Skilled labour is very, very scarce in the meat industry so I have eight in our boning room. We employ 200 people plus eight contractors.

**Mrs EVERSON:** Plus Jack, the meat inspector.

**Ms RIDDINGTON:** Yes, plus a meat inspector, so nine.

**Mr GREG APLIN:** More generally, are you aware of businesses using contractors to reduce their payroll tax liability?

**Mrs EVERSON:** No. I do not know a lot of people who pay payroll tax. Where we are, I doubt there would be anyone else who pays payroll tax.

**Ms RIDDINGTON:** But we have a lot of turnover—if I mention it, can I have it redacted, please—  
[REDACTED] That is us not knowing too many people who pay payroll tax.

**Mr GREG APLIN:** You are one of the larger operators.

**Mrs EVERSON:** I do not think—

**Ms RIDDINGTON:** I reckon Nestlé would.

**Mrs EVERSON:** Yes, they may do because they have reduced their staff too.

**Mr GREG APLIN:** I want to go to your submission. Number 5 of your suggestions states:

The NSW Government could develop and implement a Program to support limited or periodic taxation relief for Regional Business to expand and increase capital expenditure ...

Can you expand on that and how such a program could be structured for regional businesses?

**Ms RIDDINGTON:** There is precedence for this in my research and I quoted it—BlueScope Steel. I can understand that might have been more of an industrial issue, I do not know, or they restructured a business so they could do something else. I have no clue. From our point of view, if we had relief from payroll tax for a year, that would free us up to make an equal investment and employ more people. So if there was a deal—I do not know if "deal" is the right word. If there was an arrangement we could make for a reduced payroll tax for two to three years and come up with a plan to justify our expenditure, that would go a long way to helping us in our capital expenditure.

**Mr ADAM CROUCH:** Effectively a contract with the Government to say, "If you give us this exemption for three years, we will invest X amount into the business to grow employment opportunities or grow the business"?

**Ms RIDDINGTON:** Correct.

**Mr GREG APLIN:** I wanted to tease that out to develop some idea of the scale. We are talking geography on one side and duration. I would suggest that one year might be too—

**Ms RIDDINGTON:** Insignificant. I know, that is why I went to three. I was going to say five.

**Mr GREG APLIN:** We are interested in exploring those options. If you have any more ideas, please let us know.

**Ms RIDDINGTON:** Okay.

**Mr DAVID HARRIS:** I understand that if you were coming to New South Wales you could get payroll tax relief for up to five years, I think, in lieu of capital expenditure.

**Ms RIDDINGTON:** Yes, like an incentive.

**Mr DAVID HARRIS:** Yes, but that does not exist for existing businesses. We have heard about a lack of support for existing businesses to expand versus trying to attract new businesses.

**Ms RIDDINGTON:** That is my issue.

**Mr DAVID HARRIS:** My other question was about contractors.

**Ms RIDDINGTON:** Did that answer your contracting thingo?

**Mr DAVID HARRIS:** Do you employ all your own electricians, et cetera?

**Ms RIDDINGTON:** No, we just have people that we know from the area.

**Mrs EVERSON:** We do not have a full-time job for an electrician, but when we need one then we get—

**Ms RIDDINGTON:** But we have our own diesel mechanic. We have had diesel mechanic apprentices.

**Mrs EVERSON:** We have our own boilermakers, fitters, turners—

**Ms RIDDINGTON:** Boiler attendants—they are all ours.

**Mrs EVERSON:** From the outside we get in the air conditioning fellow for refrigeration and air conditioning and Dave, the electrician. They each have their own businesses.

**Ms RIDDINGTON:** There is not enough work for them on site—

**Mrs EVERSON:** —to be there full-time, and if we need to do weekend work or there is a breakdown in the night, they come in, which we have not done for a long time.

**The CHAIR:** Would you like to add anything?

**Ms RIDDINGTON:** No, I would just like to thank you for giving us a good hearing. You all have nice, friendly faces and I would like to see you around the traps up in our area. We thank you for your time and we really look forward to something positive coming out of this and not another talkfest.

**The CHAIR:** So do we, funnily enough.

**Ms RIDDINGTON:** I will be keeping an eye on it.

**Mrs EVERSON:** Another thing is that to me payroll tax is an impost, but it is also a fine on business for employing people. The thing that really irks me is that, as Ms Riddington said, the meat industry has gone

through a bad time and a heap of meat places have closed, gone broke, rah, rah, rah. I got to a point where I could not pay my payroll tax on the seventh of the month. I then got a \$7,000 fine.

**Ms RIDDINGTON:** For interest.

**Mrs EVERSON:** I know the law is the law, but I regard payroll tax as illegal and immoral, and then they fine you. But they took it away.

**Ms RIDDINGTON:** They wiped it when they understood what was happening. But it has a major effect on the fixed costs and on your cash flow.

**The CHAIR:** Since you brought it up, what was the time frame? You said you had to pay it on the seventh of the month and then they gave you an arbitrary fine. Was it a week late, two weeks late, one day late?

**Mrs EVERSON:** No, I had to pay it for January on 7 February, but I did not pay it until about—I should have brought it with me—I would say it was on 2 March or something like that.

**Ms RIDDINGTON:** A matter of weeks.

**The CHAIR:** But the fine was quashed anyway.

**Ms RIDDINGTON:** Yes, but you do not need that.

**Mr ADAM CROUCH:** It is the added pressure put on you.

**The CHAIR:** We thank you for appearing before the Committee. The Committee may wish to send you additional questions in writing and the replies to these questions will form part of your evidence and be made public, unless you request otherwise if those answers contain confidential financial information. Would you be happy to provide a written reply to any further questions?

**Ms RIDDINGTON:** Absolutely. We will do anything.

**(The witnesses withdrew)**

**(Short adjournment)**

**PETER NEIL WILSON**, Treasurer and Chairman, Business Economics and Trade Committee, NSW Farmers Association, sworn and examined

**KATHERINE RANKIN**, Policy Director, Rural Affairs, Business Economics and Trade, NSW Farmers Association, sworn and examined

**The CHAIR:** Before the Committee proceeds, do you have any questions concerning the procedural information that was sent to you in relation to witnesses and the hearing process?

**Mr WILSON:** No.

**Ms RANKIN:** No.

**The CHAIR:** Would either or both of you like to make a brief statement?

**Mr WILSON:** I will commence and Ms Rankin will also make a statement. I am a wool, sheep meat, beef and grain producer from Trangie on the central Western Plains, north-west of Dubbo, New South Wales. I thank the Committee for providing the Association with an opportunity to address its members. As a member organisation, the Association represents close to 8,000 farmers across New South Wales and across all commodity types. Agriculture contributes more than \$15 billion annually to the New South Wales economy. Agricultural enterprises support rural and regional economies and feed and clothe millions in Australia and throughout the world. On the back of growth in the sector over recent years, the NSW Farmers Association believes the aspiration of being Australia's next \$100 billion industry by 2030 is achievable.

However, in a cost-sensitive, global marketplace, where there is a fine balance between cost and quality, it will be increasingly important that the hidden costs of business, including taxation, do not negatively impact on the growth in market share of both raw commodities and processed food and fibre offerings. To ensure that the New South Wales agricultural sector continues to grow, technology, innovation and higher intensity farming will need to be factored into business planning. This innovation will require, amongst other things, access to affordable and reliable utilities and telecommunications. Our members do not seek subsidies or handouts. What they seek is an equitable and balanced application of taxes, duties and other regulatory costs to ensure that they can continue to sustainably produce the high-quality commodities that the local and global marketplace demands and at an affordable cost so that Australian producers continue to be competitive.

Our policy director, with responsibility for economics, business and trade, Kathy Rankin, will briefly outline matters related to stamp duty and payroll tax. Before that, I would like to briefly speak about the impact of utility costs on farmers in New South Wales, particularly electricity costs, as they affect the dairy, poultry and egg farmers in particular and farmers who rely on irrigation. For them, energy costs are the top two or three of their input costs. The increasing price of electricity is seriously impacting on operations at present. For example, one dairy farmer in western New South Wales recently negotiated a commercial contract for electricity that she had locked in three years ago. Her costs went up from just under \$50,000 per annum, which was three years ago, to just over \$90,000 per annum now. That is the difference between the cost of putting on one extra employee.

Today a typical dairy farmer pays \$50,000 to \$60,000 for electricity and many irrigators will pay over \$100,000. These are significant costs for these businesses and a significant disincentive for them to perhaps put on those extra employees or otherwise spend money elsewhere in the business in regional Australia. In the future the regulator has stated that it will transition the system to a cost-reflective pricing model, removing cross-subsidies from the market. This may mean that the price of electricity could at least double for some farmers at the end of their lines. This is a great concern to our members, and to ensure affordable and reliable electricity in regional areas we need to look at all parts of the electricity system, retailers, infrastructure owners and the electricity generators. We need a regional electricity policy framework that drives sufficient demand management and improved engagement by government in advancing farm-scale renewable energy innovations.

**Ms RANKIN:** The NSW Farmers Association thanks the Committee for the opportunity to meet with it. The Association supports fairness, efficiency and simplicity of the overall tax system, with consistent and manageable settings. The importance of agriculture to the New South Wales economy cannot be understated, as Peter has alluded to. The NSW Farmers Association encourages reform of government revenue that underpins economic sustainability, encourages a vibrant, rural economy and enables a productive and efficient agricultural sector. It is critical that those living in rural areas are not disadvantaged by the introduction of new taxes or winding back of rebates designed to compensate them for lower levels of access to government services or infrastructure due to distance or thin markets. The NSW Farmers Association also recognises that there are highly variable returns and services that farmers face as a result of factors beyond their control.

With the above in mind, the NSW Farmers Association strongly advocates for the removal of payroll tax for agribusinesses in regional New South Wales, abolishing stamp duty for all non-residential property conveyances in accordance with the 1999 intergovernmental agreement and retaining current land tax exemptions for primary production businesses. The association fully supports retention of the fuel tax credit scheme and continued vigilance to ensure that telecommunications is fully accessible and that the provision is able to meet the current and projected demand that will be required by farming innovation.

**Mr CLAYTON BARR:** I refer you to the first dot point on page four of your submission concerning exemptions or concessions in relation to payroll tax. The third paragraph begins:

Further, payroll tax is calculated monthly and, if you start ... employing in NSW within a financial year ...

I am from Cessnock where we have the Hunter Valley wine industry and seasonal workers. My understanding from reading that paragraph is that the decision about whether or not one pays payroll tax is made on a monthly basis. During a season when you had your seasonal workers on hand, your payroll would be much bigger and you would suddenly be liable to pay payroll tax, is that correct?

**Mr WILSON:** That is our understanding.

**Mr CLAYTON BARR:** Then you go into the following months when your fruit has all been picked and all your seasonal workers move on and you drop back out of the payroll tax scheme?

**Ms RANKIN:** The liability there, because of the size of the payroll for that one or two months, goes down. For each month there is an administrative requirement to record the number of employees and their wages. Then if the total wage bill reaches the threshold, which I think is still \$750,000, there is a requirement to make provision for that. The issue for our horticultural members is that they have a very high and intense picking season. They might increase their numbers 300-fold depending on the size of the farm. Therefore if they are engaging them directly they will have a significant administrative burden for that very short period of time that may be between one month and three months.

When it comes down to managing that at the end of the financial year and seeing where that balances in terms of their total payroll liability over the 12 months that is something that adds to the additional burdens. One of the things since we wrote this submission is that we know that there are increasing labour hire engagement strategies, particularly for seasonal workers. The thing that concerns us is that while we know there is an administrative burden, which really cannot be quantified apart from on a one-on-one basis, the labour hire companies may push that additional burden on to the farmers in terms of a higher charge-out rate, which means that the cost of the produce going to market is potentially higher, which means that it then has to look at how it is competitive in both a domestic and a global market. In this instance we see farmers as being cost-takers rather than being able to benefit from this seasonal worker activity.

**Mr CLAYTON BARR:** At the start Mr Wilson said that NSW Farmers represents 8,000 farmers. How many farmers would not be members of, and not be represented by, NSW Farmers? Do you have any idea what that number would be?

**Mr WILSON:** It depends on how you define "other farmers". We would say we have about 90 per cent of the full-scale producers, but, according to the Australian Bureau of Statistics [ABS], there could be as many as 30,000 actual people who claim to be farmers. How big those farms are is a moot point.

**Mr CLAYTON BARR:** But the ABS would tell us that there are 30,000 people in New South Wales, or 30,000 businesses in New South Wales, that claim to produce a food or animal product?

**Mr WILSON:** Yes.

**Mr CLAYTON BARR:** Because this is about zonal taxation and definitions of regional versus metro, most of the time the current definition of metro is Newcastle Local Government Area [LGA], Wollongong LGA and the broader Sydney metropolitan area. Would you have any farmers inside those metro areas of Newcastle, Wollongong and broader Sydney?

**Mr WILSON:** I imagine we would. We have certainly got plenty on the fringe—persimmon growers, horticulturists and that sort of thing—who probably come within the metropolitan region.

**Mr CLAYTON BARR:** I ask the question because if there was any recommendation or decision to apply zonal taxation you would immediately be saying, "Let's define rural versus metro." It strikes me that there is every possibility that at places such as Windsor and Wisemans Ferry there would be farmers who would be caught up inside a Sydney metro definition.

**Mr WILSON:** That is right. As with any taxation measure, the moment you draw a line you have this problem of people falling one side or the other of the line. That is right. That is certainly a difficulty, which is

why on many of these reductions that we say we support on a zonal basis our real policy is we would probably say we would like to see reductions or eliminations across the board.

**Mr CLAYTON BARR:** The challenge for any government regardless of its political stripe is how do you replace that, what do you replace it with and things like that. Would it be fair for me to say that most but not all of your NSW Farmers would be with Essential Energy?

**Mr WILSON:** Origin and Essential, probably.

**Mr CLAYTON BARR:** Has your membership brought to your attention differences in pricing depending on not just the retail provider but also the actual service provider of the poles and wires? You talk about infrastructure costs. Your submission says that typically government-regulated network costs account for 60 per cent of a farmer's electricity bill. Is that different across different providers?

**Mr WILSON:** I am not sure we have had terribly much feedback on that. We just sort of did surveys to get that average.

**Ms RANKIN:** It might be a question we need to take on notice, if that is all right. Rather than individual network providers, it is more just the overall costs that are fairly significant for all farmers who in the main are either high-intensity electricity users or high-intensity water users.

**Mr CLAYTON BARR:** Would it be fair of me to have in my mind the logic that in providing the network the bigger cost per capita is for people who are in regional areas rather than in population-dense areas in the city because you have to run a network? You might have to run it 25 miles out of town to get to a farm, whereas in town you can serve 500 people with 25 miles of wire. In some ways the really heavy burden on network costs is caused by regional populations, which we all represent. Is that fair?

**Mr WILSON:** Obviously, the lower the density serviced by any one line clearly has to have a higher cost.

**Mr CLAYTON BARR:** For us to try to think about tackling network costs, do you have any thoughts or ideas about how you would like to see those costs, fees or charges reallocated or redistributed across the population at large?

**Mr WILSON:** I think first you have got to get to precisely what the differential is. The further out you go you get to the point where you just run one line in a lot of the remoter areas. That is obviously a cheaper type of set-up. To answer your question, I would suspect there would need to be more detail on what that break-up is.

**Mr CLAYTON BARR:** Let us talk about renewables where people could be thinking about going off the grid. I know you have made a submission about the Solar Bonus Scheme and you also mentioned renewables in your opening statement. Do you think farmers in some of those high-intensity energy consumption places need to be on the grid? Is it possible for them to be off the grid, or is that just not possible and it is not going to work?

**Mr WILSON:** I think it is becoming more possible. There are some private solar farms and what have you starting to get off the ground. I know of one up in the northern New South Wales and Queensland border area getting off the ground that is capable of supplying a regional district.

**Mr CLAYTON BARR:** Would I be interpreting your submission correctly to paraphrase and say that NSW Farmers would like to see government subsidies in place to support something like a solar bonus or solar scheme?

**Mr WILSON:** Our overall policy is whatever leads to lower cost—if it is directed in such a way that it gets there. I said that we are not after subsidies but obviously some mechanism that gets to a lower cost would be supported.

**The CHAIR:** What if we built some more coal-fired power stations?

**Mr WILSON:** If it lowers the cost.

**Mr ADAM CROUCH:** You mentioned before that you represent about 8,000 farmers across New South Wales. Given the conversation that we have just had, I suspect that you have been surveying your members about issues such as payroll tax. Of the 8,000 members in your association, are you able to quantify how many of those primary producers would fall in or out of that \$750,000 cap? So how many of the 8,000 would be affected by payroll tax?

**Mr WILSON:** Not directly. There would not be a huge number directly. It is all the businesses, the processors, the abattoirs.

**Mr ADAM CROUCH:** The secondary industries?

**Mr WILSON:** That is right, yes. They would benefit more than our members directly. But obviously, the lower their costs the lower our members' costs. As farmers we pay freight to our destination and we pay for our goods to go out. So we are copping it both ways. Everything that reduces costs in that supply chain is a benefit to us.

**Mr ADAM CROUCH:** As such, the payroll tax does not directly affect most farmers. Would you be comfortable in saying that? Most farmers would not have a turnover in excess of \$750,000 payroll tax.

**Ms RANKIN:** In wages, yes.

**Mr WILSON:** I think a significant majority would be under that. Obviously the bigger ones—the dairies, the poultry farmers and the horticulturalists—some of them will get over that. The sort of operation that I run, even the bigger family farms, because of a lot of their labour is family so they would probably be under it. The larger irrigation ones, they will be there.

**Mr ADAM CROUCH:** The reason I ask that question is that other States effectively have zonal taxation, whereas States such as Victoria and South Australia have a lower payroll tax rate for regional areas.

**Mr WILSON:** Yes.

**Mr ADAM CROUCH:** What we are alluding to is whether there is a benefit to primary producers if we introduced a lower zonal taxation rate if not that many people are affected by the payroll tax in the first place? It could be of greater benefit to the abattoirs, the transport companies and all those secondary industries around primary producers. They may get a greater benefit from a regional payroll tax reduction—more so than primary producers.

**Mr WILSON:** That is right. I would throw in the word "directly". The direct benefit is not as great for our members but the indirect benefit by all those other businesses having a lower cost structure is significant to our members.

**Ms RANKIN:** The farming community sits around local towns, regional cities and other communities. It is those communities that need to be strong and that need to attract people in order to be able to support the farming community to grow and maintain, particularly in regard to new business opportunities. With regard to payroll tax within a town that may not necessarily be an agribusiness focused business, it is still of benefit if it is reduced for the broader community and therefore it is attractive for people to come and work within those regional centres.

**Mr ADAM CROUCH:** Part of my next question was about tax effective agricultural business. Does payroll tax affect agricultural businesses differently to other types of businesses? To some degree you have answered that question. It is more related to regional areas rather than to individuals. Would that be right?

**Ms RANKIN:** I would think so.

**Mr WILSON:** Yes.

**The CHAIR:** I will touch on stamp duty. One of your recommendations is to have stamp duty exemptions on young farmers expanding—an issue brought up by another witness earlier today. What age constitutes a young farmer and where would the Government draw the line on entities that could be a family-based corporation or a corporation that may well be a subsidiary of a large company and/or a multinational, for example? I understand your recommendation but what would it look like? How would we go about this if we were to do this in government?

**Mr WILSON:** To answer your first question, I understand that traditionally it stemmed from Commonwealth Government regional policies. But 35 has been the generally considered definition of "young farmer". Our members are classified as young farmers up to the age of 35. I guess when they passed the policy that we introduced there 35 would be the age that we had in mind. The next question comes back to the old chestnut we talked about a bit earlier: Where do you draw the lines? Obviously with corporate entities or trust structures and so on the Government could make a policy and say, "The young person's interest has to exceed X per cent." It would be a political decision as to how far out you are prepared to extend that benefit—whether you said they had to have more than 25, 30 or 40 per cent interest in the business. I guess you would just have to go with a percentage of some sort.

For example, if you are comparing a partnership that might have a mother and father and two children, there are four in the partnership—25 per cent each. If in that partnership one of them was buying another farm and you brought this exemption in, they would be getting that exemption. There would be a situation where

someone who had 25 per cent of the existing operation is getting the benefit of that concession. If they were in a company and you did it on the basis of that 25 per cent shareholding, for practical purposes you are in the same situation. It would be a call that the Government would have to make if it was introducing such a concession.

**Ms RANKIN:** Could I add to that? One of the reasons that sat behind the introduction of our policy around stamp duty exemption was to attract new members, new people into established farming enterprises. A lot of them are relatively small holdings and they may be people who have not had a farming background and therefore do not have that history but are looking to add their skills base to the local economy. We see it in some ways as similar to the first home buyers' grants in terms of the stamp duty exemption plus the additional financial contribution. We are not necessarily calling for an additional financial contribution but we do believe that in lots of ways the comparative costs that are stopping both new homebuyers in a residential setting is also having an impact on new farm buyers in a rural setting.

Therefore, they may be living on that property as well as farming it but they do not have any benefit or any access to that first homebuyers' concession. We see two things happening: First, we are looking to introduce more people into the farming and rural community—the productive part of agriculture—and, secondly, we are looking to create a more equitable balance around first homebuyers in a metropolitan setting or a residential setting, as well as first homebuyers in a rural setting, even though they may be surrounded by 15 hectares of land.

**The CHAIR:** Based on what you have just said, if such a thing were to be introduced do you think the Government could effectively turn around and say, "Let's use the same methodology as Centrelink might use," for example—and that is your home and five acres is excluded for asset purposes, for pension purposes and so forth, and therefore that portion of it might be subject to stamp duty and the rest of it may not be? Is that how you would see that working or is that too complex?

**Ms RANKIN:** It may be something worth looking at. Because we have not had a great deal of response as yet to this policy that we have had in place for at least 12 months, we have not really dug down into what it might look like. But I think that the opportunity to identify that there are significant costs associated with not only purchasing land but also making provision for the working of the farm are really quite significant, just as in a metropolitan or residential setting moving into purchasing your first home is a significant barrier currently. We just believe that there is value in looking at how you increase rural populations, not only through a residential setting around first home buyers but also a rural setting for first home buyers.

**Mr WILSON:** In our district, for example, you would pay \$110,000 or more in stamp duty just to acquire the farm of what would be called a basic living area. The problem is, say someone spends \$3 million on a farm, that extra \$100,000 does not make the farm suddenly worth \$3,100,000. It is an extra bit of money that has to be found that you really cannot add—there is no asset there against which you can borrow. Sure, you can borrow against the land, you can borrow against livestock if you buy them, you can even borrow for machinery. But that bit of stamp duty is a real impediment because it is ephemeral. It is not an asset.

**The CHAIR:** Which is true for any property purchase that has stamp duty attached to it.

**Mr WILSON:** That is right; it is a problem for all property buyers, but particularly for that young farmer trying to get into it. It is a significant issue.

**The CHAIR:** Can I put you on notice and ask that you perhaps give some thought to how this particular policy recommendation that you have may work in a practical sense? We would appreciate any detailed thoughts you may have on that.

**Ms RANKIN:** We would be very happy to do that.

**Mr CLAYTON BARR:** On that topic, currently in New South Wales there is an entity called Jobs for NSW. That entity essentially operates where the Government will make some finances available and in response the Government then owns a stake in the business. If the Government were to forgo stamp duty on a farm, for example, what are your thoughts about the Government then taking a stake—it will be about 5 per cent because that is what stamp duty roughly is—of about 5 per cent in that farm and that business until such time as potentially that stamp duty is repaid down the track as the good years come in and there is a bit of extra money in the bank and the farmer could then potentially buy out that stake or something like that? What do you think of something like that where the Government takes a stake because they are forgoing the money?

**Mr WILSON:** Are you envisaging then that the Government picks up any capital gain?

**Mr CLAYTON BARR:** I am just trying to compare it with the Jobs for NSW program, where the Government makes a financial investment and then they own a chunk of the business. In the farm, if you were

going to forgo a stamp duty I guess you are making a financial contribution in some way. Should the Government then take an ownership in part of the business?

**Mr WILSON:** I suppose the answer to that really depends a bit on what mechanism you propose when you pay it back out. How does the one you are talking about work?

**Mr CLAYTON BARR:** I do not know—it was just a thought bubble. I was sitting listening to you and I was drawing on another piece of information that is in my head and thinking.

**Ms RANKIN:** The only challenge around that—and I am not saying it is a negative response—is that when you potentially look at those two things together, very few young farmers will be able to buy a farm outright, so they would be paying mortgage fees and then have a repayment against those. You then might add a certain proportion of the stamp duty potentially as an annual payment in terms of repaying it. We also know that farmers have incredible variabilities in terms of environmental factors beyond their control. So you would probably want to be cautious about making sure that the costs to enter were not prohibitive or resulted in early exits. There is a question for me about how it might actually happen.

**Mr CLAYTON BARR:** Thank you.

**Mr GREG APLIN:** Earlier my colleague Mr Crouch probed the impacts of possible payroll tax reductions for New South Wales farmers. Can I take you to the specifics of any impact that has flowed from the reduction in Victoria onto New South Wales farmers—have you seen any changes that you want to bring to our attention?

**Mr WILSON:** Do you mean across the border?

**Mr GREG APLIN:** Exactly—yes: any movements, any discussion.

**Mr WILSON:** You would have to look at the growth pattern of some of those regional Victorian cities. Certainly I have been through places like Shepparton, Ballarat and Bendigo and they are bouncing along very well—I know that.

**Mr GREG APLIN:** Has anybody discussed with you what they might undertake as a result? I think you established with Mr Crouch that there were probably very few individual farmers who might be impacted. You implied that it might be the broader industry. Looking at objectives, and that is what we are after here, of any zonal taxation change, can you lead us to outcomes that might result in additional businesses, additional employment or additional relocations from city to country as a result of this change? We need to have some reasons to undertake it rather than the broad approach that it would be a good idea.

**Mr WILSON:** Yes, I certainly understand that. We would have to take that one on notice to see if we can provide you with some of those specific examples.

**Mr GREG APLIN:** We would be very keen to know. Thank you. Leading from there, what regional infrastructure might be required to support agricultural business growth and an increase in businesses moving to the regions? That flows in concert with what I have just raised.

**Mr WILSON:** In terms of roads, railways—

**Mr GREG APLIN:** I know you have raised issues like utilities' fuel costs, but I am looking more at the infrastructure—what would benefit growth and employment in those areas?

**Mr WILSON:** If you are moving it beyond zonal taxation issues simply to infrastructure, we are firmly of the view that the better access there is by road and rail, for example, the more regional businesses will grow.

**Ms RANKIN:** If I could add a little more—

**Mr GREG APLIN:** Yes, I am concentrating on the geographic. Any concessions that you might consider—they might be of a limited duration as an incentive, but looking at how we can grow this under the framework of our inquiry, which concentrates on zonal issues.

**Ms RANKIN:** If I can refer the Committee to telecommunications issues, they are of significant interest to our farmers. We know that farmers are increasingly using and accessing high-end technology in order to increase productivity. We also know that while there is a significant commitment to build towers for mobile networks and also expand broadband and data access, we are increasingly finding that within footprints that are covered there is very poor connectivity and access. We are aware of multiple occasions where farmers are required to either have two different phone networks operating in order to operate and repair their very expensive automatic tractors because their tractor is sitting in the field.

I have become aware recently of farmers who are paying between \$5,000 and \$10,000 in order to put daisy chain relay stations on their properties in order to make sure that they have mobile connectivity right out into their paddocks, not just at the homesteads. To be honest, a lot of them are finding that they have no mobile phone reception in their homes. If there is an opportunity to support subsidisation of new and innovative ideas about how farmers may collectively network in order to increase or boost the access to data or voice technology, that would be very well received in terms of the farmers who are looking to build new innovations and new ways of production and increase their productivity. It would have to be a one-off; it could not be a continuity because it is about, in lots of ways, a step up to make sure the infrastructure is affordable in the first instance. We know that telecommunications change over time; therefore, we would not expect any new innovation to be subsidised or paid for by government. This is just to help get the basic infrastructure in place, which could be built on from there.

**Mr GREG APLIN:** That was precisely the angle I was looking for; thank you for that.

**Mr DAVID HARRIS:** In your submission there is something—I just want to get it on the record here today—that is a Federal matter: the tax zone rebate. You indicate in your submission that it should be up to the consumer price index [CPI]. Would you ask the Committee to recommend that, through the COAG process, those tax zone rebates be updated—I think they were put in place in 1945—to reflect the current situation?

**Mr WILSON:** We certainly would be happy with that. They have got to the point now where they are barely worth the paperwork.

**Mr DAVID HARRIS:** Well, \$57 does not seem—

**Mr WILSON:** Yes. The Commonwealth Government does need to address the issue of whether it wants meaningful zonal rebates or not.

**Mr DAVID HARRIS:** Do you see the current places included in that zone to be appropriate or should it be widened? That makes it only the western district. I think I went through a list of the names in zone B, which is 1 per cent of New South Wales.

**Mr WILSON:** We would not complain if it was widened.

**Mr DAVID HARRIS:** Do you have any areas that are outside, that should be in, or anything like that?

**Mr WILSON:** It is a while since I have looked at the—

**Mr DAVID HARRIS:** Maybe you could take it on notice and get back to us.

**Mr WILSON:** Yes, we will it on notice.

**The CHAIR:** Thank you both very much for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, and the replies will form part of your evidence and be made public. Would you be happy to provide a written reply to any further questions that the Committee may have?

**Ms RANKIN:** Yes.

**Mr WILSON:** Yes, certainly. I just want to tender our formal policies on State taxes and energy. One of the policies is that we steadfastly oppose any extension of land tax to rural land. We would say that on the basis of its being a grossly unfair burden on farmers because land is our biggest asset. A lot of other businesses might have millions of dollars in goodwill, information technology, trademarks, patents and other equipment that would be going untaxed, whereas for the farmer a land tax would be a significant burden on the main asset. You would get pushback if there were any move in that direction.

**The CHAIR:** I think I can assure you that there has been no discussion nor thought about it; however, we do appreciate your policy position.

**(The witnesses withdrew)**

**TREVOR JOHN**, Director of Regional Development and Executive Officer, Regional Development Australia Hunter, affirmed and examined

**The CHAIR:** I welcome Trevor John from Regional Development Australia Hunter. Thank you for appearing before the Committee today. Do you have any questions concerning the procedural information sent to you in relation to witnesses and the hearing process?

**Mr JOHN:** No, thank you; it is all fine, Chair.

**The CHAIR:** Before we commence questions, would you like to make a brief opening statement?

**Mr JOHN:** Thank you for the opportunity to appear today. Regional Development Australia [RDA] Hunter, is in two parts. The Regional Development Australia part is a national network of local leaders. In the Hunter we have a board of eight directors. The focus is on economic development and stronger communities. Our approach crosses the local government areas designated in the contract with the Federal Government as making up the Hunter. For us that is 10 local government areas—Lake Macquarie, Cessnock, Maitland, Port Stephens, Newcastle, Dungog, Singleton, Muswellbrook and, most importantly, Upper Hunter—

**The CHAIR:** Thank you.

**Mr JOHN:** and the Mid Coast. But the Mid Coast does not include the part formerly known as Greater Taree, as another RDA is very attached to that part of their footprint. RDAs nationally have recently been through a review by the Federal Government. A new charter has been developed and distributed. We remain an organisation that works across three tiers of government. We provide insights and advice on priorities and issues with potential to impact on the economic growth of our region. We work with other RDAs. Indeed, the work we did with RDA Orana on improvements to the Golden Highway, has been very successful. We have a very small staff, limited resources for administration and much more of a focus on activities and projects. In support of the strategic direction the board has decided, which is clustered under innovation, investment, and infrastructure, we also work with industry on developing the workforce for the future, in particular, a workforce that is science, technology, engineering and mathematics skilled, STEM knowledgeable. We have support from the State Government for a STEM program, which is an early vocational education and training program to get young people interested in STEM into apprenticeships, into further VET training, into university courses, and we are hoping the funding for that program will continue.

My own background with Regional Development Australia Hunter is that I started working there in 2011. Earlier this year I was put in the position of Director of Regional Development, which was a mandated position that has to be created in all of the 52 RDAs around the country as part of the Federal Government's review. I am happy to move on. That has put RDA into the spotlight. We are happy to be here and continue to support the State Government and the work of Parliament in New South Wales—as my chairman John Turner and former Deputy Leader of The Nationals in New South Wales said—despite us not being funded any more by the State Government.

**Mr CLAYTON BARR:** Thank you for coming down. I want to talk about definition. Your submission summarises "regional" as difficult to define. Typically the definition of "regional" in New South Wales is that as long as it is not the Newcastle local government area, the Wollongong LGA and the broader Sydney metro area, the rest of it is regional. Specifically for you in your role in the Hunter, that would mean if a zonal taxation methodology was to be adopted that targeted regional areas, you would have one of your LGAs excluded. Given the people you represent, do you think that is fair and reasonable?

**Mr JOHN:** No, I do not think it is fair and reasonable, but it is not unknown for the State Government to treat the Hunter as if it can be broken up into small bits and pieces. If we look at the Regional Growth Fund, there are six different streams within that. There is only Resources for Regions which is available to the Newcastle area. No, it is not unusual. We have worked for a long time on creating an impact of the Hunter as a whole. I am very pleased to see Planning and Environment come out and copy our title for a Hunter Regional Plan and look at the whole of the region of the Hunter together. Mr Barr, we take a slightly more minute view what a zone might be as well. In respect of the economic impact, there are a couple of important zones within the Hunter that could deliver the most return on the investment, and that is the land around the port, and the land next door to Williamstown airport.

My comments are not only directed to the State Government and its definition of what "regional" is. Of course the University of Newcastle drifts in and out of being regional at its cost, given the additional funding that is available for a regional university. It has been ongoing and quite long term—ever since before the RDAs and the Hunter Economic Development Corporation was around. What is defined as "regional" and what is not?

Newcastle LGA has only a couple of hundred thousand people living in it. To get to the stage where it is promoted as the seventh biggest city in Australia, well, we need Cessnock, we need Maitland—

**Mr CLAYTON BARR:** We certainly do.

**Mr JOHN:** —we need Port Stephens and we need Lake Macquarie to be counted. Indeed, that is how the Department of Planning and Environment is looking at it with its Greater Newcastle Metropolitan Plan. It would be unfortunate if the shift went from: Newcastle is not regional to Pokolbin is not regional.

**Mr CLAYTON BARR:** That would be terrible.

**The CHAIR:** I cannot see that happening.

**Mr CLAYTON BARR:** Lake Macquarie, by population, is a little bigger than Newcastle.

**Mr JOHN:** Yes, it is.

**Mr CLAYTON BARR:** Yet it still classifies as a region. Defining "regional" is an important issue if anything is going to happen on the front we are proposing through this inquiry. In your role with RDA, are you aware of any businesses that chose to not establish in New South Wales because of payroll taxes—any of our taxes, all of our taxes? I know you would have had a conversation with them because they might have been looking at the Hunter at one stage.

**Mr JOHN:** The non-competitiveness, I think, influenced Incitec Pivot to take \$900 million out of New South Wales. We are aware, also, of companies like Hedweld who have decided to stay in the Hunter because they have received support. I do not have many other names, but I do hear from the Department of Premier and Cabinet, who we stay very close to, and the Office of Regional Development, that New South Wales is not playing on a level playing field when it comes to attracting and keeping business because States like South Australia and Queensland will put money on the table to soften the blow and make it attractive for businesses to come along. The development of the land around the Williamstown airport and supporting the arrival of the joint strike fighters is particularly important because there is a strong threat that it could be cheaper for someone to pack up their warehouse and move to South Australia, where they feel that defence is more loved.

We are great supporters of what New South Wales is doing with defence and defence industries. We have really solid partnerships with a lot of defence industries around Williamstown. It would be a serious blow to us, our program, our children, our future if there was anything that stopped any of that area becoming properly commercialised and that land activated to support what has just recently been released as the master plan for the airport, which has the blessing of the Royal Australian Air Force but obviously they are not in a position to say they totally endorse it.

**Mr CLAYTON BARR:** Specifically in respect of taxation leverage, for example the issue at Williamstown airport, it seems like it will boom and prosper with the current tax frameworks in place. It will also be classified as regional. It is in the Port Stephens council area, not Newcastle, is it not?

**Mr JOHN:** Yes. Another one does come to mind, which is a developer looking at a fairly sizeable block of land on McDonalds Road in Cessnock. It is an ambitious plan. The concern is the cost per residence. If sales tax and land tax is applied not per hectare but per the number of residences that can be put onto a hectare, the price that would get passed on to the consumer—and the target audience for this development is over 55s; it is an active community lifestyle, "stay healthy as long as you can" kind of investment—would be in the order of \$75,000 per residence before they start pouring a slab. There are concerns among developers about the way stamp duty and land tax is applied to individual residences rather than a measurement of land.

**Mr CLAYTON BARR:** I think that you are describing the fees and charges that are imposed, like development contribution fees, State infrastructure contributions and things like that, as opposed to just stamp duty for the price per block.

**Mr JOHN:** The way it was put to me was that it all adds up and the combined impact pushes up the price way above where they think the starting price should be for the product they are selling.

**Mr ADAM CROUCH:** You mentioned a company that had taken a \$900 million investment out of New South Wales. What is the name of the company?

**Mr JOHN:** Incitec Pivot.

**Mr ADAM CROUCH:** Which State did they go to?

**Mr JOHN:** Pennsylvania, I think.

**Mr ADAM CROUCH:** They left the country?

**Mr JOHN:** It was to set up on Kooragang Island, which would have been very good in terms of supporting the mining industry as well as for the jobs and the investment and the research they were doing. From memory they left. If you like I can pull the details and send them.

**Mr ADAM CROUCH:** Yes, although it is a different case because they have gone overseas rather than to a different State. I was trying to drill down to whether an incentive was offered by another State in addition to zonal taxation benefits. I suspect there may be significant zonal taxation benefits in Pennsylvania. Obviously this example is outside the scope of this Committee. Are you aware of any other companies in the Hunter region that may have or are considering looking at alternatives outside of New South Wales because of the payroll tax threshold at \$750,000 or the payroll tax rate? If we were to look at the threshold and the rate as separate issues, is the threshold or the rate the sticking point? If we were to change one or the other, which would benefit business more?

**Mr JOHN:** We have not had those conversations, but I totally understand and agree that that would be an area to do research in. It gets to another important point that there is a qualitative element as well as the quantity. It comes into the mix of why invest and what things we can offer to help attract investment. RDA Hunter works in particular on the workforce, the human capital side of economic development, so that people that invest can see a future workforce with the skills they want. We have not looked at all of the other areas. Obviously we look at land use and availability to expand and infrastructure—freight, transport, access to the port and so on. But, as I said in my introduction, we are a very small unit and we cannot get across everything. Coming back the other way, if the Committee would like RDAs to be involved—and I know you have received submissions from a few—I think that there is quite a lot of support for the idea and the RDAs would be well placed to take some direction on what specific sorts of questions to ask along those lines.

**Mr ADAM CROUCH:** If I asked you whether you know how many businesses in the Hunter region affected by payroll tax threshold would welcome the threshold being raised from \$750,000 to \$1.1 million, say, and so would be encouraged to grow, would you know the answer? Are we talking about a very small number of businesses that would be affected by that change? If the RDA has that data and you can provide to us, it would be beneficial in our deliberations.

**Mr JOHN:** The general impression would be that I think in most areas most Australian Business Numbers [ABNs] do not employ anyone. The Hunter is very much small and medium enterprise. There are hardly any big enterprises other than big health and a university employing 1,000 people. If we get down to the threshold of a couple of hundred people, there might be a couple of hundred companies. We can provide some more detail on the mix, but generally speaking the majority of the companies are family companies and small companies.

**Mr ADAM CROUCH:** In your submission you propose the idea of a no-disadvantage package to be marketed to businesses to encourage relocation to regional New South Wales. Mr Harris and I both live on the Central Coast and we are always trying to encourage businesses to decentralise. What would you envisage the no-disadvantage package would entail?

**Mr JOHN:** That is a little bit of marketing, I guess, as much as anything, but it is also based on fact. It came out of thinking about what Victoria was doing. We hear about South Australia doing anything it can to get a defence company in and Queensland providing land for new development at no cost. How does New South Wales position itself to balance that? Part of the balance, particularly for the Hunter, is our close access to an international seaport, which has great potential to carry a more diverse range of trade and so on than it does.

**Mr ADAM CROUCH:** And now an international airport.

**Mr JOHN:** The international airport is developing. Those are the sorts of things, plus part of the offset would be that there would be no disadvantage from coming to New South Wales. Yes, we may have a tax that looks like it is going to do this to your bottom line; however, at the end of the day you are much closer to a much bigger market that really wants what you are delivering and your costs to get it to that market are a whole lot lower. The bundle of the package that comes up for "Why New South Wales?" is to say there are many more advantages for locating in New South Wales than in any other part of Australia.

**Mr ADAM CROUCH:** What additional regional infrastructure would be required to support an increase in businesses moving to the Central Coast, the Hunter and regional areas that have close proximity to Sydney? What would the RDAs see as necessary infrastructure for that?

**Mr JOHN:** We did quite a lot of work on big-picture inputs for mining and mining-impacted communities. As we all know there is a world-class rail system to bring the coal to the port and from the port to

the world. We looked at the inputs that have to get on the highways to make the mines function properly. None of the tyres, none of the machinery, none of the fuel, none of the workers go on the rail tracks to the mines; they are all on the roads. That all has an impact. You only have to drive through Singleton along the terrific 50 kilometre an hour zone to know what it can be like. There are no bypasses. We have worked with Scone and one of the things that shocked me when I first joined RDA was the story from Scone saying some of the trains will take 18 minutes to go through and the emergency services can be cut off from where they need to get to. It is a heck of a long way that takes a heck of a long time for those emergency services to get around. That has to be the no-brainer argument for why you want a bypass and an overpass or whatever else it is going to take to fix that sort of a problem. With Infrastructure NSW we developed the Hunter Economic Infrastructure Plan, which is road based and looks at pinch points and so on.

In terms of helping more of the smaller companies come into the Hunter, we would look first at the quality of services that are available, so that the smaller towns in the Hunter will be where we want to see workers live more closely to where they are going to go to work. It is not all about Newcastle. I certainly know from the mining bosses that they get quite scared that young kids will be driving even from Lake Macquarie up to Singleton and back every day, because they know that is risky.

If we go back to what is important to people living in a town—well, health. Do all of the small towns in the Hunter have a pharmacy? Is there a chemist there? Is there a frontline delivery mechanism to dispense medicines, to take blood pressure when you need it, to be there for a chat? If sales tax and land tax were going to be targeted on a particular part of regional New South Wales, I would say look at how to get it cheaper for pharmacies to set up and doctors to set up their general practices? How do we get it cheaper for child care to be available? It is targeting parts of a growing community but we need also to shift the age demographics of these communities. We cannot just let them keep getting older and not be doing anything about it. We know what the end game is going to be for that. Make it easier for people to move into the region.

There is a new company or a new business—there are businesses around that have jobs to deliver—and then you do not have to travel forever to go and get medicine for a sick baby. It is those kinds of things that I think in terms of infrastructure at a micro level would be important, and at a macro level if we wanted to increase what we do with the agricultural lands—there is a lot of talk about what to do with buffer lands around the mines in terms of making them economical viable—we have to stop just pumping out raw commodities. For dairy we need much more stainless steel, we need much more processing, we need to package up products that are made specifically for markets in South-East Asia—exactly how they want them packaged up and delivered—and send them out in containers.

**Mr GREG APLIN:** Inevitably at this stage of taking evidence the Committee has covered a lot of the points that I would have liked to have raised with you. I am sure other Committee members have contributed towards that and I thank you for your responses. Earlier Mr Barr asked some questions in relation to the impact of payroll tax in your area and the regional nature of it all. Has the regional approach undertaken by Victoria stimulated any discussion in your area?

**Mr JOHN:** Yes, it has but everyone is on a wait and see I guess.

**Mr GREG APLIN:** I gathered earlier that there was no appetite for it. Can you expand on the differentiation you drew that it was undesirable between metropolitan and regional?

**Mr JOHN:** No appetite for differentiation between Newcastle not being regional?

**Mr GREG APLIN:** Correct. Does that therefore reflect a view across the whole State?

**Mr JOHN:** Not at all. It does not reflect the whole view across the Hunter. As we come down from the upper Hunter there is a cohort who will not be so happy about Cessnock, who will then join up with Maitland who will not be so happy about Newcastle—that is not just the rugby league competition, that is the way competition works—but the Hunter will come together as one to sink the boot into Sydney.

**Mr GREG APLIN:** We will now move from a discussion on payroll tax to what kind of changes to regional commercial stamp duty should be pursued. Do you have any views on that?

**Mr JOHN:** Part of my suggestion is to really target it on some outcomes that the Government would like to see. I am not a big fan of keeping stamp duty in just for the sake of it because it makes a lot of money and I am not a big fan of taking it out or putting it down because we think it is going to make a difference. There needs to be evidence as to why. If stamp duty could be targeted towards making it easier for returning defence personnel to live in regional New South Wales I would think that would be a terrific advance. If we can make sure there is a pharmacy and a GP in every regional town that would be a terrific advance to target the use of stamp duty and land tax on particular businesses that the State Government wants to see built and to prosper

within a region. Given that it gets confusing if we start talking Federal tax reforms, I think it is pretty clear there is a strong expectation that if businesses are given a leg up there is some guaranteed return—whatever format that takes. Whether or not the argument that is going around at the Federal level is the right way to address it I do not know, but I would not like to see stamp duty waived.

There is no guarantee that that business is going to be there for less than a year. There is something about: If we come to the party and make it easier for you to set up your business and so on, you stay in touch with us. It is now a partnership between the Government and the private industry to deliver a service to the community. That is part of my submission in saying that I do not think just doing it by postcodes is the way to go with regional if there are things to be set up around the Port of Newcastle that would be helped. Given that the port competes against complete tax rezones in ports around the world, the State is not on a level playing field, the Hunter is not on a level playing field, that port is not on a level playing field and the same with the airport. It is targeting and getting information and examples from around the world and going, "What can we do here to get the economy going the way we want it to be going?"

**Mr GREG APLIN:** From that I infer that it is anything outside of Greater Sydney? This is a zonal taxation inquiry and we are trying to define what zones might be appropriate.

**Mr JOHN:** Did the Committee have any responses from Greater Sydney suggesting that stamp duty be dropped?

**The CHAIR:** Some evidence was given, for example, by the NSW Business Chamber that it would prefer not to create zones. If we were to maybe it is a transitional thing, but just to make changes to thresholds and so forth across the State. Other than that, in answer to your question, there has not been anything more than that.

**Mr GREG APLIN:** Thank you.

**The CHAIR:** I refer you to the two points in issue 4 in your submission concerning payroll tax. The dot point around targeted research states:

Investigate the scale of regional businesses using non-local, payroll tax exempt, contractors as a means of reducing payroll tax liability and the impact this is having on local employment of local residents.

Can we tease that out a little more? Contractors are often employed by labour hire firms—for example, a contractor for the purposes of the mining industry. The labour hire firm would be subject to payroll tax. That is an example of how contractors would be caught up in the payroll tax system. What do you mean by your dot point?

**Mr JOHN:** For example, bathroom or kitchen repairs or refurbishment or rebuild. A single owner.

**The CHAIR:** Small-scale tradespeople?

**Mr JOHN:** Yes. However, contract 60 to 100 tradies to do the plumbing work, the tiling work, the chippy work and so on, not necessarily much concern about the quality of those tradies because the end result and the warranty gets put back on the individual tradie who did the work, and no concern whether they are locals or living out of the caravan park just blowing through for a few months who happen to have a ute full of tools with them. It is more along those sorts of lines.

**The CHAIR:** Will you give me specific examples of what you are talking about?

**Mr JOHN:** I would not like to dob anyone in; however, we have had some work done locally and there is a guy who set up who lived originally in the Upper Hunter and Singleton area and then moved down through Cessnock and has now got a business going out at Belmont. It is not an unusual business model. There is a shopfront. With computer access they can do all of the design work. For the suppliers in areas like kitchens and bathrooms, the website for the bits and pieces you want to buy are super easy to use and full of information. They can easily show on a laptop that this is what it might look like and you can go this way or that way; you can go and buy it yourself or we can source it. Then they come into the house, do the design work and there is a procession of tradesmen coming through doing the various parts of the job—not necessarily the same tradesmen who start on one part of it going on to the second part to finish it. It is a coordinator's role and there is quite a stable of tradesmen who are working for themselves and as contractors for that form of organisation.

**The CHAIR:** You mentioned them not necessarily being concerned about the quality of the work, for example. I am going to toss one at you and say that if they continuously have poor quality of work how do they get business?

**Mr JOHN:** Word of mouth not being as good as it used to be.

**The CHAIR:** You are talking about more targeted research around that. What would that look like?

**Mr JOHN:** Surveys, people out in the field, feedback from business chambers—who are their members, how are they structured, what do they think? It goes to the question too of the threshold versus the rate. It would be a survey around the whole package that is covered in the interim report to get some numbers around those things, to get a little deeper and to understand it. It would also be pulled together out of the agencies of the State Government. Some of the questions raised today I think would be better asked by the Department of Premier and Cabinet. The Office of Regional Development is quite close in the Hunter to businesses who are trying to set up. I think it is the Hunter and Central Coast, is it not, for that organisation? They are well placed to be able to provide some details. It would be from those numbers and examples and case studies and one-to-one interviews with people about how they feel about it, what they would like to see changed and what is working for them.

One of the arguments against various scales of a particular tax is how onerous that would be in the reporting. That just may be an opportunity for a bright spark who can put an app together to go, "Just punch in your information for me, the calculator will spit it out the way the State Government and the tax office wants to see it." There are ways around the problems that have been raised. That is what the research would be looking to answer.

**The CHAIR:** On the broader issue of zonal taxation, we have it in our terms of reference and we have asked for more specific information from witnesses on an example whereby there were stamp duty exemptions on buying a commercial property for a business relocating, so there is a saving on the capital cost of doing that. Then there may be some changes to payroll tax—in the rate, or the benchmarks, or the thresholds and so forth—so there is a bit of an ongoing saving. Then people are not going to move out of Sydney into a regional area unless they have a job to go to, or they are retiring. The Government has already got in place the \$7,000 relocation grant. There is a bit of a package there for business in capital and ongoing savings and for the individual for relocating. Do you think that from the point of view of RDA Hunter—forgetting the boundaries issues at this time, because we have only one local government area that is potentially impacted—there are broader and major advantages in having a system like that that encourages people to get out of what is often considered the quagmire of Sydney, because of traffic and so forth, into a regional area, especially the Hunter, to have a better lifestyle, for example?

**Mr JOHN:** I think that is good sales point. One of the advantages would be to the individuals involved. To take the stress out of getting to and from work and the impact that has on family relationships I think is a very strong selling point for why you would want to relocate. We have a nice young family who has relocated their data company out of Sydney for exactly that reason. They love the beach, they cannot believe it is only seven minutes to everywhere. They are continuing to work in Sydney and in Melbourne. This is a Federal thing again, but the quality of the connection for the National Broadband Network and the internet would really help. We have tried to push for prioritising businesses in the rollout to no gain at all. But in terms of the advantages of setting up in a new area, there is a sense of community, which is a healthy thing to have. There are opportunities for children growing up to be involved in art, sport or whatever. There is no limit on any of those that are around the place. If you are up around the Hunter you have only got to go next door and you are in the best vineyards around the place. There are savings all round.

**The CHAIR:** You would see significant advantages of having such a system in place—zonal taxation with changes to payroll tax and stamp duty, and we already have the home relocation grant?

**Mr DAVID HARRIS:** It finished in 2014.

**The CHAIR:** Did it? There you go.

**Mr JOHN:** That is part of the thing with the package. How confident can a region be that it will all be there for a long period and be well supported so that people can make a long-term investment decision? We certainly know it is not a light decision. It is not a decision made lightly to pick up a family and move it because either mum or dad think it would be good to go and live back next to granny while the kids are growing up. That is part of it but, crikey, the driving forces behind the businesses and making sure the businesses are successful and the aspirations of the people who are running them all play into why you would do it. But I would think there is a great opportunity out of this inquiry to keep pushing the case to not continue to be congested and locked into Greater Sydney. We are not saying do not do business here. We are saying that you can live somewhere else and still do business here and you will be a lot better off for it, and so will the communities that people move into.

**Mr DAVID HARRIS:** In the Hunter there are a lot of greenfield sites becoming available. We heard from Broken Hill City Council earlier today about the high street and the vacant buildings. Newcastle, the

western end, and many of the older towns have the shopfronts sitting vacant. Can you see any role in manipulating stamp duty in order to consolidate properties or attract people back to those high street positions? Often there is an attraction to go to a greenfield site because you can design and build from scratch.

**Mr JOHN:** For sure.

**Mr DAVID HARRIS:** Versus renewing older historical main streets.

**Mr JOHN:** Personally, I like the older historical main streets. Vincent Street is a fantastic example. Cessnock is spending money on revitalising the main drag. We know how much money is being spent in Newcastle. Maitland goes both ways. The population boom is such that greenfields is Green Hills and it is out of control massive, but the main street with the beautiful older buildings and so on had a massive face lift. Singleton, with John Street, was completely dug up and redone, with new lighting and so on. I am sure they would have liked any additional support and help they could have got along the way to make it quicker for people to move their businesses back into it.

I go back to what I was saying before: If that stamp duty comes off for revitalisation of a city or town's main street, it is full of the sorts of things that the State Government wants to see go into the main street. I think be selective; I do not think it is a blanket "Whatever business you want, put it into our main drag." That is part of my argument against the gross domestic product [GDP]. The whole way we measure economic growth is it does not have to be good economic activity, it just has to be economic activity. Well, a lot of the empty shops in Newcastle are tattoo parlours.

**Mr DAVID HARRIS:** In regard to payroll tax, most of the talk has been about a regional zone being created. Is there room for a tiered structure that looks at Sydney metro, large regional cities as a second tier and then a third tier that is regional?

**Mr JOHN:** I do not mind that idea at all, provided it is easy for the business operator to be able to do the admin work. If I am operating a company out of Redfern and I happen to have people at Nowra and I happen to have people at Dubbo and I am in three different areas, what is going on? It is hard enough already. It also needs to be absolutely streamlined and clear because you do not want someone operating in tier one only paying because they happen to have a couple of people in tier three and saying, "That is our blanket payroll, we will do it that way, thanks."

**Mr DAVID HARRIS:** One of the witnesses today talked about four zones.

**Mr JOHN:** Okay.

**Mr ADAM CROUCH:** Ultra remote.

**Mr DAVID HARRIS:** They had a Western New South Wales remote zone as well.

**Mr JOHN:** Okay.

**Mr DAVID HARRIS:** Your feedback is interesting.

**The CHAIR:** Thank you, we appreciate you appearing before the Committee today. The Committee may wish to send you some additional questions in writing to which the replies will form part of your evidence and be made public. Are you happy to provide a written response to those questions?

**Mr JOHN:** Yes, by all means. When I see the transcript will that include things like I will send more information about Incitec Pivot?

**The CHAIR:** Yes.

**Mr JOHN:** Terrific.

**The CHAIR:** I would like to place on the record my thanks to the Committee members, the secretariat and, of course, Hansard for their assistance in the conduct of the hearing.

**(The witness withdrew)**

**(The Committee adjourned at 16:34)**