



Remote Area Tax Concessions and Payments
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Sir/Madam

**REMOTE AREA TAX CONCESSIONS AND PAYMENTS ENQUIRY - SUBMISSION BY
GOLDFIELDS VOLUNTARY REGIONAL ORGANISATION OF COUNCILS**

The Productivity Commission is seeking submissions to determine the appropriate ongoing form and function of the zone tax offset, FBT remote area concessions, and Remote Area Allowance.

The Goldfields-Esperance Region of Western Australia is located in the south-eastern corner of the State, and at 771,276 square kilometres is the largest of Western Australia's nine regional areas. The Goldfields-Esperance Region is three times the size of the state of Victoria and comprises just under a third of Western Australia's total land mass.

The Goldfields Voluntary Regional Organisation of Councils (GVROC) is an established partnership between local government authorities (LGAs) in the Region including - City of Kalgoorlie-Boulder and the Shires of Coolgardie, Dundas, Esperance, Laverton, Leonora, Menzies, Ngaanyatjaraku, Ravensthorpe and Wiluna. GVROC LGAs are classified as either Remote or Very Remote (ABS Remoteness Area Classification, 2011).

Population

The estimated population of the Goldfields-Esperance region was 55,061 in 2016, with over 50 percent of the population residing in the City of Kalgoorlie-Boulder (30,053). Australian Census data reflects a 6 percent increase in the overall population of the Goldfields-Esperance region from 2006 to 2016. However, from 2011 to 2016, Census data indicates that the region's population declined by 0.04 percent.

Medium-term population forecasts published by the Western Australian Planning Commission indicate that the population size is unlikely to demonstrate any significant growth in the forthcoming decade if trends in fertility, mortality and migration continue.

Labour Shortage

The mining industry is the largest employer in the Goldfields-Esperance Region, accounting for 23.2 percent of employment in the region in 2016. Over the course of the past decade, the value of mineral production in the region has grown from A\$7.8 billion to A\$11.5 billion, representing a Compound Annual Growth rate of 3.9 percent. In the last financial year, the value of mineral production has increased by 18% with many Shires experiencing growth rates ranging from 25% to 74%.

Over 23% of the region's workforce is employed in mining with companies in the industry reporting that the attraction and retention of employees is becoming increasingly difficult due to a tightening labour market and skills shortage.



Research indicates that there are currently an estimated 1,500 job vacancies in the Goldfields region with an indication from the mining industry that labour shortages will be further compounded by the rapid growth in lithium mining/exploration and reinstatement of nickel mining/production.

Designated Area Migration Agreement (DAMA)

Due to the critical job shortage in the region, the City of Kalgoorlie-Boulder and the Shires of Coolgardie, Leonora, and Menzies have pursued the development of a DAMA to attract skilled migrants to work and live in the region.

The DAMA was signed in March 2019 with the Goldfields among one of the first regions in Australia to enter a five-year agreement with the Commonwealth aimed at ensuring skilled migrants contribute through employment in key roles where Australian workers are not available. Covering 73 occupations, up to 500 people per year will be able to be sponsored over the five-year agreement through the Kalgoorlie-Boulder DAMA.

The DAMA is only one of many instruments that will assist in attracting workers to a regional lifestyle with the Goldfields-Esperance Regional Investment Blueprint, 2016 indicating that, in addition to migration policies, “a range of complementary **tax incentives** and other region building strategies must be pursued.”

Socio-economic Disadvantage

Compared to other areas of Western Australia and Australia, residing in the Goldfields-Esperance region comprises several socio-economic disadvantages –

- Higher cost of living
 - Goldfields-Esperance region ranks 101.3 for a basket of goods compared to metropolitan Perth
 - Health expenses rank the second highest in regional WA after the Pilbara (109.3)
 - Food expenses rank the third highest in regional WA for food after the Pilbara and Kimberly (108.7)
 - Remote areas of the region attract significant freight costs which disproportionately increases the costs of everyday supplies such as fresh fruit and vegetables.
- Distance to specialised medical facilities and services – travel exceeding 590km to specialists in metropolitan Perth and, for the Northern region, travel exceeding 900km to the regional city of Kalgoorlie-Boulder
- High costs of regional airfares (WA Government undertaking a Regional Airfare Inquiry)
- Remote, inland locations are not the focus of many government programs and strategies that tend to target the south-west coastal zones or Northern Australia. Combined with a low population base, the lack of services severely impacts the sustainability of local governments that are forced to fund gaps in standard government services



- Declining population growth, high population turnover (Kalgoorlie-Boulder ranked 510/563 for population retention in Australia) and difficulty attracting and retaining labour
- High housing construction costs especially in remote areas and a resource driven housing market
- Distance to higher education facilities - relatively poor educational outcomes and local skills shortages
- Social challenges associated with high levels of welfare dependence, Aboriginal disadvantage, and an ageing population
- Research demonstrating increased mental health issues in small communities and for FIFO workers
- Higher costs for participation in recreational activities for families compared to metropolitan areas

Recommendations

1. The GVROC is of the opinion that a review of the current tax offset zones is required with ongoing reviews conducted after each Census release.

The GVROC requests that the Australian government consider the socio-economic issues and labour shortages in the region and increase the tax offset or bring it into line with other very remote or remote areas in Australia such as Northern Queensland.

2. The GVROC also requests the Australian Government consider implementing Queensland's Strong and Sustainable Resource Communities Act 2017¹ which ensures that residents of communities near large resource projects benefit from construction and operation of large projects. The Act prevents the use of "100 percent FIFO workforce arrangements on operational large resource policies."

The implementation of a similar program to Queensland's Strong and Sustainable Resource Communities Act 2017, would encourage companies to demonstrate local workforce recruitment efforts bringing positive outcomes in the community such as sustainability and reduced mental health issues.

3. There is also an immediate need to support business and industry in the region with a decline reported from 2016 to 2018 of -1.26% compared to an increase in WA of 2.48%.

¹<http://eisdcs.dsdp.qld.gov.au/Strong%20and%20Sustainable%20Resource%20Communities%20Bill%202016/strong-and-sustainable-resource-communities-act-2017-factsheet.pdf>



It is apparent that industries operating in the region are being impacted by stagnant or declining populations caused by an increased reliance on FIFO workforces to keep pace with the growth in regional mineral production.

4. To address skill shortages in the region, the GVROC recommends that the Australian government consider offering graduates from in-demand vocations tax concession incentives attract them to reside in regional areas.
5. Given the critical labour shortage in the region, the GVROC requests that the Australian Government consider providing a fringe benefit tax (FBT) concession to encourage drive in drive out and residential employment in the Goldfields region. It is proposed that the FBT concession would be applied to the provision of living and housing expenses paid by mining companies, commercial businesses and local governments.

As the Chair of the GVROC, I look forward to attending the Productivity Commission workshop in Kalgoorlie on Tuesday, 7 May 2019 to further explore these recommendations. Should you have any questions regarding this submission, please do not hesitate to contact me .

Kind Regards,

Malcolm Cullen
Goldfields Voluntary Regional Organisation of Councils

29 April 2019