

**Northern Territory  
Government Submission to  
the Productivity Commission  
Inquiry into Remote Area  
Tax Concessions and  
Payments  
April 2019**

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# 1 Executive Summary

## Key points:

- The Territory is a strong supporter of remote area tax concessions and payments
- The value of the ZTO and RAA have declined in real terms to the extent they are unlikely to have an impact on mobility decisions, or compensate for the hardships faced by individuals and businesses in regional and remote areas. The values should be increased and indexed annually by an appropriate cost of living indicator
- Changes are required to address eligibility anomalies with the ZTO and RAA, and to update geographical areas of eligibility in line with a more contemporary measure of remoteness
- FBT RAC that apply to FIFO related payments are in direct conflict with the policy objective of supporting sustainable population growth in remote areas and should be removed for FIFO related costs for employees with a usual place of residence in urban areas

The Northern Territory strongly supports remote area concessions and payments, as a means to address the disparity in living and operating conditions in regional and remote areas and as a policy lever to incentivise development of regional and remote Australia which has the potential for broader social and economic benefits for Australia as a whole.

The NT Government contends that compensating for the significant disadvantages faced by individuals and businesses residing in regional and remote areas remains a relevant justification for remote area concessions and payments. Despite advancements in technology, transport, and infrastructure; regional and remote areas are not, and cannot be considered to be, equivalent to major cities in terms of: price; quality; choice of, and access to, goods and services; and general amenity.

There is similarly a strong justification for remote area concessions and payments to complement existing policy efforts (from both the Northern Territory and Commonwealth Government) to develop Northern Australia and grow the populations of regional and remote areas. Developing the North has the potential to unlock significant economic output and productivity gains as well as enhance border security. Investing in regional and remote areas will also reduce the impact of overpopulation in major cities, by incentivising Australians to include regional and remote living in their choice set.

However existing remote area concessions and payments are unlikely to be effectively delivering on these objectives in their current form and some refinements are necessary to ensure they remain relevant.

Whilst there is limited quantitative data on the impact of the Zone Tax Offset (ZTO) and Regional Area Allowance (RAA), the NT Government considers that, given the decline in the value of the ZTO and RAA in real terms, they are unlikely to be having an impact on mobility decisions or sufficiently compensating for hardships, as originally intended. The Northern Territory considers that the ZTO and RAA could more effectively deliver on their policy objectives if their value was increased and indexed annually by an appropriate cost of living indicator.

Additional changes to the ZTO and RAA are required to address existing equity issues, such as the eligibility anomalies that mean certain individuals with relatively low economic capacities are out of scope for either of these incentives. The ZTO and RAA geographical boundaries are outdated and should be redrawn in line with a more contemporary measure of remoteness.

In terms of the Fringe Benefits Tax Remote Area Concessions (FBT RAC), the Territory considers that concessions available for fly-in fly-out (FIFO) related costs incurred by employers should be removed for certain employees as encouraging FIFO is in direct conflict with regional development objectives to support sustainable population growth in regional and remote areas.

## 2 Background

On 28 November 2018 the Commonwealth Treasurer requested the Productivity Commission undertake a study “to determine the appropriate ongoing form and function of the zone tax offset, FBT remote area concessions, and Remote Area Allowance”. This request to ‘determine’ a course of action is more specific than typical requests for the Commission to assess, investigate, inquire or scope particular issues.

On 12 March 2019, an issues paper *Remote Area Tax Concessions and Payments* was released seeking stakeholder submissions on the issues and included questions the Productivity Commission identified as relevant to its study. This submission has been prepared in response to the issues paper.

## 3 Context

Key points:

- The Territory has the smallest population, and is the most sparsely populated, of all Australian jurisdictions
- The Territory has a small and open economy that is significantly influenced by resource projects. The cyclical nature of projects has significant impacts for regional and remote economies which tend to be less diverse than the major economies built around large population centres
- The Territory has a highly transient young population, skewed towards males, with a high proportion of Aboriginal people
- The Territory has a harsh and uncomfortable climate characterised by high temperatures, high humidity, monsoonal rains and cyclones in the Top End and dry and arid conditions with both extremes in temperatures in central Australia

### 3.1 Population and remoteness

The Northern Territory is the third largest geographical area of all Australian states and territories (17.5 per cent of Australia’s total landmass), and represents just less than one percent of the national population. The Territory is the most sparsely populated jurisdiction with 0.2 persons per square kilometre.<sup>1</sup>

The Northern Territory has a population of almost 250 000 persons. The majority of Territorians live in the population centres of the Greater Darwin region (148 564) and Alice Springs (26 534) followed by the regional centres of Katherine (10 714), Nhulunbuy (3 274) and Tennant Creek (3 252)<sup>2</sup> with the remaining population dispersed across small isolated remote outstations and homelands throughout the Territory.

There are vast distances to cover between Darwin and the major Territory centres of Alice Springs (1500km), Katherine (300km), Tennant Creek (1000km) and Nhulunbuy (1000km) travel times can be significant. Darwin is 3000km to 4000km from Sydney, Melbourne, Brisbane and Adelaide. While there are direct flights from Darwin to most of Australia’s capital cities (most days of the week), there is no direct flight to Canberra.

### 3.2 Economic Structure

As a small open economy the Northern Territory is heavily reliant on resources, and historically growth has been driven by major resource projects. This has resulted in significant volatility in key economic indicators such as gross state product, employment, inflation and population over the past 20 years, and significantly

<sup>1</sup> NT Government (2018). Economy Book, Northern Territory 2018-19 Budget, page 33.

<sup>2</sup> ABS Data by Region (2017). Geographic boundaries are: Greater Darwin (GCCSA), Alice Springs (LGA), Katherine (LGA), Nhulunbuy (SA2), and Tennant Creek (SA2).

more volatile than in other jurisdictions and Australia (see Attachment A).<sup>3</sup> These factors tend to be exacerbated in smaller Territory communities, with economies being less diverse, and less resilient to both supply and demand shocks. The Territory's labour force is characterised by a low unemployment rate (as people are more inclined to leave if there are no job opportunities) and high participation rate (more of the working age population is in the Territory to work) compared with nationally.

The more cyclical nature of less diverse economies can make planning more difficult for households, businesses and investors. For example, economic volatility impacts planning for, and funding of, investments in key infrastructure, the supply of developed land and the delivery of education, health, welfare and other services.<sup>4</sup> This volatility also increases uncertainty and impacts the attractiveness of these markets for labour, and the viability of careers.<sup>5</sup> These issues are discussed in detail in the Northern Territory's submission to the Productivity Commission's Transitioning Regional Economies inquiry in 2017.

### 3.3 Demography

In the Northern Territory 30 per cent of the population is Aboriginal, 70 per cent of whom do not have English as their first language<sup>6</sup>. There are 100 different Aboriginal language groups in the Northern Territory and some English concepts may not translate well into native languages.

The Territory has a younger age profile (**Figure 1**), with median age of 32.7 years compared with 37.3 years for Australia, partly reflecting the age profile of the Territory's large Aboriginal population. The relatively large number of persons aged 25 to 34 years in the Territory also reflects the structure of the Territory economy, dominated by mining, construction, and defence, and the transient nature of the Territory's population. These industries also typically employ more men than women, skewing the Territory's gender balance, with 106 males for every 100 females, compared to less than 99 males for every 100 females for Australia. The Territory shares these demographic characteristics with other remote resource economies around the world such as Alaska and Northern Canada.<sup>7</sup>

In 2016-17 the Territory recorded the highest age-standardised death rate among jurisdictions (7.2 deaths per 1000 persons). The Territory's average age-standardised death rate over the past five years (8.1) was also the highest across all jurisdictions and much higher than the Australian average of 5.4.

Natural increase is the most stable and significant driver of population growth in the Territory (see Attachment A, **Figure A5**). The Northern Territory consistently records negative net interstate migration rates, and has had negative net interstate migration since March 2010. Whilst negative net interstate migration is not unusual for the Territory, the size of the current deficit is significant. Combined with recent low net overseas migration rates (which is traditionally net positive), this has meant a decline in the Territory's population growth rate in 2018.

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<sup>3</sup> NT Government (2018). Economy Book, Northern Territory 2018-19 Budget, page 8.

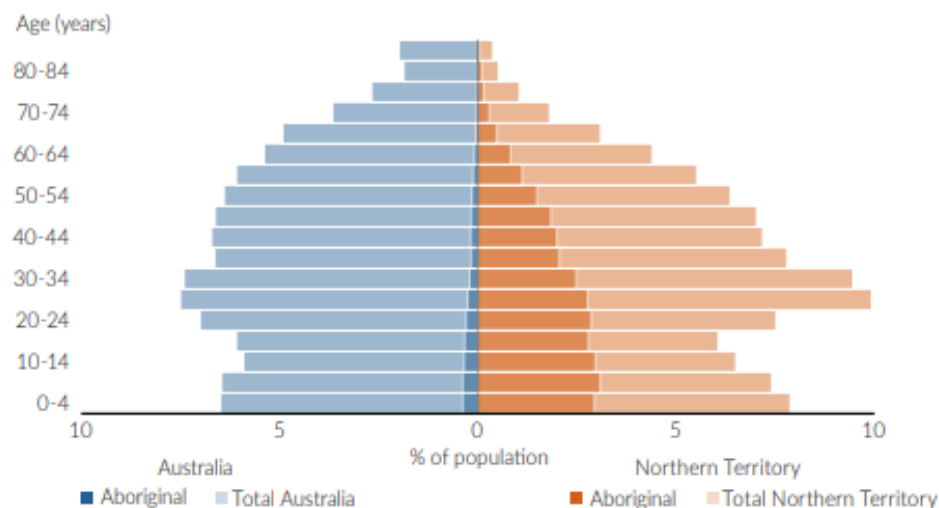
<sup>4</sup> McKenzie F H (2011). Attracting and retaining skilled and professional staff in remote locations in Australia. The Rangeland Journal, 33, 353-363.

<sup>5</sup> Research paper prepared for Council of Australian Governments (2016). Competition Policy: Implementing competition reforms in Regional and Remote Australia.

<sup>6</sup> ABS (2011). Estimate of Aboriginal and Torres Strait Islander People in Australia. Cat. Number 3238.0.55.001 and ABS (2011). Census of Population and Housing. Data from TableBuilder.

<sup>7</sup> Taylor A, Carson D (2017) Synthesising Northern Territory Population Research: A report to the Northern Territory Department of the Chief Minister. Northern Institute

**Figure 1:** Population age profile – Australia and Territory by Aboriginal status



Source: Northern Territory Department of Treasury and Finance

### 3.4 Climate

Remote areas of Northern Australia and the Northern Territory are largely unpopulated, and represent some of the harshest and most uncongenial physical environments in the world<sup>8</sup> (see Attachment B). This is reflected in research which reports the impact of climate change on the number of deadly heat days in Australia will be highest in Northern Australia, with the greatest risk to human life in tropical areas. This is because the tropics are hot and humid year round, whereas for higher latitudes the risk of deadly heat is restricted to summer.<sup>9</sup>

The Top End of the Northern Territory – Darwin, Katherine, Kakadu and Arnhem Land regions – is a wet tropics zone with a tropical monsoonal climate with Dry and Wet seasons. Maximum temperatures in Darwin during the year are relatively stable in the low to mid 30's°C, but during the Wet, from October to April, the weather is particularly uncongenial due to very high humidity, tropical cyclones, monsoonal rains and storms. Average maximum temperatures in some areas of the Top End are significantly higher than in Darwin. Flooding is common in the Top End during the Wet, and some remote communities are often isolated by flood waters for weeks as a result of damaged infrastructure or impassable roads. Tropical cyclones can produce destructive winds, heavy rainfall, flooding and storm surge resulting in major damage and, in some cases, the loss of life.

The Central Australia region – Alice Springs, Tennant Creek, the Barkly Tablelands and Uluru – is a dry tropics zone with a semi-arid climate and four seasons. The Central Australia region is prone to drought and is subject to temperature extremes, consistently exceeding 35°C in summer and dropping below 0°C overnight in winter.

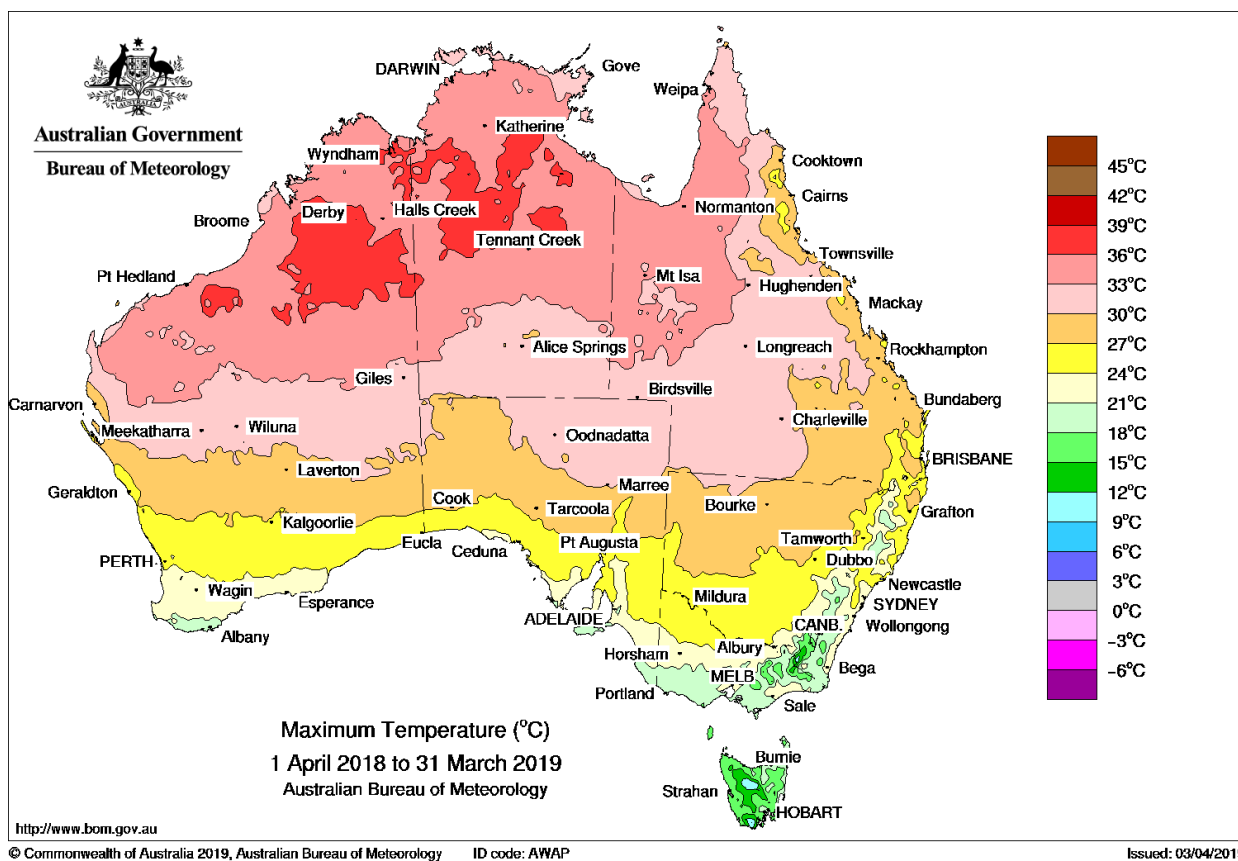
Maximum temperatures across Australia are at **Figure 2**, which shows that, through the year, average maximum temperatures are significantly higher in Northern Australia. It is not only high temperatures that contribute to the uncongenial climate in Northern Australia, a key factor is the high humidity which accompanies high temperatures during the Top End's Wet. **Figure 3** reports Australia's absolute humidity (technically referred to as 'water vapour'<sup>10</sup>) over the course of a year, which shows large parts of the Territory have the extremes of either very high or very low humidity.

<sup>8</sup> Fullerton A R (2014). Are you still here, Mr Haase? A study of Australia's tax rebates for residents in isolated areas. Journal of Australasian Tax Teachers Association, Vol. 9 No. 1.

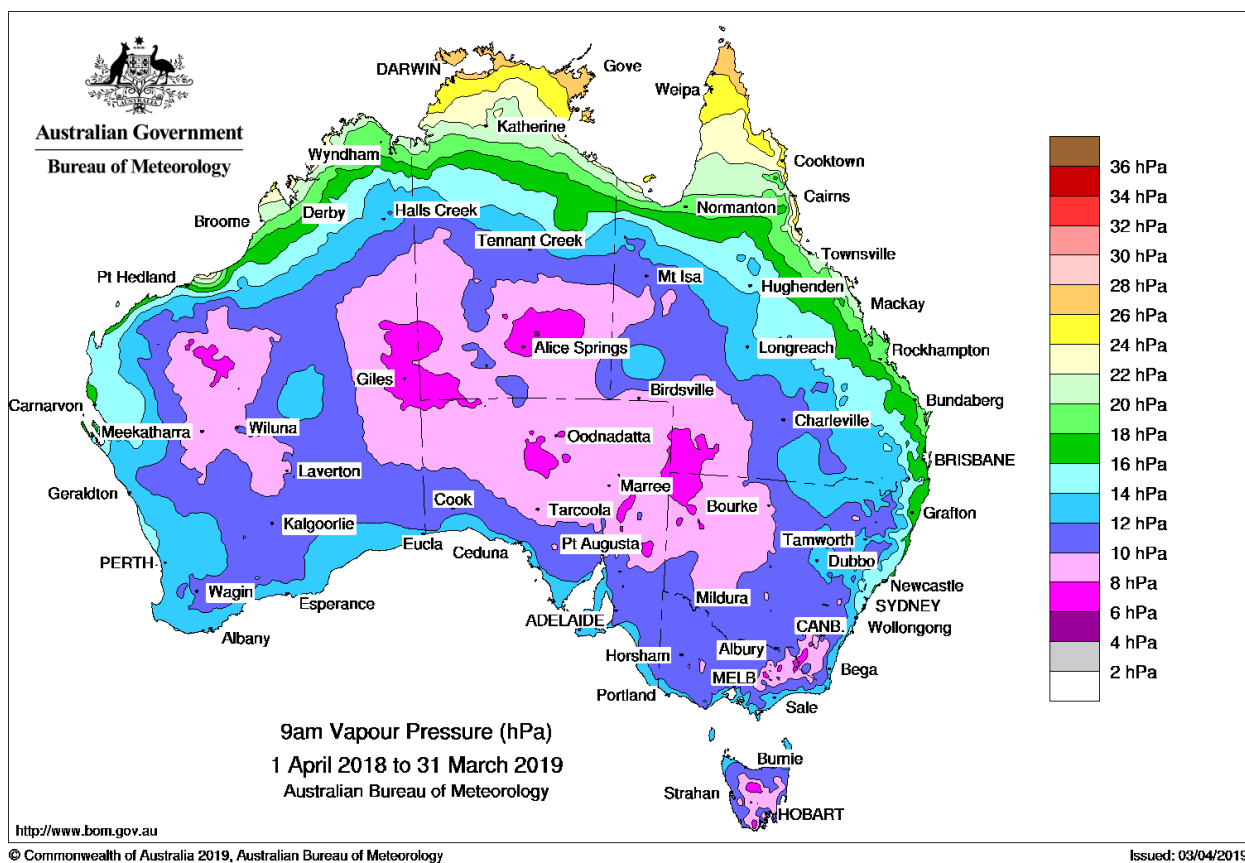
<sup>9</sup> Mora C et al (2017). Global risk of deadly heat, in Nature Climate Change, 7, 501–506.

<sup>10</sup> The amount of water vapour in the air is called absolute humidity. The amount of water vapour in the air as compared with the amount of water that the air could hold is called relative humidity. This amount of space in air that can hold water changes depending on the temperature and pressure.

**Figure 2: Maximum Temperature, 1 April 2018 to 31 March 2019**



**Figure 3: Vapour Pressure, 1 April 2018 to 31 March 2019**



## 4 Responses to requests for information

### Key points:

- The Territory supports the Commission's proposed approach to its study but sees value in the Productivity Commission exploring how regional and remote areas would have been impacted in the absence of remote area concessions and payments and conversely how these regions may have developed had the ZTO and RAA been indexed to maintain the original policy intent
- The combination of a range of factors mean people are less likely to settle in regional and remote areas (such as high costs of living, isolation, thin markets, uncongenial climate, distance from family)
- In the Territory's experience, there are significant challenges in attracting and retaining people to regional and remote areas.
- Tax and financial incentives have been found to be an effective policy tool to influence mobility decisions in NT Government commissioned population mobility research and the Territory has a range of incentives available to incentivise population growth in the Territory
- At present, the value of the ZTO and RAA are unlikely to have an impact on mobility decisions given their eroded real values.
- The ZTO and RAA, should be increased and indexed per annum, if they are to effectively deliver on their policy objectives and would complement existing efforts by the Territory Government to attract and retain populations.
- An expanded ZTO and RAA would complement existing efforts to develop and economically activate and populate Northern Australia while reducing the pressure on overpopulated areas in Australia, resulting in broader benefits for the nation as a whole.
- Notwithstanding this, the Territory also sees justification for expanding remote area concessions and payments from an equity perspective noting the significant hardships that individuals and businesses continue to face in regional and remote areas today.
- There are a number of other improvements required to the ZTO and RAA to address equity issues including addressing eligibility anomalies and remoteness boundaries.
- The FBT RAC on FIFO related payments is in direct conflict with the overarching objective of developing regional and remote areas and should be removed.
- Other potential incentives that the Productivity Commission could explore to incentivise people to settle in regional and remote areas are provided.

The Commission has identified a range of specific issues it is interested in exploring. The following sections provide responses to these issues.

## 4.1 The Commission's analytical approach

The Commission invites feedback and input on our analytical approach including:

- our proposed approach to analysis
- Australian or international studies that may be relevant for our analysis

### 4.1.1 Is the proposed approach to analysis appropriate

The issues paper identifies a range of difficulties in quantifying the effectiveness of the ZTO, FBT RAC and RAA in meeting their original policy objectives given challenges in gathering relevant data, and developing methodologies to isolate and quantify their effect and impact in decision making. The NT Government strongly supports the Productivity Commission using its economic and policy expertise, experience and resources to undertake a thorough analytical investigation into the impact of these concessions on local and regional economies, and the national economy. This will allow for an informed debate on this issue, in an environment where governments can have opaque and/or competing policy objectives and priorities. The counterfactual case would be of interest for the Productivity Commission to analyse; how would remote regional economies have developed in the absence of these concessions? To what extent have the concessions incentivised population to move to and remain in remote regional Australia? If the concessions had been indexed and maintained at the original value (from 1945) how different could Australia's population distribution have been?

To support this quantitative research the Northern Territory strongly recommends the Productivity Commission engages a broad cross-section of the Territory's business and general community, and that this engagement is undertaken across a range of community settings. This engagement should include people and organisations that can provide a long term perspective on the impact of concessions, and how their impact on decision making may have changed over time. Even if the Commission is able to develop a basic economic model, stakeholder engagement will still be critical in assessing the on-the-ground impacts of the concessions. A key issue for the NT Government is to better understand the impact of the concessions in attracting and retaining labour in regional and remote areas.

### 4.1.2 What Australian or international studies may be relevant for our analysis

There is extensive research on population trends in remote areas both nationally and internationally that the Productivity Commission could consider as part of its study. Possible examples of relevant books/articles include:

- Demography at the Edge – by Rasmus Ole Rasmussen, Prescott Ensign, Lee Huskey
- Settlements at the Edge Remote Human Settlements in Developed Nations – by Andrew Taylor, Dean Carson, Prescott Ensign, Lee Huskey, Rasmus Ole Rasmusse, and Gertrude Saxinger
- Attracting and retaining skilled and professional staff in remote locations in Australia – by Fiona Haslam McKenzie

## 4.2 Economic and employment effects

The Commission is seeking data or other evidence that could be used to assess employment and economic effects of remote area tax concessions and payments on affected communities, businesses and individuals. In particular:

- the impact of the concessions and payments on wage and employment decisions
- the impact of the concessions and payments on labour mobility and retention, and changes to these impacts as the real value has eroded
- the extent to which FBT RAC influence employers' decisions between offering fly-in fly-out and regular employment
- the materiality of the remote area FBT exemptions and concessions to businesses and industry (for example, levels of uptake and total amount claimed)
- the likely impost on business and industry if the concessions or exemptions were removed
- the materiality of the RAA for individuals and families in remote areas, including Aboriginal communities (for example, levels of uptake and share of income)
- evidence that employers pay more to attract and recruit labour to remote areas where there is demand for workers.

### 4.2.1 What is the impact of the concessions on wage/ employment decisions; labour mobility/ retention; have the impacts changed as their real value has eroded, and, to what extent do FBT RAC influence employers' decisions making; what is the materiality of the FBT RAC to businesses and RAA for individuals and families; and what would be the likely impost on business if they were removed

As previously noted, there are significant challenges in quantifying the impacts of the ZTO, FBT RAC and RAA and limited modelling on their impacts to date. The NT Government considers that given the ZTO and RAA have been significantly de-valued over time that it is unlikely they significantly compensate for the disadvantages of living in regional and remote areas, and are not a determining factor in decision making regarding whether to relocate to a remote location. For example, since 1993 there has been a freeze on the dollar value of the ZTO at \$338:

- national inflation has increased by 88 per cent over this 26 year period
- average wages and salaries across Australia have increased significantly, and its percentage of the Northern Territory's full time adult average weekly earnings has declined from 0.9 per cent in 1996 (earliest available data) to 0.4 per cent in 2018.

Intuitively this suggests the influence of the ZTO in decision making has fallen significantly over time. Anecdotal information suggests the ZTO concession is not significant in incentivising people to relocate to regional and remote areas. There is little information – even anecdotal information – as to what the impact of the concessions is in retaining population and workforce. As previously noted, a key issue requiring investigation by the Productivity Commission is the extent to which the concessions could have reinvigorated interest in living and working in regional and remote areas of Australia (leading to the development of the north and reducing of congestion in the Eastern Seaboard), if the ZTO and RAA had been indexed.

Given the FBT RAC is based on rates rather than a level (as is the case with the ZTO and RAA), its impact in decision making has not been de-valued over time.

#### 4.2.2 Is there evidence that employers pay more to attract labour to remote areas

The Northern Territory has historically had difficulty attracting and retaining skilled labour from interstate. This is reflected in the Territory's unemployment rate typically being well below the national rate and net interstate migration typically being negative, and is manifested as skilled labour shortages. These issues are more pronounced in more remote areas in the Territory, which face significant challenges attracting and retaining employees.

The tax system provides virtually no incentive for Australians to locate to areas where their skills are most in demand, particularly to the regional and remote of Northern Australia, including the Northern Territory. Without a broad range of incentives to attract workers, regional towns in the Northern Territory and other states will continue to struggle to attract and retain skilled workers.

The NT Government provides substantial incentives to encourage employees to work and live in remote areas. These incentives are critical to securing the people and skills required in regional and remote areas and complement Commonwealth Government remote area tax concessions (and other policy initiatives) designed to compensate for the higher cost of living, isolation and uncongenial climate, as well as limited access to health, education, social, financial, emergency, communication and professional support services. The NT Government's experience is that the level of incentives does impact the willingness of labour to relocate to or remain in remote areas, though the level does vary by the individual and the profession. The level of incentive is determined by the skill, mobility and external demand for various professions.

Such entitlements can include: retention payments, airfares and accommodation allowance, rental concessions and housing, assistance with freight costs, electricity subsidies, remote incentive allowances, assistance with increased contents insurance, additional leave, family travel assistance, special study leave and reimbursements for satellite television and/or internet costs. In the Territory the eligibility and quantum of entitlements varies by occupation and degree of remoteness. The 'degree of remoteness' is determined within the Northern Territory context.

Despite generous relocation and retention incentives and competitive remuneration packages, NT Government agencies still experience difficulties attracting and retaining critical staff. For example, Territory nurses, midwives, teachers and police are amongst the best paid in the nation, but agencies still experience difficulty in attracting and retaining staff (see Box 1). Where there are ongoing gaps in critical positions, and where funding is available, the NT Government has at times had to offer additional payments and/or benefits on top of existing remote entitlements and remuneration packages to attract staff to critical positions.

##### **Box 1: Recruiting qualified frontline child protection professionals**

The provision of high quality and responsive child protection services across the Territory is critical, in an environment where the recruitment of suitably qualified frontline staff is a challenge both nationally and internationally. For over a decade the NT Government has provided additional remuneration targeted at 'difficult to fill' roles in child protection services. Incentives are weighted appropriately against the most difficult to fill roles and regions. Additional remuneration can offer, where funding provides, up to a 25 per cent increase in an employee's package, but recruitment/retention issues persist, with high vacancy rates and low staff retention the norm and not expected to ease in the near future. The *Royal Commission into the Protection and Detention of Children in the Territory* highlighted the challenges and its recommendations further intensified the pressure on the NT Government to ensure frontline child protection services meet demand. Additional Commonwealth incentives could assist the Territory to attract and retain people to this hard-to-fill positions.

The Commonwealth Government is another example of an employer that provides entitlements to workers in regional and remote areas. For example, the Australian Defence Force (Defence) provides entitlements to “assist employees with the isolation, climatic discomfort and the higher cost of living generally associated with residing and working in Australian localities considered to be remote”.<sup>11</sup> Workers stationed at remote localities are provided with a district allowance, assisted leave fares allowance and additional annual leave, with some of these entitlements extending to dependents. The Commonwealth Department of Health also provides financial incentives to encourage and retain medical practitioners (doctors and nurses) to practice in regional, rural and remote communities through their General Practice Rural Incentives Program. This is far from an exhaustive list, but offers examples of the financial incentives required to attract and retain labour in regional and remote areas of Australia.

From a private sector perspective, resource projects provide further examples of employers incurring higher costs to attract skilled labour to regional and remote areas most notably through the use of FIFO and drive-in and drive-out practices.

The difficulty in attracting and retaining workers in regional and remote areas is not only reflected in salaries and incentives, it has created whole new long distance commuting business model which the Reserve Bank of Australia has noted has “helped employers to meet their labour demand requirements given the reluctance of workers to move permanently to remote areas”.<sup>12</sup> The NT Government’s experience is that this business model – which has historically been associated with remote locations – is now increasingly being observed in regional centres such as Darwin.

#### 4.3 Objectives of remote area assistance programs

The Commission is seeking information on:

- which, if any, of the policy rationales given for special assistance for people in remote areas remain valid in a contemporary Australia and why
- the costs of living in regional and remote areas within the zones compared to other parts of Australia (for example, the costs of food, communications, transport, education, healthcare and housing)
- changes in the cost of living in remote areas over recent decades
- changes in technology, transport, and infrastructure over recent decades that have affected the hardships of living in areas that are geographically isolated or have uncongenial conditions
- any other forms of government assistance available to people living in remote areas (including Indigenous communities) to assist them in overcoming disadvantages such as a high cost of living or limited access to government and non-government services
- whether the policy rationales given to support the zone tax offset (and its previous incarnations) apply to the FBT RAC, or RAA
- whether there is merit in moving away from remote area assistance based on concepts such as the relative costs of living, and instead basing assistance on more direct measures of disadvantage or need.

<sup>11</sup> Defence Enterprise Agreement 2017-2020.

<sup>12</sup> D’Arcy P et al (2012). Labour Market Turnover and Mobility. Reserve Bank of Australia Bulletin, December quarter.

#### 4.3.1 Is the policy rationale for special assistance still valid, and why

Box 3 of the Issues Paper identifies three policy rationales to justify the Commonwealth providing support to regional and remote areas. These are: equity, regional development and industry-specific assistance.

The Issues Paper frames the original rationale for the ZTO as being on equity grounds (i.e. to compensate for the disadvantages of isolation, higher costs of living and uncongenial climate), though it also notes the broader policy objective of introducing the ZTO is more consistent with regional development objectives with the Issues Paper stating the ZTO was introduced because: “the Government considered it in Australia’s economic and strategic interests to encourage people to settle in remote areas”. This objective is still relevant today, and is reflected in a range of Commonwealth policies.

The NT Government considers that incentivising regional development remains a relevant justification for retaining and increasing remote concessions. It is recognised that investments in regional and remote areas can have benefits in terms of lifting Australia’s economic output and productivity and enhancing national security. The Commonwealth’s 2015 *Our North, Our Future* White Paper highlighted the importance of Northern Australia to Australia’s future prosperity and security. Northern Australia contributed 10.7 per cent (\$187 billion) of Australia’s GDP in 2016-17 and has the potential for significant growth based on abundant natural resources and proximity to key trading markets. To unlock this potential requires access to labour (preferably resident rather than FIFO) and capital, and policy initiatives that support sustainable jobs and population growth. The north is strategically located within the rapidly changing Indo-Pacific region; a region that increasingly dominates the global economic, cultural and strategic shape of the world. The White Paper also recognises the critical role the Territory, and wider Northern Australia, plays in Australia’s national security. The Territory is strategically positioned as a regional hub for defence, border protection, humanitarian assistance, interoperability training and ensuring critical trade routes remain open.

In addition, incentivising population growth in regional and remote areas can contribute to mitigating the pressures of overpopulation currently being felt in some regions of Australia. These pressures contribute to congestion and can impose a significant cost on people living in major cities and urban areas. The national cost of this congestion in Australia’s capital cities is estimated at \$25 billion per annum,<sup>13</sup> with Infrastructure Australia estimating that, unless action is taken, congestion may cost Australia up to \$53 billion by 2031.<sup>14</sup>

The NT Government also sees justification for providing concessions on equity grounds. The Issues Paper suggests the need for incentives to compensate for equity reasons is diminished given that infrastructure, transport and living conditions in regional and remote areas has improved significantly since 1945.

The NT Government does not disagree that conditions have improved significantly, but the equity issue needs to be considered in relative terms, and what the current relative situation is with respect to isolation, cost of living and uncongenial weather. For example, relative to the rest of Australia, uncongenial and volatile climatic conditions persist in the Northern Territory. This translates into additional household and business operating costs through, amongst other things, higher construction costs to comply with building codes, higher maintenance costs (associated with extreme climatic conditions), increased energy use and higher insurance premiums. The Australian Competition and Consumer Commission (ACCC) has reported that insurance premiums are considerably higher in northern Australia than the rest of Australia, and that costs are increasing at a faster rate than in the rest of Australia.<sup>15</sup>

Advances in technology since 1945 have not overcome the impacts of an uncongenial climate, and the climate and weather events are expected to become more extreme as a result of climate change. Looking forward, the Northern Territory is expected to experience higher average temperatures, more hot days over

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<sup>13</sup> <https://www.pmc.gov.au/sites/default/files/publications/planning-for-australias-future-population.pdf>

<sup>14</sup> Infrastructure Australia (2015). Australian Infrastructure Audit.

<sup>15</sup> ACCC (2018). Northern Australia Insurance Inquiry first interim report.

35°C, more frequent and intense extreme weather events such as storms, cyclones, floods, droughts and bushfires, less predictable rainfall patterns and rising sea levels.<sup>16</sup> In addition (and as discussed in more detail later in this submission), cost of living continues to be a significantly higher in the Territory relative to other jurisdictions. In recent decades there has been a major shift in how financial flows are distributed, with much greater emphasis on ‘economic rationalisation’ in decision making. This shift has put greater emphasis and importance in the assessment process on quantifiable impacts and population scale. This focus on economic cost benefit analysis rather than equity or regional development considerations has seen urban projects prioritised over regional and remote projects.

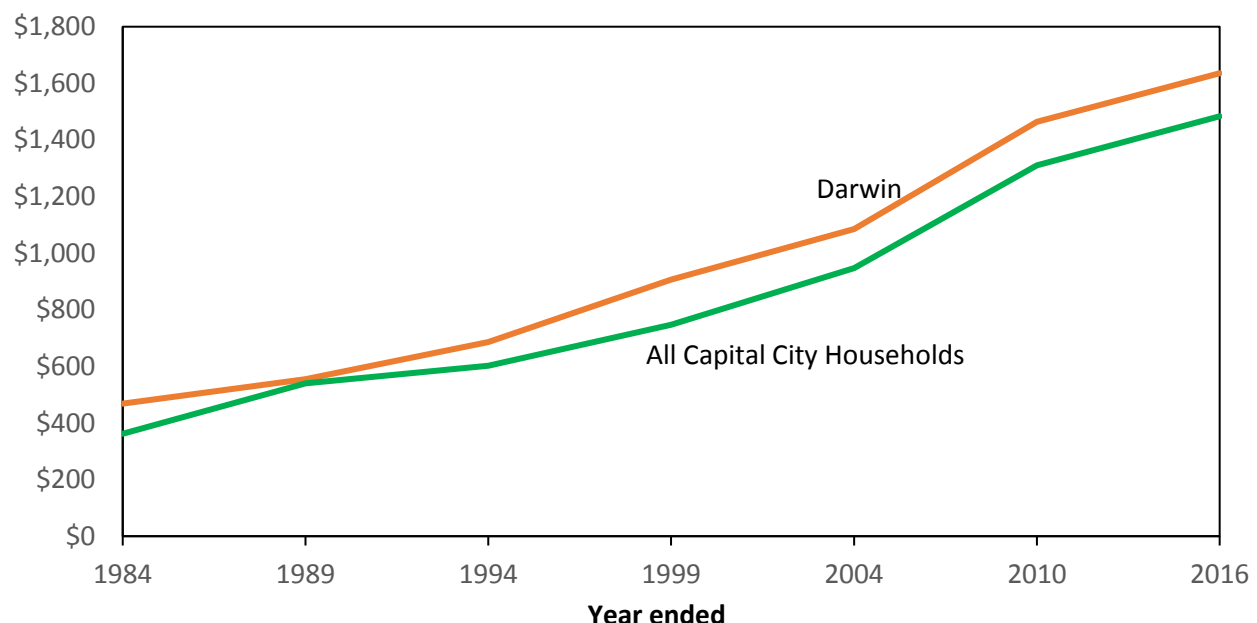
It should be noted the horizontal fiscal equalisation process is for delivery of government services, and does not address the exact same factors that impact the private sector (which are discussed later in this submission).

#### 4.3.2 How have costs of living in regional and remote areas changed over recent decades compared with other parts of Australia

One of the original rationales for implementing the ZTO was to compensate workers for higher cost of living in remote areas that are distant from major supply chains and centres. Although supply chain efficiencies may mean the variation in the absolute cost difference of goods has decreased over time, for many goods this cost difference persists. In fact, it could equally be argued the relative value of the ZTO has fallen more significantly than any decrease in the cost of living differential.

The Australian Bureau of Statistics releases Household Expenditure Survey data for capital cities every five years, with the most recent data being for 2015-16. Design of the survey has changed over time to reflect changing consumption patterns and the treatment of some expenditures (e.g. mortgage repayments and superannuation and life insurance costs), with the most consistent reporting being for household expenditure on goods and services. A time series of this data from 1984 is at **Figure 4**.

**Figure 4: Average Weekly Household Expenditure on Goods and Services\***



\* ‘Education’ is separately included in the Household Expenditure Survey for the first time in 2015-16, but is not included in the above graphic due to the high relative standard error for Darwin.

Source: ABS Cat. No. 6530.0

<sup>16</sup> Deloitte Access Economics (2017). Building Australia's resilience to natural disasters.

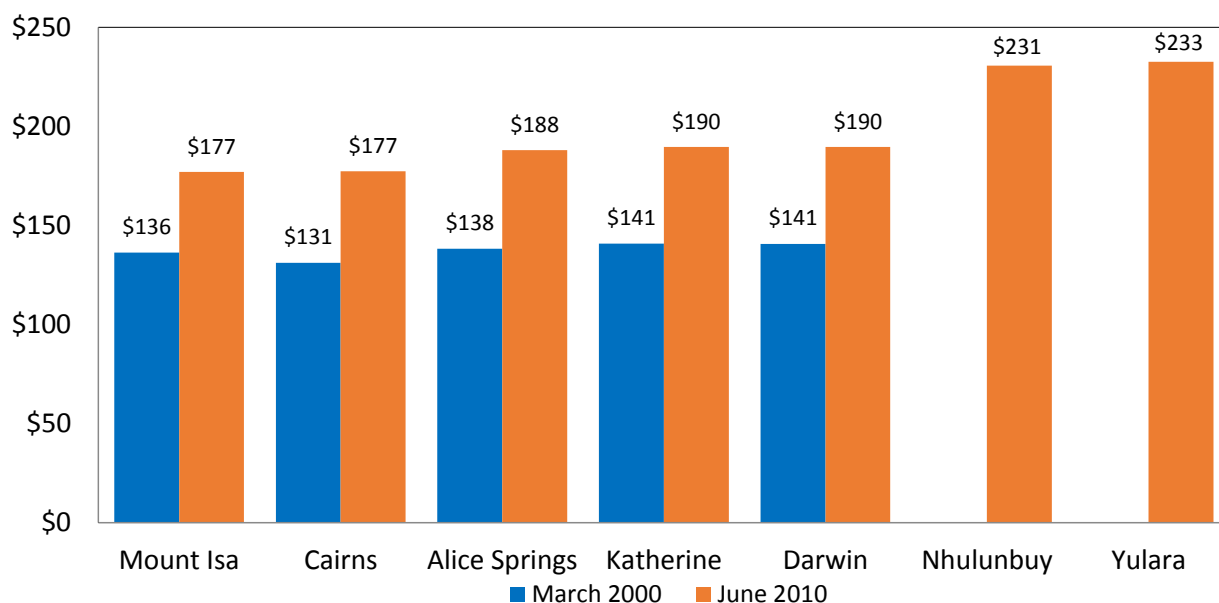
**Figure 4** clearly shows household expenditure in Darwin for a standard basket of goods clearly exceeds that of expenditure for ‘all capital city households’ expenditure. The difference has varied over time, however over the past 20 years (or four Household Expenditure Surveys) a Darwin household has spent, on average, over \$150 per week more on goods and services than for ‘all capital city households’.

The consumer price index (CPI) measures changes in prices for an average basket of goods from a base year, which is useful in tracking the relative change in prices for a location, but it does not give an indication of the actual dollars required to purchase the average basket. That is, CPI is useful for tracking changes in prices over time, but provides no insights into the actual cost of living.

At a regional level, the Northern Territory Department of Treasury and Finance undertook a grocery price survey (GPS) of regional centres in the Northern Territory and comparable regional centres in Queensland from 2000 to 2010. Cairns was used as a comparator for Darwin, and Mt Isa as a comparator for Alice Springs. The survey was established in response to concern over high food prices in the Territory, and was a recommendation of the Northern Territory Legislative Assembly’s Select Committee on Territory Food Prices.

The GPS reported that in March 2000, Darwin prices were 7.3 per cent higher than in Cairns. Darwin was 18.6 per cent more expensive in Fresh Fruit & Vegetables, 9.8 per cent more expensive in Meat & Seafood, and 12.9 per cent more expensive in Soft Drink, Ice Cream & Confectionery categories. It was assessed that this price differential reflected higher operating costs associated with the storage and transportation of these types of products and the lack of a major discounter in the Territory market. Alice Springs prices were 1.4 per cent higher than in Mt Isa. The headline results for March 2000 survey are at **Figure 5**.

**Figure 5: Cost of Total Basket by Location, March 2000**



Source: Northern Territory Department of Treasury and Finance

The survey ceased interstate comparisons in 2010. Headline results of the June 2010 survey (see **Figure 5**) show the differential between interstate regional centres persisted (with Darwin prices 7.3 per cent higher than Cairns, and Alice Springs prices increasing to be 6.2% higher than in Mt Isa), and the cost of the average basket in the remote centres of Nhulunbuy and Yulara is significantly higher than in all of the larger regional centres.

In December 2018 the ACCC reported that a range of complex issues affect home, contents and strata insurance markets in northern Australia, and means residents and property owners pay much higher premiums

than is the case elsewhere in Australia. Prices are also rising at a faster rate: increasing by 130 per cent in real terms between 2008 and 2018, compared with average 50 per cent rise in the rest of Australia (see Box 2).<sup>17</sup>

### **Box 2: Northern Australia Insurance Needs Immediate Action**

Below are excerpts from a statement released by the ACCC on 18 December, 2018.

*Extreme weather in northern Australia, and the cost of servicing this area, are partly to blame for high premiums that many consumers are facing. But other factors have contributed, including moves by insurers to assess risk and set premiums at an individual address level, rather than pool risks across regions.*

*The ACCC's analysis revealed an unusual competitive dynamic. The inquiry found insurers are not actively trying to win market share in some high risk areas, but are instead seeking to deter customers and limit their exposure by raising premiums, leading to soft competition. Markets at the regional level are also highly concentrated.*

*"The anxiety caused by often unaffordable insurance premiums, and the inability of some people to even insure their homes, is causing real distress for people living in northern Western Australia, northern Queensland and the Northern Territory, and has the potential to limit economic development in the region."*

*"In this report, we have proposed a range of measures that could start to bring improvements to insurance markets ... (but) it will still leave underlying affordability issues for some individuals that are so sharp that a stronger public policy response may be needed. Reviewing possible further policy options to improve insurance affordability will be the primary focus of the next stage of our inquiry," Ms Rickard said.*

*The inquiry found as premiums have risen, so have the amounts customers pay in stamp duty, GST and commissions. The interim report found that stamp duty paid on home, contents and strata insurance in northern Australia rose from \$22 million in 2007-08 to \$79 million in 2017-19, and GST revenue rose from \$25 million to \$78 million over the same period.*

*Conflicts of interest in the market were common and significant, the interim report found. Most insurance brokers received payments from insurers, and commission rates of 15 per cent to 20 per cent of base premiums paid were common.*

*The ACCC did not find evidence that insurers were making high or excessive profits in northern Australia, or that they were using profits in northern Australia to subsidise premiums in other parts of the country. Rather, high claims and costs have resulted in the majority of insurers operating at a loss in northern Australia during the past decade, while those that were profitable had lower returns than in the rest of the country.*

Source: Australian Competition and Consumer Commission (2018). Northern Australia Insurance Inquiry first interim report.

Other recent media highlighting cost of living issues in the Northern Territory include:

- local reactions to the Home Affairs Department's decision to remove a remote living allowance for its 150 workers stationed Darwin. The union representing these workers claims "customs workers in the Territory would potentially be paid \$5,000 less than they were receiving five years ago", and that 30 Border Force workers have requested to leave the Territory after allowances were cut<sup>18</sup>

<sup>17</sup> ACCC (2018). Northern Australia Insurance Inquiry first interim report.

<sup>18</sup> Union claims NT Border Force workers won't be able to afford rent after allowance cut.

<https://www.abc.net.au/news/2019-04-05/border-force-cuts-nt-claims-workers-no-rent-union-kay-densley/10976248>

- this article reports that regional air travel within Australia can be expensive whether travelling from Alice Springs or elsewhere, and that depending on when fares are booked, it can be more expensive to fly out of Alice Springs – even to Darwin – than it is to make an international trip from another capital city. Reasons for this include that regional aviation is inherently more expensive than domestic or international aviation due to poor economies of scale and high operating costs, and that the level of competition on particular routes will also impact prices and price competition.<sup>19</sup>

#### 4.3.3 What changes in technology, transport, and infrastructure have affected the hardships of living in areas that are isolated or have uncongenial conditions

Whilst advances in technology, transport, and infrastructure have undoubtedly lifted the quality of life of individuals residing in regional and remote areas, they have not been sufficient to overcome disadvantages of isolation relative to non-regional and non-remote parts of Australia.

Access to transport services has improved significantly in the Northern Territory in the past 75 years – as it has in the rest of Australia – but there are still vast distances to cover and, with only small populations to service, the costs of government service provision to regional and remote areas is significant, and in more remote areas is cost prohibitive. This has significant implications for people living in remote areas but is also an issue in more populated areas of the Territory. For example, even in Darwin there still remains significant gaps in healthcare services that requires patients to fly interstate for treatments. Scale factors mean this will continue to be the rational service delivery option into the foreseeable future (i.e. until the population is sufficiently large to support local provision of these services).

An absence of economies of scale in small communities results in either thin or no markets for many goods and services, with implications for both consumers and producers in terms of product availability, quality and price. This can also be true for quite significant townships (for example, the regular air passenger transport service to Tennant Creek is only provided with NT Government support), and is reflected in the choice and price of commercial air services available in these centres, including Darwin. Government policy decisions can encourage the efficient use of resources (for example, not having a flight curfew at airports), with the benefits including increased supply and price competition. Many Territory individuals and families rely on these cheaper ‘red eye’ flights to travel more affordably than would otherwise be the case. Where these services are not available, the cost of air travel can be significant.<sup>20</sup>

The challenge of thin markets is highlighted in the rollout of the National Disability Insurance Scheme (NDIS). Whilst it is recognised that the costs of service delivery are higher in regional and remote areas (reflected in regional and remote loadings), thin markets have resulted in cases where NDIS clients are unable to drawdown their NDIS funding due to an absence of service providers. Reasons cited for the complexities of operating in regional and remote areas by NDIS providers include: additional expenses, insufficient information about clients in remote areas, limited scheme infrastructure, the difficulties in travelling to and from areas which makes service provision unsustainable and the lack of a local workforce. Thin markets pose particular challenges for clients with complex needs in more remote areas that require highly specialised supports.<sup>21</sup> This may change in some areas over time, but it is far from clear that the change will occur.

The Territory and Darwin also have significant infrastructure gaps relative to other regions and major cities and towns. The rationalisation of national infrastructure priorities in recent decades has resulted in national infrastructure expenditure increasingly being targeted at transport projects in major capital cities. That is, the infrastructure gap in regional and remote Australia is not closing, but is actually widening, and is a major

<sup>19</sup> Fact check: Is it cheaper to fly overseas than get out of Alice Springs? <https://www.abc.net.au/news/2017-08-03/fact-check-is-it-cheaper-to-fly-overseas-than-alice-springs/8754958>

<sup>20</sup> Ibid.

<sup>21</sup> McKinsey & Company (2018). Independent Pricing Review.

factor impacting population amenity. In its infrastructure audit of Northern Australia, Infrastructure Australia stated that isolation has meant that infrastructure in Northern Australia continues to face cost and service challenges, resulting in critical infrastructure gaps.<sup>22</sup>

An example of this infrastructure gap is the Territory's road transport network, with only 25 per cent of the network sealed. This presents significant challenges, with some roads closed for long periods during the Wet season and cutting access to communities, road restrictions (for example lower mass/axle limits on unsealed roads) that can constrain productivity due to need to use smaller, less efficient vehicles, and damage to vehicles and freight due to the poor road conditions. Each of these factors has financial implications for the community and businesses.

There also continue to be gaps in telecommunications infrastructure, with many regional and remote areas having limited or inferior digital connectivity. The Territory was ranked last amongst the jurisdictions on Cisco's Australian Digital Readiness Index 2018, ranking poorly in basic needs, business and government investment, business foundation, start-up environment, technology adoption and technology infrastructure. Access to technology is improving, but in many regional and remote areas, access and service is limited. For example, the NBN and Skymuster have data and geographical limitations and the majority of remote areas have very limited mobile reception. It is estimated there are still approximately 25 000 (10 per cent of the Territory's population) Territorians without access to internet or mobile services where they live (excluding satellite services).<sup>23</sup>

#### 4.3.4 Are other forms of government assistance available to people living in remote areas (including Indigenous communities) to assist them in overcoming disadvantage

The Northern Territory has faced real challenges in attracting and retaining population, and typically reports negative net interstate migration rates.

NT Government commissioned research undertaken in 2008 and 2016 indicates that for the vast majority of in-migrants, movements to the Territory are intended to be temporary (typically less than three years), or alternatively, in-migrants move to the Territory with a pre-determined intention to leave at some point. The literature suggests the Territory is often viewed as a destination for career escalation (i.e. perceived or formalised better employment opportunities) with people moving to the Territory to gain skills and experience in order to re-enter the southern workforce at an escalated level. This cohort similarly has no intention of settling in the Territory in the long-term.<sup>24</sup>

The Territory also tends to not retain certain populations, for example, some demographic commentators have noted the Northern Territory has some 'rough demographic edges' with respect to older populations, as evidenced by having a smaller proportion of this demographic relative to other jurisdictions. This has been a result of many people leaving the Territory when they retire; the reasons for this are varied, with weather, cost of living and being closer to friends and family being regularly cited. Demographic commentators have suggested that this loss of retirees has broader social and economic impacts in the community. For example, these people – if they stayed in the community – could provide valuable support by assisting with grandchildren and community volunteering activities. The loss of these attributes can put greater pressure on working families, businesses and community amenity and can further contribute to outmigration from the Territory.

The impact of high cost of living, isolation and uncongenial climate on a desire to live in a location is no more evident than in the number of retirees living in the Territory (see **Figure 1**). As a group, retirees have no

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<sup>22</sup> Infrastructure Australia (2015). Northern Australia Audit.

<sup>23</sup> NT Government (2018). Digital Territory Strategy.

<sup>24</sup> Taylor, A. and Carson, D. (2017). Synthesising Northern Territory Population Research: A report to the Northern Territory Department of the Chief Minister. Charles Darwin University: Northern Institute

work-related commitments, and therefore have considerable flexibility as to where they chose to live. The fact the Territory has trouble retaining its retirees, let alone attracting retirees from elsewhere, is an indication that real hardship and amenity exist in residing in the Territory.

#### *Effectiveness of financial incentives*

A 2008 study commissioned by the Northern Territory Government provides insights on policy levers that can be used to support population growth. The study aimed to identify factors affecting decision making with respect to where an individual/ family chooses to live. There were 2145 respondents to the study's survey, and a key finding was that improved tax/financial incentives have a strong influence on mobility decisions. Respondents currently living in the Territory were questioned on what improvements would incentivise a decision to stay in the Territory for longer with "improved tax/financial incentives" identified as the most important factor (46 per cent of respondents that had recently moved within the Territory and 41 per cent of respondents that had recently moved to the Territory). Improved tax and financial incentives was identified as the second most important policy lever that could be used to incentivise people who had recently left the Territory to move back to live (25 per cent), with "improved health services" being the most influential (30 per cent).

#### *Population and cost of living policies and incentives*

In 2018 the NT Government released its *Population Growth Strategy 2018-2028*, a framework for attracting and retaining people to the Northern Territory. A key component of the strategy is the 'Welcome to the Territory' financial incentive scheme, which is intended to encourage individuals with in-demand skills to relocate and reside in the Territory. The incentives comprise:

- New Territorian Relocation Bonus (up to \$8000 for a couple with two children) paid on arrival to the Territory to assist with costs associated with relocation and transition to the Territory
- Local Spending Benefit (up to \$1250) paid in instalments to be spent on lifestyle experiences and/or to assist with other cost of living
- Five year retention bonus (up to \$8000 for a couple with two children) paid following five years of continuous residency in the Territory to encourage long-term retention.

The NT Government also has a range of initiatives to reduce the cost of living, including:

- Standard regulated retail electricity tariffs subsidised by Government
- The generous NT Concession and Seniors Recognition schemes (for eligible carers, pensioners and seniors)
- First home owner grants, BuildBonus grants and Territory Home Owner Discount
- The NT Back to School Payment Scheme and Sport Voucher Scheme
- The NT Early Childhood Services subsidy.

#### **4.3.5 Should the policy rationale for ZTO's apply to the FBT RAC or RAA**

As previously noted, the broader overarching policy objective of the Commonwealth in introducing the ZTO was to incentivise regional development by encouraging people to settle in remote areas. The Territory considers the FBT RAC and RAA are consistent with this broader policy objective, and that concessions should be increased to incentivise people to relocate.

#### 4.3.6 Is there merit in basing assistance on more direct measures of disadvantage or need

It is clear that people living in regional and remote areas have a higher cost of living than people not living in these areas, less choice and competition in goods and services markets and less amenity in terms of local access to cultural and sporting events. These impacts are experienced by all citizens living in regional and remote areas.

The NT Government considers that good design elements of the ZTO and RAA are their simplicity to administer and equity. It could be argued these concessions would be more equitable if they considered the income of recipients and perhaps had a progressive scale of payments based on taxable income. The administrative cost of implementing such a scheme would need to be assessed. If implemented, such a scheme would introduce additional complexity and degree of contestability and arbitrariness as to what income thresholds for the concessions should be. Also, would such an approach then be applied to FBT RAC based on, say, business profitability?

The five principles of good tax policy design are equity, efficiency, simplicity, sustainability and policy consistency. There is a lot to be said for the equity, simplicity and sustainability of the current concessions, and it is strongly recommended that they continue to be administered in their current form.

### 4.4 Options for revising current arrangements

The Commission is seeking information on:

- what you consider to be the policy objectives of the ZTO, FBT RAC and RAA, respectively
- whether these remote area tax concessions and payments are delivering on their policy objectives (including any quantitative evidence)
- whether the ZTO, FBT RAC or RAA should be kept
- ways to redesign the ZTO, FBT RAC and RAA (collectively or individually) so they are more efficient, equitable and simple
- the anticipated benefits, costs and implementation issues associated with proposed reform options.

#### 4.4.1 What do you consider to be the policy objectives of the concessions

The NT Government considers the key policy objectives of the ZTO are to:

- to compensate people in regional and remote areas for isolation, cost of living and uncongenial climate-related hardship not experienced by residents in other regions (i.e. equity)
- to promote regional economic development through population growth and by incentivising labour to locate to areas where there are identified hardship issues
- in the current context – and aligned with the Commonwealth's *Planning for Australia's Future Population* strategy – incentivising people to move to regional and remote areas to reduce the population pressures in Australia's major east coast cities.

For the RAA the NT Government consider the policy objective to be equity, and for the FBT RAC to be regional economic development.

#### 4.4.2 Whether the tax concessions and payments are delivering on their policy objectives

It could be said ZTO and RAA are (somewhat) meeting their policy objectives of compensating for relatively high living costs of living, isolation and uncongenial climate, although the extent to which it does

compensate individuals is minimal given the eroded real values. Similarly, in terms of attracting skills and population, it would appear the concessions currently have little impact on decisions to relocate or stay in the Territory. The Territory contends that the concessions could have potentially served as an effective policy lever to attract and retain people in regional and remote areas if the value of the incentive was indexed and this is consistent with NT Government research which suggests that financial incentives can incentivise relocation if set at 'an appropriate level'.

As stated earlier, a key issue for the NT Government is to better understand the impact of the concessions in attracting and retaining labour in regional and remote areas, and also in assessing what the impact may have been if they were set (and indexed) at appropriate levels.

#### 4.4.3 Should the ZTO, FBT RAC or RAA be retained

Whilst the ZTO is unlikely to currently be a significant factor in influencing decisions to relocate, the ZTO and RAA do play a role – albeit minimal – in compensating for a range of hardships experienced by people living in regional and remote areas. However, if the ZTO and RAA were indexed, these incentives could potentially have had significant impact and be material to peoples decision making. The NT Government strongly recommends the ZTO and RAA be kept, its scope expanded, its level increased to more appropriately reflect the degree of hardship, and that it should have a pre-determined escalation factor and periodic reviews of its appropriateness and effectiveness in achieving its compensation, regional development and incentivising policy objectives.

It is also recommended that FBT RAC are reviewed with the objective that they offer complementary policy levers to support sustainable regional development that encourages long term residency in regional and remote areas.

Each of these Commonwealth policy levers would support jurisdiction and local government initiatives to incentivise the relocation of labour and population growth. Expanding these incentives would complement existing population growth strategies being implemented by the Commonwealth and NT governments, and support the Commonwealth's broader developing Northern Australia agenda.

#### 4.4.4 Are there ways to redesign the ZTO, FBT RAC and RAA (collectively or individually) to be more efficient, equitable and simple, and what are the anticipated benefits, costs and implementation issues associated with proposed reform options

##### *Amendments to address eligibility anomalies between the ZTO and RAA*

Figure 4 of the Issues Paper indicates there are anomalies between the ZTO and RAA that mean a cohort of individuals (those below the tax income threshold but are not currently income tax recipients) are not eligible to receive either the ZTO or RAA (despite having an economic capacity below ZTO recipients). The Territory contends that these eligibility anomalies should be addressed to bring into scope those that sit between the eligibility requirements of the ZTO and RAA. This would align with the equity principle of the good-practice tax design principles outlined in Box 2 of the issues paper.

##### *Amend FBT RAC for FIFO-related payments*

Commonwealth taxation arrangements impact how economic development proceeds. The NT Government considers the elements of the current FBT RAC for FIFO discourages resource firms operating in regional and remote areas to invest in developing new and/or local communities, and that this is in conflict with the overarching policy objective of incentivising people to settle in regional and remote areas. An example is the exemption from FBT RAC of employer-provided FIFO travel. An option could be to allow the exemption only if the employee's usual place of residence is in a regional or remote area. The NT Government supports the 2015 amendment to the ZTO to exclude FIFO workers who reside outside the zones.

### *Contemporising ZTO, FBT RAC and RAA boundaries*

Changes in population size and distribution have meant that many areas within the ZTO boundaries are not disadvantaged or remote, and other areas that can reasonably be considered remote fall outside of the ZTO boundaries. The Territory contends that ZTO boundaries should be reviewed with a view to providing assistance based on an appropriate and more contemporary measure of remoteness. The Territory considers that the quantum of financial incentive should be proportionate with levels of remoteness. An option would be to include tiered support for areas classified as inner regional, outer regional, remote and very remote. In response to the question about whether larger regional centres (such as Darwin, Townsville, Cairns and Mackay) should continue to be in scope for remote financial incentives, the NT Government considers that individuals in these regional centres should continue to be in scope when considering remoteness classifications, as there is no rational basis to assess these regional centres as being equivalent to Sydney, Melbourne, Brisbane, Perth and Adelaide in terms of price, quality and choice of access to goods and services or general amenity.

### *Other possible policy levers that would support population growth*

The Issues Paper seeks input from stakeholders on what alternative mechanisms may be available to directly support Australians residing in certain geographical areas. The following incentives could be investigated and considered by the Productivity Commission:

- Enhance salary sacrificing for those in regional and remote areas similar to the Public Benevolent Institution status that enables hospital based employees a broader range of items that can be salary sacrificed (e.g. entertainment, accommodation)
- Greater tax concessions to offset the costs incurred by residents that obtain qualifications relevant to their work in regional and remote areas (specifically for occupations recognised as being in shortage)
- Tax concessions or rebates for relocation expenses incurred when moving to regional and remote areas
- Write off or reduction in HELP debt for those residing in high labour market demand areas.

Figure A1: Gross State/Domestic Product, yr-on-yr change

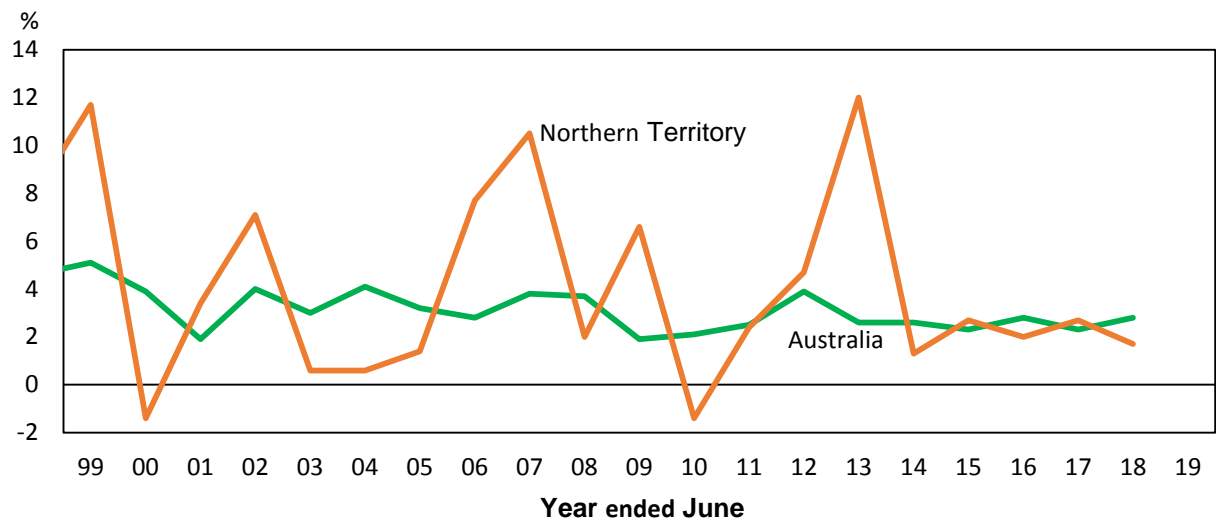


Figure A2: Employment, yr-on-yr change

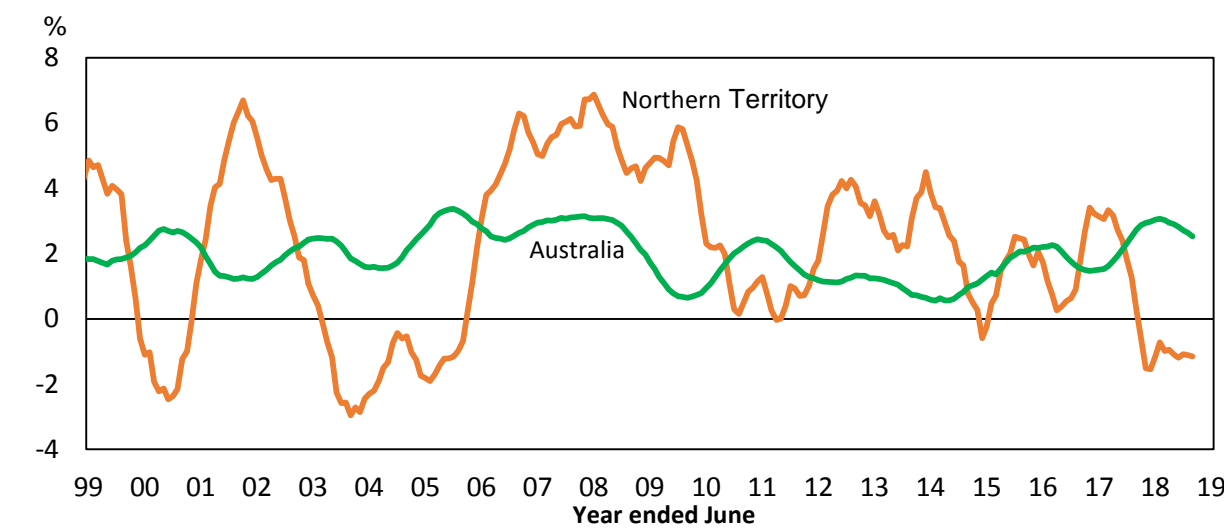
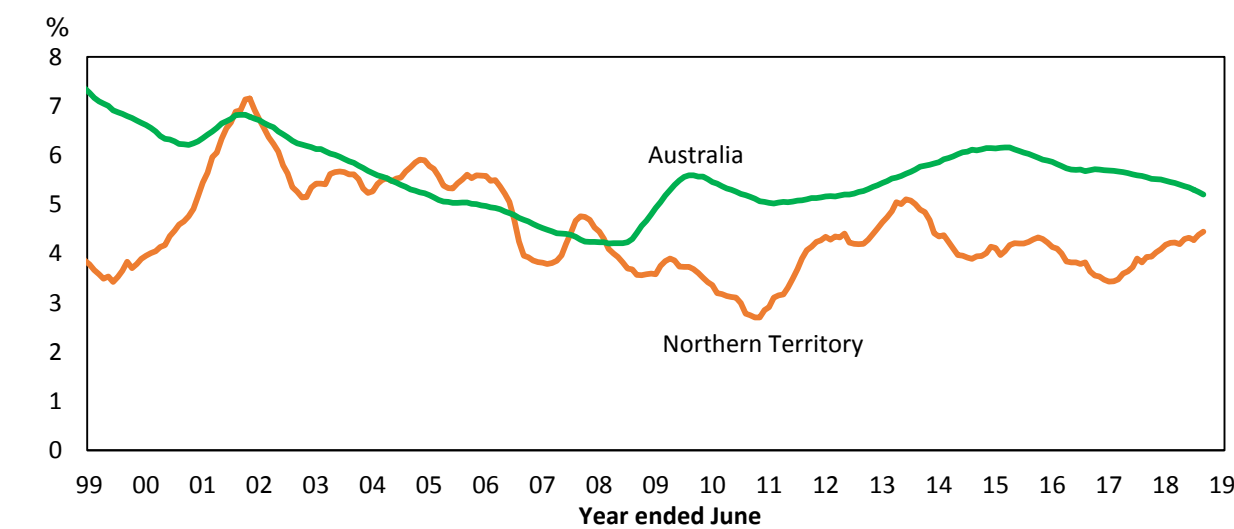
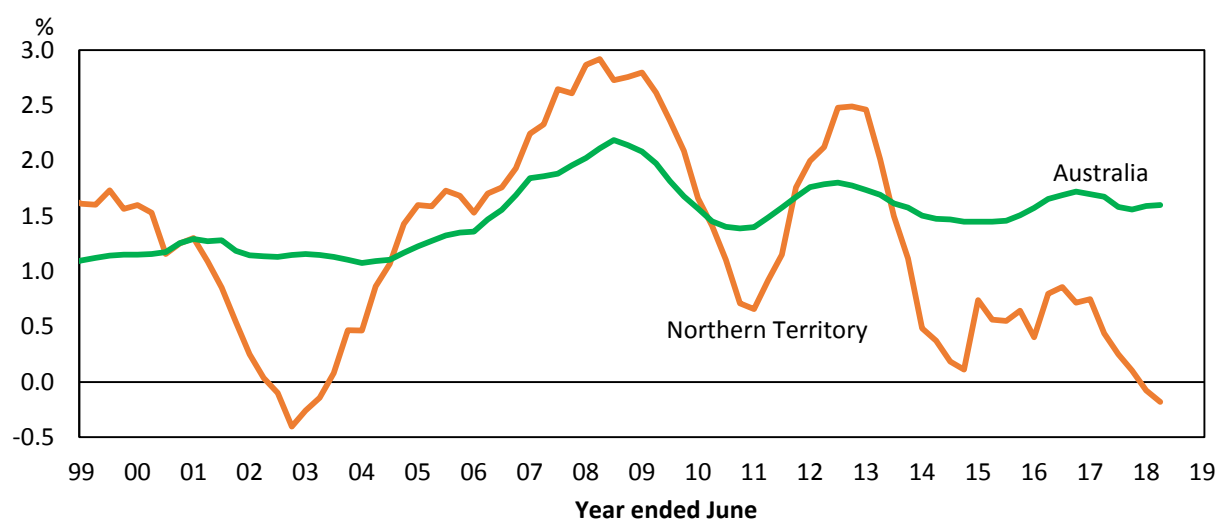


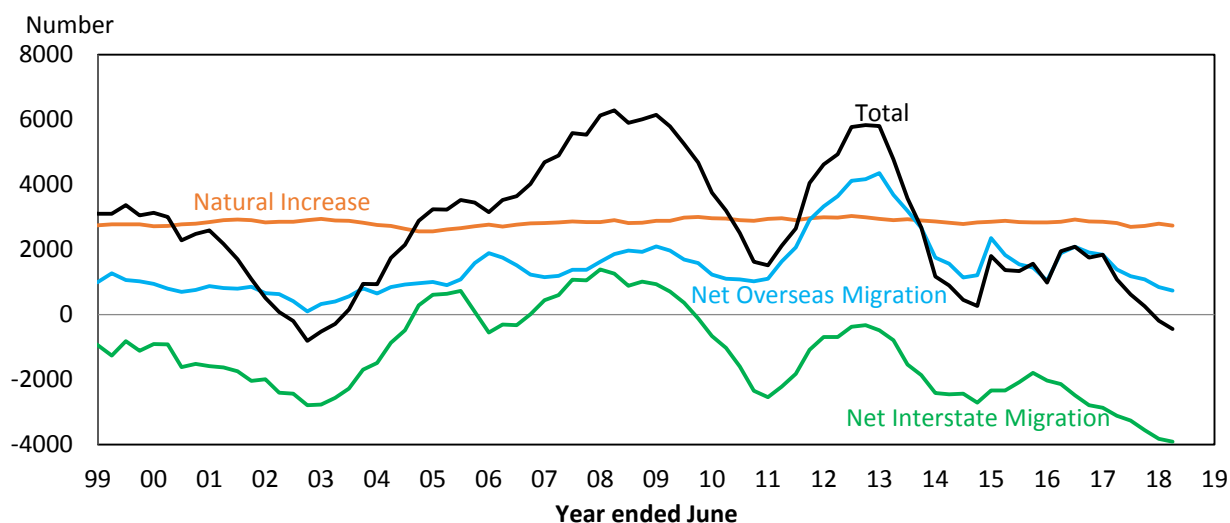
Figure A3: Unemployment Rate, moving annual average



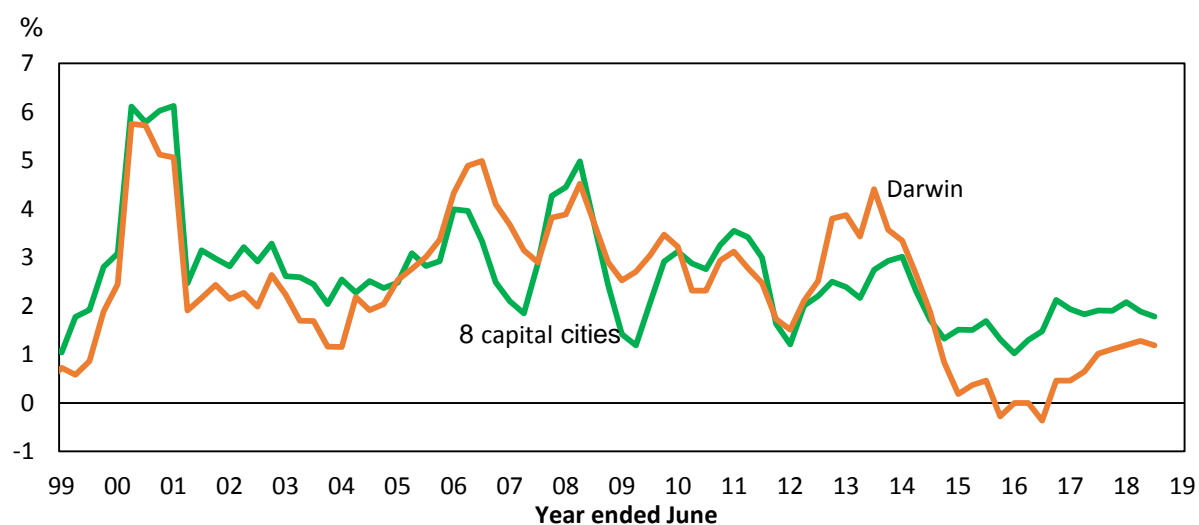
**Figure A4: Population, annual change**



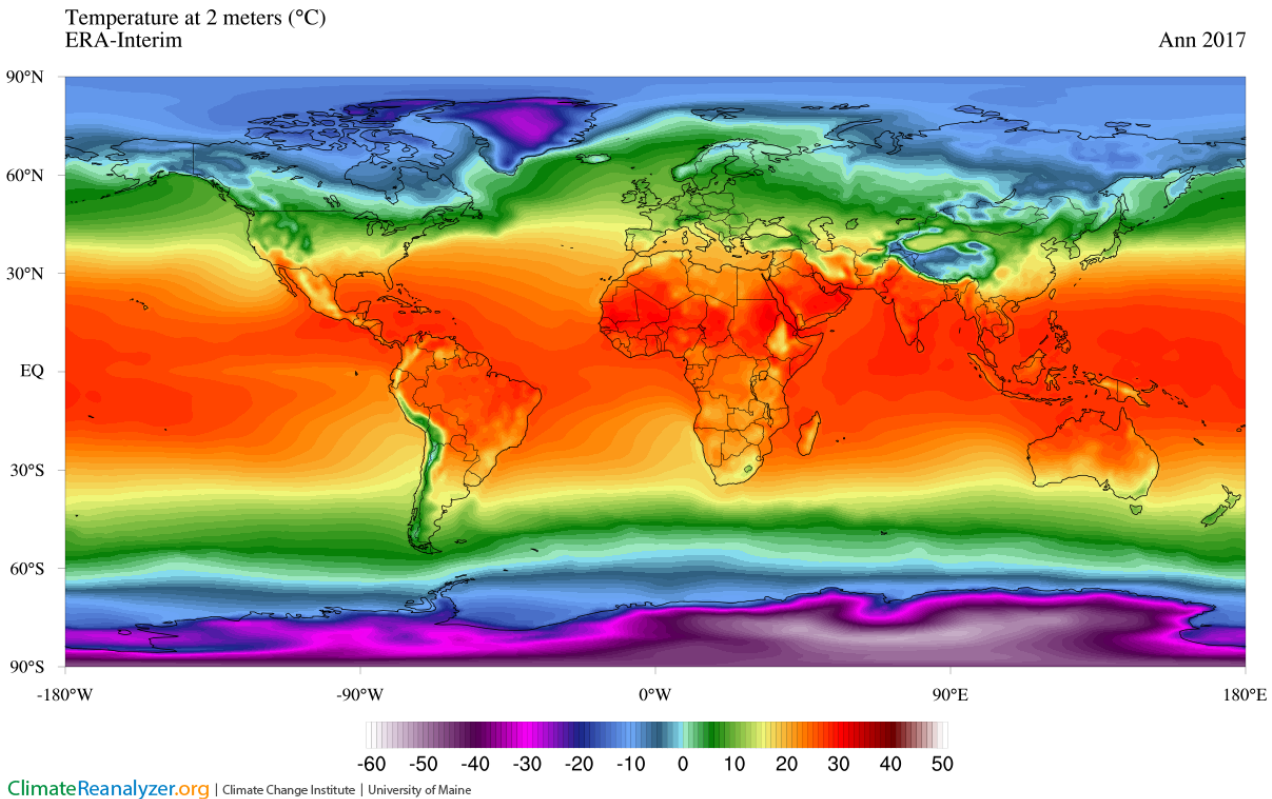
**Figure A5: Components of Population Growth, Northern Territory, moving annual total**



**Figure A6: Consumer Price Index, annual change**

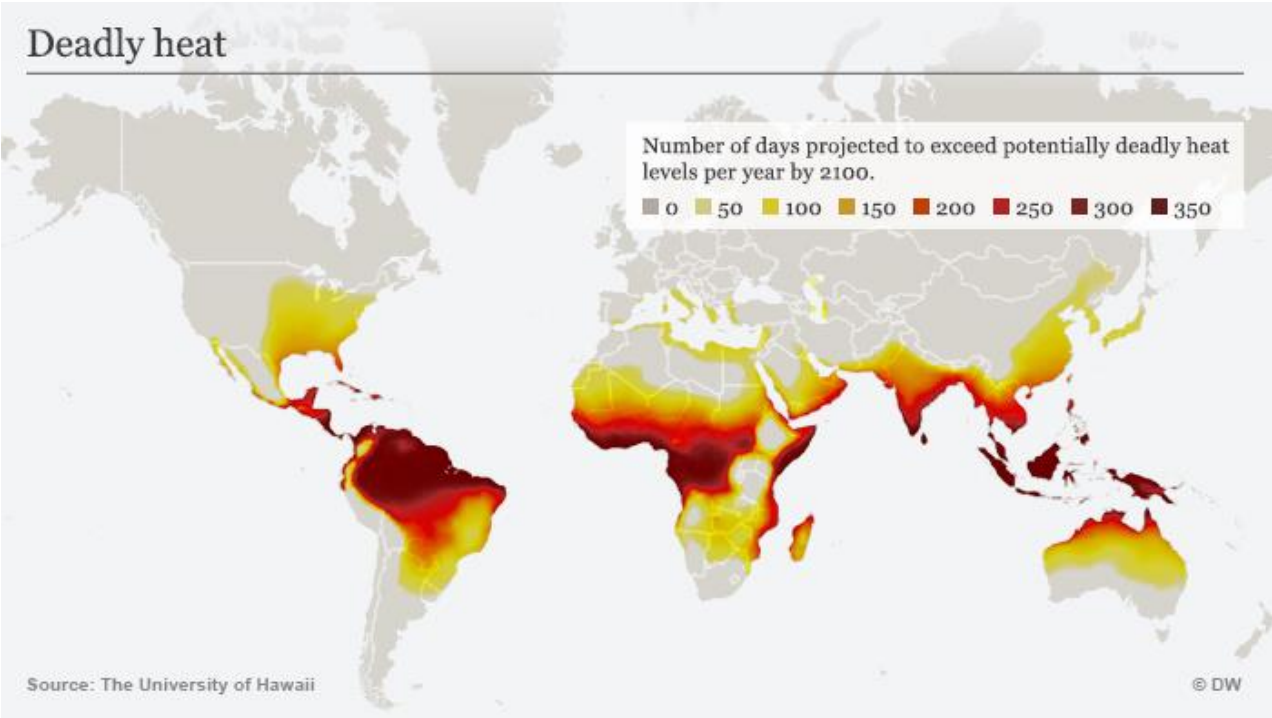


**Figure B1:** Global Average Temperatures, 2017 (at Two Metres, °C)



Source: University of Maine (2017). Reanalysis [3<sup>rd</sup> Gen] – ERA-interim.

**Figure B2:** Number of Deadly Heat Days, 2100 (limited mitigation/ business as usual [RCP8.5] scenario)



Source: DW (2017), using University of Hawaii data.

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