



14 May 2018

Committee Secretary
Senate Economics Reference Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

Inquiry into the indicators of, and impact of, regional inequality in Australia

I make this submission on behalf of the councils of the North West Queensland Regional Organisation of Councils (NWQROC). Members of NWQROC include the Burke, Carpentaria, Cloncurry, Flinders, McKinlay, and Richmond Shire Councils; Doomadgee Aboriginal Shire Council and Mount Isa City Council.

These councils serve the people and support the businesses in some of the State's and Australia's more remote communities and on a daily basis live and work with the indicators and impacts of regional inequality.

This presents itself in two fundamental ways: 1) lack of access to, and 2) high cost of goods and services when compared with metropolitan and major coastal communities. No matter where people live in Australia there is an increasing expectation about the equal availability and cost of goods and services particularly those provided by or subsidised by governments.

The sustainability of many communities in remote parts of Australia is dependent upon improving the lifestyle of residents. The gradual loss of population particularly the young in search of work and education opportunities and the difficulty of recruiting and retaining professionals and their families is a consequence of the two challenges identified above.

Inequality and Extra Costs

Examples of inequality and costs borne by residents and business in the NWQROC area and possible responses are as follows:

Costs of Living & Doing Business

- Additional travel cost to attend sport events for parents, and/or additional training travel further exacerbates the situation faced by already hard pressed remote community families.

- Additional cost for shipping of general household goods if a product is not available locally.
- Business competitiveness with on-costs associated with the transport of goods, and the impact on productivity when it comes to items like spare parts for machinery. The cost for businesses to have spares on hand to cover all needs is virtually impossible.
- Fuel cost in remote areas is much higher for private and business purposes combined with the long distances that have to be travelled.
- The high costs of regional airline services and the limited availability of discount fares to residents for personal and medical travel needs. These fares are usually taken up by long term corporate and government customers.

Response:

- Introduction of remote area taxation concessions for small to medium businesses*.
- Introduction of reduced taxation levels for remote area residents*.
- Continued pressure on regional airline service providers to ensure discount air fares are more readily available to permanent residents.

*see Remote Area Taxation Reform below.

Health and Education

- Councils are increasingly drawn into providing extraordinary services such as funding community nurses, providing doctor's accommodation, constructing medical centres and subsidising the Commonwealth's Community Care Program services. This is necessary for the health and safety of residents and to make communities more liveable. If these basic services are not available remote towns are less attractive as places in which to live and raise a family. Councils should be supported for providing these services traditionally the responsibility of State and Federal governments.

Response:

- Increased financial support for Councils providing extraordinary services.
- Improved access to tele health services supported by greater investment in broadband and telecommunication infrastructure.
- Education for remote community children is being disadvantaged due to the strict student to teacher ratios applied to class sizes. Multi-year classes of up to four grades in one class are inequitable when compared to populated areas and are putting at risk the education of children in remote communities.

Response:

- Relax the student to teacher ratios in schools so that remote communities have higher teacher numbers and budgets to provide better educational opportunities and maintain the schools in general.

Telecommunications

- The limited availability at an affordable price of high speed broadband and mobile phone communications for remote properties and communities is a major impediment to rural sector innovation and productivity and the education of children attending the school of the air.

Response:

- Ongoing co-funding investment with service providers, private sector and state and local governments to extend the fibre optic cable network and expand the coverage of the mobile phone network.

Roads and Transport

- The high costs to transport freight and livestock on the Mount Isa to Townsville rail line is forcing greater heavy vehicle traffic onto the Flinders Highway.

Response:

- Upgrading of the highway and rail line is necessary to increase transport efficiency, support economic development in the region and improve safety for all road and rail users.

Tourism

- Product and service provision capability development are essential to the continued growth of tourism in the region to provide increased economic diversity and extend the season from the current six to seven months each year. Many tourist operations are small scale with limited resources to expand product and service capability.

Response:

- Increased support targeted at remote area tourism product development and service capability improvement.

Remote Area Taxation Reform

Specifically on the question of taxation reform for remote areas the following points are made.

The Australian Tax System as it stands is counterproductive. Our workforce is getting older and the welfare liability is growing.

Remote areas of Australia are losing their young people with ambition because of the lack of opportunities locally. The use of Fly-In-Fly-Out (FIFO) workforces particularly by multi-national resources sector companies is making the situation worse.

If there were real tax benefits given to long term residents who live and work in these remote areas people would be more inclined to make "country Australia" somewhere to raise their families.

In this age of the millennials, professional service providers – accountants, solicitors and a wide range of consultants, service remote areas from the cities without actually setting foot in remote towns. This means the reverse could be true. They could live in a country town and operate successfully there and elsewhere if they wished and were attracted to do so.

A flatter rate of personal income tax given to genuine locals who actually live and raise their families locally would encourage growth in these areas. It can't be a rebate, it has to be money in their pocket and it has to be given to the employees not businesses with company head offices located in a capital city either in Australia or overseas.

If workers are receiving more money weekly they will spend more locally hence local businesses get a share as well. A rebate system will not work as effectively because the lump sum is more likely to be spent externally to the area, for example, on a holiday or new car which means the money leaves the area.

In addition the Payroll Tax threshold could be raised for small businesses in remote areas to encourage growth in that area as well. A sliding scale for personal income tax calculated on remoteness and/or population would also support the objective of retaining and attracting workers to remote communities.

Many councils in rural and remote areas subdivide land and absorb the cost of developing to make the new blocks more affordable. In this way current ratepayers are investing in the opportunities to attract new residents. Notwithstanding, councils can't encourage growth even though the actual cost of building a home is not that more expensive than in populated areas. If a person was able to raise their family locally and at the same time be paying a rate of income tax of say, 15% to 20% up to \$90,000 income, regardless of hours worked, the "people would come". With population growth there is a flow on to an increase in better local services from the larger rate base, less reliance on external funding (increased sustainability), together with better health and education services.

Increasing job opportunities in this way would also help reduce the welfare dependence and unemployment benefits paid to those currently unable to get a job locally. The actual savings to the Federal Government would help in offsetting the costs of the flattened rate of tax.

Changes recently announced in the 2018 Federal Budget to the taxation system to be debated by Parliament acknowledge the need for the taxation system to be kept under review to provide not only the revenue needs of the nation but also its structure to encourage and reward the effort of Australians contributing to the economic, social and environmental wellbeing of the nation. The taxation system should also be structured to enable people to more easily choose where they live and work to grow communities and maintain social cohesion. This is particularly important in remote areas, such as Queensland's North West, which produces its share of the nation's wealth through both the resources and rural industry sectors well above its population share. It can only continue to do so through the growth of its rural communities, support for their businesses and the provision of public services on a comparable basis with metropolitan and coastal regions. Further changes to the taxation system are central to this outcome.

Two member councils of the NWQROC – Flinders Shire Council and Cloncurry Shire Council, have made submissions to the Inquiry elaborating further on the issues of regional inequality facing Queensland's North West. We would welcome the opportunity to meet with the committee to expand on our submissions.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Greg Hoffman". The signature is written in a cursive style with some loops and flourishes.

Greg Hoffman PSM
Executive Director
North West Queensland Regional Organisation of Councils
PO Box 31
NORMANTON QLD 4890

E: nwqroc@carpentaria.qld.gov.au
M: 0418 756 005