

SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO REMOTE AREA TAX CONCESSIONS AND PAYMENTS



Contents

1.0	Scope of Submission	4
2.0	Executive Summary	5
2.1	Background	5
2.2	Key Issues.....	5
3.0	Part A – Statistics	6
3.1	Overview.....	6
3.2	Key Local Government Statistics	8
3.3	Rating Information.....	8
3.4	Population.....	9
3.5	Elected Members.....	10
3.6	Organisational Structure.....	11
4.0	Part B – Response to Findings	13
4.1	Introduction	13
4.2	Issues Affecting the Shire	13
	DRAFT FINDING 2.1.....	14
	DRAFT FINDING 2.2.....	14
	DRAFT FINDING 2.3.....	14
	DRAFT FINDING 2.4.....	14
	DRAFT FINDING 3.1.....	14
	INFORMATION REQUEST 1	14
	DRAFT FINDING 4.1.....	14
	DRAFT FINDING 4.2.....	14
	DRAFT FINDING 5.1.....	14
	DRAFT RECOMMENDATION 5.1 ABOLISH ZONE AND OVERSEAS FORCES TAX OFFSETS	14
	DRAFT FINDING 5.2.....	14
	DRAFT RECOMMENDATION 6.1 ADJUST RAA BOUNDARIES	14
	DRAFT FINDING 6.1.....	14
	DRAFT FINDING 6.2.....	14
	DRAFT RECOMMENDATION 6.2 REVIEW RAA PAYMENT RATES PERIODICALLY	14
	DRAFT FINDING 7. 1.....	14
	DRAFT FINDING 7.2.....	14
	DRAFT RECOMMENDATION 8.1 TIGHTEN TAX TREATMENT OF EMPLOYER PROVIDED HOUSING	14
	DRAFT RECOMMENDATION 8.2 REMOVE CONCESSION FOR EMPLOYEE SOURCED HOUSING	14
	DRAFT RECOMMENDATION 8.3 TIGHTEN TAX TREATMENT OF OTHER GOODS AND SERVICES	14
	INFORMATION REQUEST 3	14
	INFORMATION REQUEST 2	14
	INFORMATION REQUEST 4	14
	INFORMATION REQUEST 5	14
	INFORMATION REQUEST 6	14

Our Vision

“A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity, whilst nurturing our natural and built environment”



1.0 Scope of Submission

The Shire of Broome makes a Submission to the Productivity Commission Inquiry into Remote Area Tax Concessions and Payments. The Submission includes:

- Statistics relating to the population, location and local government of the Shire of Broome;
- Overview of developments, issues and operations within the Shire;
- Responses to findings of the Commission in relation to:
 - Zone Tax Offsets
 - Remote Area Housing Tax Concessions
 - Other Remote Area Tax Concessions.

The Shire of Broome thanks the Productivity Commission for the opportunity to respond to this enquiry and encourages the Commission to consider the information provided. Far from being redundant, Remote Area Tax Concessions and Payments are needed more than ever to ensure that various strategic policies designed to support Australia's future economic and social prosperity are realised.

2.0 Executive Summary

2.1 Background

The Council welcomes the Productivity Commission's Inquiry into Remote Area Tax Concessions and Payments which have not been reviewed since 1981.

2.2 Key Issues

- The Shire of Broome requests the Commission to consider the feedback provided on the draft findings and the impact that any reduction to current Remote Area Tax Concessions and Payments will have on the provision of services to the Kimberley Region.
- Cost of living in the Shire of Broome is amongst the highest in the state and a full 12.9 index points above the metropolitan area. Any reduction in the available Remote Area Tax Concessions and Payments will increase this cost of living and have a direct impact on the number of people living in the district.
- The Shire of Broome is remote and struggles to attract and retain skilled and experienced staff (current turnover rate over 40%). This impacts the local governments ability to effectively deliver services to the level expected by the community. Private and public sector industries all face difficulties in this regard.
- Rental accommodation is limited with high costs and low vacancy rates. Concessions assist the Shire and other government agencies and businesses to offset these costs.
- Remote Australia has a higher indigenous population than less remote areas. The indigenous population suffers from a lower standard of living than their contemporaries. Currently there is a lack of suitably qualified indigenous people required to deliver the essential services required. reducing concessions in these areas will negatively impact the delivery of these essential services and the associated improvements in indigenous well being and standard of living.
- The Shire of Broome has experienced negative growth for 3 consecutive years. Removing Remote Area Tax Concessions and Payments will aid in continuing this trend.
- The Shire of Broome utilises Remote Area Housing Concessions as a tool to attract and retain staff. Any erosion of the concessions available will have a serious financial consequence for the organisation, and the wider community.

The annual financial impact on the Shire of Broome alone would total over \$753,000. The organisation would need to either increase rates, reduce services or reduce staff to offset these costs. This would be reflected in numerous organisations in the district and would result in a significant movement of people out of the area and a resultant degradation of service.

3.0 Part A – Statistics

3.1 Overview

Located in the Kimberley region of Western Australia, the Shire of Broome covers an area of 54,632 km², and is approximately 2,200km north of Perth. The terrain ranges from sandy coastal areas in some parts to rugged ancient sandstone escarpments. Inland areas are sparsely vegetated and comprise red pindan soils supporting extensive pastoral activity.

The Kimberley experiences two seasons – the ‘dry or winter season’ and the ‘wet, summer or cyclone season’. The main focus in the dry season – May to November is tourism, with intrastate, interstate and international tourists visiting the region in vast numbers; whilst the wet season – November to May is a period of extremely high humidity, cyclones and substantial rains resulting in, at times, much of the region being inaccessible by road.

The pristine waters, wide empty beaches, abundant wildlife, tropical climate and breathtaking colours attract thousands of visitors each year. Broome is the gateway to the magnificent wilderness region of the Kimberley. It’s also home to the world-famous white sands of Cable Beach, making it one of the State’s most popular holiday destinations.

The Shire includes the localities of Broome, Lombadina, Cape Leveque, Coconut Well, Djugun, 12 Mile, Morell Park, Skuthorpe, Cable Beach, Broome North, Janiburu, Minyirr and Bilingurr.

The architecture and built environment is a result of Broome’s rich history and culture adding to its unique identity and style.

Broome has ample shopping facilities including retail outlets, restaurants and cinemas. There are a range of education providers including public and private schools to year 12, 1 University and 1 TAFE. The recreation and sporting facilities available in Broome are extensive and provide a regional base for sport in the Kimberley.

The Port of Broome is vital to the region’s economy being a key logistical gateway for the Kimberley region. The port facility supports industries such as pearling, fishing, tourism, livestock export while also servicing offshore oil and gas operations. It is the main fuel and container receipt point for the region.

Broome’s road network includes sealed roads within the townsite and the fully sealed Great Northern Highway linking the Kimberley towns. An unsealed road network links up the Aboriginal communities, outstations and cattle / pastoral stations with the main highway and forms the main rural road network throughout the region. At times during the wet season, these roads are impassable due to flooding or are too wet to support traffic.

A major challenge for the region and Broome due to its remoteness is lack of affordable accommodation to attract staff with high rentals, median house and unit prices being high and the significant impact of a large transient population comprising visitors from the region, as well as national and international tourists along with fly-in fly-out workers operating on offshore oil and gas projects in the region.

The township of Broome also experiences periodical influx of transient indigenous visitors from surrounding communities and the Northern Territory. Reason for visitations include treatment for medical



conditions, access to regional government offices, family, bereavement and funerals and other general purposes. Due to the lack of suitable temporary accommodation for visitors, the Shire is under significant pressure to manage this issue in partnership with local service providers and government agencies.

As the Kimberley is in a 'cyclone prone' area and suffers high freight costs due to geographical remoteness, building costs are approximately 50% higher than the metropolitan area (Perth). These issues are reflected in a high cost of living with high rental prices, rates and insurance costs.

Overcrowding in rental properties, loss of some of the 'local' population due to people being unable to afford to rent or buy in the town or region is a common scenario as is the closure of some small businesses due to inability to attract and accommodate staff. The price of accommodation is also a constant threat due to the high demand for tourist accommodation in addition to exploration sector demands.

Significant land parcels earmarked for development are developed through LandCorp being the State's land development agency for which the Shire of Broome does not receive municipal rates for the unimproved value until such time as the property is sold to a third party. This has a significant impact on the Shire's sustainability when considering a subdivision clearance, whereby a number of lots unsold do not contribute to the operating costs of the subdivision i.e. contributions to Public Open Space and utility costs.

Nyamba Buru Yawuru, the traditional owner prescribed body corporate, also holds significant freehold land and continues to explore its ability to have property exempt under the charitable use exemptions within the Local Government Act. This burden must then be placed on all other ratepayers within the district.

The Shire is actively planning for the future and the Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan include a number of exciting projects to benefit the community.

Table 8: Planned Future Shire Projects¹

Capital Projects	2018-19 \$	2019-20 \$	2020-21 \$	2021-22 \$
BRAC Upgrade - 2 outdoor courts & court cover		1,940,000		
Drainage per Transport AMP	23,951	653,000		
Pathways per Transport AMP	1,491,802	576,802	576,802	636,802
Broome Trails – Bay to Banu, and Cable Beach to Chinatown via Roebuck and Broome North				100,000
ICT Hardware and Software Renewals	404,000	436,000	350,000	357,000
Bin Replacement	50,000	50,000	50,000	50,000
BRAC 1 Youth Precinct	256,000	625,000		
BRAC Indoor Courts			400,000	
BRAC Nipper Roe Lighting			1,178,704	
Bus Facilities per Transport AMP	62,476	62,476	62,476	62,476
Buckley's Road Waste Facility Capping, & Other Rehabilitation Works	70,900	1,951,000		
Cable Beach Foreshore Upgrades				1,000,000
Chinatown Revitalisation Stage 2			3,000,000	
New Waste Facility Construction Costs	7,151,367	7,802,390	352,390	174,390
Safe Boat Harbour				125,000,000
Street Lights per Transport AMP	372,878	372,878	372,878	372,878
Surf Club Upgrades	242,011			
Town Beach Jetty	3,626,096			
Town Beach Catalinas Parking and Ablutions	642,000			
Town Beach Stage 2 – Greenspace and Waterplay	2,863,704			

¹ Shire of Broome, Long Term Financial Plan 2019-23 (yet to be endorsed)

Town Beach Stage 3 – Robinson Street Parking and Water Park Slow Zone		710,000		
Parks and Gardens Works per AMP	335,137	335,137	335,137	335,137
Plant Replacement	805,000	1,250,000	1,015,580	800,000
Plant Replacement Program - Waste Facility	21,000	235,000	23,000	
Roads per Transport AMP	2,579,548	1,925,662	2,060,662	1,500,662
Upgrade intersection of Port Drive/Guy Street			959,645	
Carparks per Transport AMP	34,416	34,416	441,416	34,416
Grand Total	21,494,653	19,422,128	11,641,057	130,886,128

3.2 Key Local Government Statistics

The following statistics relate to physical features of the Shire.

Table 1: Geographic details

Distance from Perth	2,238 kms
Area of the Shire (square kilometres)	54,632
Area of Shire (hectares)	5,463,180
Length of sealed roads	262 kms
Length of unsealed roads	307 kms

3.3 Rating Information

Revenue Standard	Rating Categories	Budget 2018/19	Audited 2017/18	Audited 2016/17	Audited 2015/16	Audited 2014/15	Average
Residential, Commercial & Industrial	GRV Properties						
	- Number	6,701	6,723	6,577	6,522	7,090	6,723
	- Valuations	200,600,896	201,315,396	197,402,595	195,413,537	199,729,188	198,892,322
	- Rates	19,434,960	20,018,148	20,732,571	21,509,681	21,991,055	20,737,283
Mining	UV Properties						
	- Number	66	66	71	78	121	80
	- Valuations	732,682	732,682	964,297	1,480,576	1,790,570	1,140,161
	- Rates	101,076	104,801	198,062	325,089	253,070	196,420
Pastoral	UV Properties						
	- Number	20	20	42	44	46	34.4
	- Valuations	5,658,773	5,643,773	7,679,773	9,118,033	7,778,908	7,175,872
	- Rates	88,041	173,710	241,730	262,138	265,310	206,186

3.4 Population

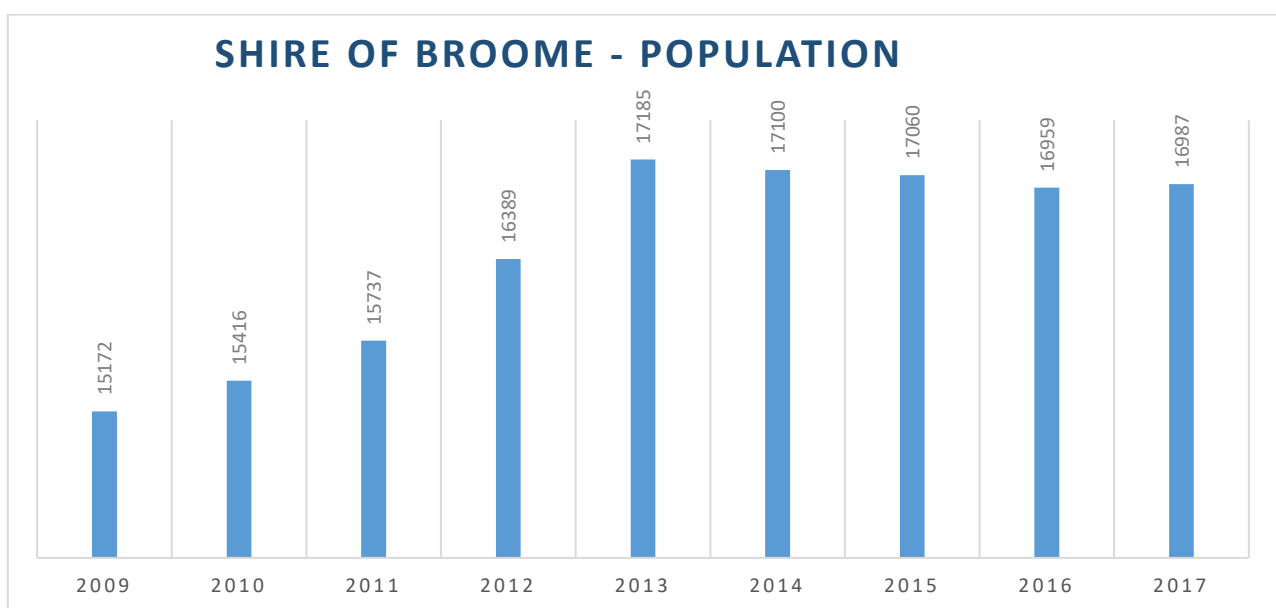
The following statistics relate to the population of the Shire and have been obtained from the Australian Bureau of Statistics (Census Quick Stats 2016, 2011 & 2006).

Table 3: Population Details

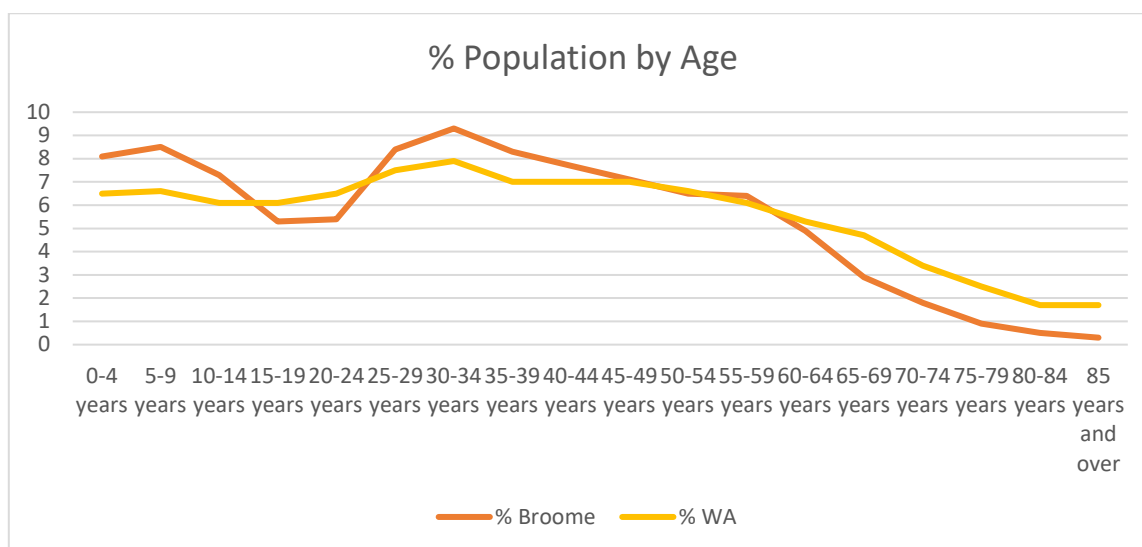
	2016 Census	2011 Census	2006 Census	2001 Census
Resident Population	16,222	14,997	13,059	17,811
Visitors on Census Night	7,672	7,809	7,411	6,782
Aboriginal and Torres Strait Islander People	4,571	4,365	3,558	4,179
Median Age	33	32	32	35
Number of Families	3,700	3,410	2,755	2,810
Number of employed people	7,894	6,506	5,962	7,586
Number of unemployed people	513	352	244	469
Median weekly household income	\$1,796	\$1,610	\$1,129	\$800-\$999
Median weekly rent	\$265	\$193	\$143	\$100-\$149
Median monthly mortgage repayment	\$2,573	\$2,600	\$1,733	\$1,200-\$1,399
Average number of people per household	2.7	2.8	2.7	2.9
Private Dwellings - Occupied	5,103	4,587	6,571	5,958
Private Dwellings - Unoccupied	753	580	499	263

The population of 16,952 has decreased over the past 3 years and is currently experiencing negative growth resulting from a downturn in the pearling, tourism and service industries. The population is diverse in nature, presenting challenges in managing an ageing and a significant indigenous population. Attention is drawn to the significant number of visitors (47% of Resident Population, 2016) to the Shire on census night.

The chart below reflects the estimated resident population of the Shire².



² Estimated Resident Population, Shire of Broome, 2001-2017; Estimates by Local Government Area (ASGS 2017)



3.5 Elected Members

Details of current elected members are provided as background for the Commission when meeting Council.

The Shire has 9 Councillors (currently one vacancy) as follows:

Table 5: Elected Members

Elected Members	Term
<u>Broome Ward</u>	
Councillor Harold Tracey – Shire President	2021
Councillor Desiree Male – Deputy President	2021
Councillor Mala Fairborn	2019
Councillor Warren Fryer	Resigned
Councillor Catherine Marriott	2021
Councillor Chris Mitchell JP	2019
Councillor Bruce Rudeforth Jnr	2019
<u>Dampier Ward</u>	
Councillor Elsta Foy	2023
Councillor Philip Matsumoto	2021

Council meets on the last Thursday of each month. Meetings are held in Broome.

3.6 Organisational Structure

The Shire employs 165 Full Time Equivalent staff.

Table 4: Organisational Structure





Sammy the Dragon

4.0 Part B – Response to Findings

4.1 Introduction

This Submission provides general background information for the Commission and provides responses to the findings of the Commission's inquiry into Remote Area Tax Concessions and Payments. The Shire urges the Commission to consider these responses to the findings in order to allow the Shire to continue to achieve its vision of "A thriving and friendly community that recognises our history and embraces cultural diversity and economic opportunity whilst nurturing our natural and built environment".

4.2 Issues Affecting the Shire

The following outlines the specific issues relevant to the Shire of Broome that impact on the provision of services to the community. Where applicable, these issues are related to community and organisational impacts of population growth and retention.

4.2.1 Location

The Shire of Broome is situated in the south west of the Kimberley region and is 1,881 km by air and 2,213 km by road from Perth. Interestingly Broome is a similar distance to Darwin and major South East Asian destinations including Indonesia and Singapore.

Cost of living is high. Everyday items are significantly more expensive than less remote areas. As an example, over the last twelve months the average price of diesel in the Kimberley was 15% above the average price of diesel in Perth. Consumer Price Index reports delivered by the WA State Department of Primary Industry and Regional Development highlight these issues with the index for the Kimberley sitting over 12 index point higher than Perth.

Residents within the Shire also pay additional transportation costs either directly or indirectly on all materials, supplies and services, further impacting the high cost of living.

Employment costs are also high as a result of the need to offer additional inducements to attract experienced staff and the need to provide housing or offer housing subsidies.

4.4.2 Growth / Population

It is expected that population growth in Broome will continue to be negative in the coming years based on the past 3 years of negative growth.

Tourists impact on all areas of the Shire's operations with tourist numbers equivalent to an additional 47% of the urban population identified in the 2016 Census. During special regional events the numbers increase even more.

To provide for the needs of travellers, Council provides public toilets, rest and interpretive areas, management of Cable Beach and Town Beach, sports and recreation facilities and tourist information. The tourist use of these facilities, as well as the volume of waste generated within the Shire, impacts on the cost of Shire services in exactly the same way as other residents. Additional cleaning is required during the tourist season and the number of public facilities has been increased to cope with the large tourist population. Management of such a large tourist population also requires provision of significantly greater ranger services than would be the case for a town with an equivalent resident population.

4.4.3 Climate

The Kimberley experiences two seasons - the 'dry or winter season' and the 'wet, summer or cyclone season'.

The Shire of Broome has the seventh highest mean maximum temperature (1981-2010) in WA at 32.2C and annual rainfall (1981-2010) of 658.5 mm falling in just 36.1 rain days, as well as being located in Department of Water (DoW) Region 1. During the “Wet” Broome experiences mean humidity of 58% to 74% compared to Perth’s mean humidity of between 52% to 57%.

High average temperatures and high relative humidity result in high usage of air-conditioning through most of the year whilst the low number of rain days requires a high level of irrigation of parks and gardens throughout the year.

Outdoor workers must also deal with extreme working conditions for a large portion of the year which again provides issues in regard to retention of workforce.

4.4.4 Operational Issues

The Shire of Broome currently experiences turnover rates in excess of 40% year on year. The impacts of such a high turnover rate are huge; increased recruitment costs, lack of handover and loss of corporate knowledge have a significant impact on the capacity and effectiveness of the organisation.

In recent times the Shire has unfortunately had a number of technical and managerial staff resign and when recruiting we have been required to advertise numerous times before finding suitable candidates. On occasion we have removed roles from our organisational structure as we have been unable to attract suitable staff. This is included in our submission to highlight the misconception that attracting staff (and people more generally) to “tropical” locations such as Broome is difficult and getting harder every year.

DRAFT FINDING 2.1

The broader context for remote area tax concessions has changed considerably since their introduction in 1945. Technological advances have helped lessen the hardships of life in remote parts of Australia. Some areas once considered isolated, such as Cairns and Darwin which are now home to international airports and populations exceeding 100 000 people, can no longer reasonably be considered remote.

It is acknowledged that the opportunities for regional and remote businesses and communities have improved since the introduction of the Remote Area Taxation Concessions in 1945, however consideration of the merit of a preferential taxation system should be based on the current gap between services and opportunities in highly urbanised areas and those for people and businesses living outside of those locations.

Telecommunications is an excellent benchmark for the capacity to participate equally in the new economy. Some examples of that disadvantage in remote locations include:

- Single line broadband access to the entire north of Western Australia. In 2019 a damaged fibre optic cable meant that the entire northern region was without internet communications for a period of approximately 24 hours in peak tourist season. Shops, hotels, restaurants and other businesses were unable to take credit card payments creating a severe disruption and disenfranchising tourists. In various forms this occurs more frequently in regional areas due to the lack of alternatives.
- Technological Ghosting. Whilst fibreoptic cable has been laid in the Kimberley, some towns such as Halls Creek have not had services reticulated which is exacerbating already disadvantaged communities – noting that the most socially disadvantaged community in Western Australia is in that location.
- Unreliable video conferencing. Whilst video conferencing is a breakthrough in reducing the need for physical proximity, there are dire consequences in the assumption that opportunity is the equivalence of reliability. “Dialling into meetings” is fraught with issues where sound and visual communications are compromised as participation is assumed to be agreement in key policy issues unless spoken against. Indeed, it can exacerbate issues when matters are raised post meeting and the opportunity for comment has closed.
- Carrier Conflict. Some of the most disadvantaged communities in the nation are forced to have mobile phones with two carriers as government contracting has quarantined provision of services to a single provider in a region. This means no signal (apart from SOS) in various locations across the Kimberly, contingent upon whether you are with Optus or Telstra. This is in addition to the substantial “dead zones” across the region.
- Lack of technical specialists. Access to technical specialists is limited with resources usually having to be sourced from metropolitan areas. This puts technology further out of reach.

In addition, the Commission should consider weather conditions in regional and remote areas which necessitate the use of air-conditioning for large portions of the year. This means increased use of electricity which is compounded by the high costs of electricity. Technology hasn’t improved this aspect of living remotely.

The use of criteria such as international airports to justify an area being “less remote” is also of concern. Most regional centres now have “international” airports which is as much an advertisement of the commercial acumen of the local government involved as it is of an area being “less remote”. Broome has an international airport providing limited flights to Singapore; one of the drivers for these flights is the fact that we are over

2000km from Perth and Darwin. Broome is closer to Denpasar (1200km), and a similar distance from Jakarta (2100km) than either State or Territory capital. Singapore is slightly further away at 2,900km. In our case we believe that having an international airport highlights our remoteness.

DRAFT FINDING 2.2

Among the 2% of Australians who live in remote areas, Indigenous Australians constitute 28% of the population. There are large differences in income and employment outcomes between the Indigenous and non-Indigenous population. Indigenous Australians in remote areas are also significantly less likely to relocate compared with their non-Indigenous counterparts.

Whilst the Australian population is statistically migratory, in the Kimberley there is a deep connection to country which means that people who have lived in the region for more than 40,000 years will endure significant hardship to remain in-situ.

In the Kimberley, Aboriginal people constitute roughly half the population and have unbroken links to their land, with 97% of the country having native title determined.

It is important that this connection to land is understood, particularly in relation to the growth rate of the Aboriginal population and the demand for services. There is and will continue to be a need for key workers, including doctors, nurses, teachers, police and community workers to be located in some of the most challenging environments in Australia. In many of these locations physical and telecommunications isolation has only improved marginally since the introduction of the Remote Area Tax Concessions in 1945. The gap is arguably equal or greater than it was at that time.

Health, education, law enforcement and social services delivered by Federal and State tiers of government recognise this gap, and the difficulties attracting and retaining suitably qualified and experienced staff to remote areas. They have developed various instrumentalities to address the issue (i.e. housing allowances, remote allowances, travel allowances, leave allowances and initiatives) to ensure that core social services are able to be delivered, and that federal and state policy is able to be implemented. The recommendations stemming from the Productivity Commission report seem to fly in the case of these long-developed mechanisms.

The Shire of Broome has similarly developed a suite of attraction and retention strategies including increased salaries, housing and utility allowances, mortgage allowances, study and travel allowances. The Shire has also entered into arrangements with providers to ensure that our workforce is aware of, and supported in accessing, remote area tax concessions and payments such as remote area housing, fuel, holiday transport and other applicable concessions.

Collectively these allowances, along with the ZTO, provide some relief to those living in the region and allow the Shire to somewhat offset the ongoing difficulty experienced in attracting and retaining staff.

Any move to reduce the financial concessions available through the ZTO and RATCP will further erode our ability to deliver the level of service expected by our community, which will in turn increase the numbers of residents relocating to less remote areas. The impact this will have on the federal “northern Australia” agenda will be significant, as will the impacts on indigenous service delivery.

DRAFT FINDING 2.3

There is some evidence that the cost of living increases with remoteness.

Currently, the Kimberley is the most expensive region to live in Western Australia (Department of Primary Industries and Regional Development, 2017), with an indexed level of 112.9 when compared to the cost of living in Perth (used as the base rate of 100). This is high compared to Peel (107.4), the Wheatbelt (101.7), the Goldfields Esperance (101.3) and has now surpassed the Pilbara (110.7).

The Pilbara has a higher cost of housing at 120.6, compared to the Kimberley which had an index value of 117.8, whilst the Mid-West, Goldfields – Esperance, the Wheatbelt, South West and Great Southern all had housing index values of less than 100 (ie, lower than Perth). Household equipment (113.6) was also the highest in the Kimberley as was the Transport commodity group, which includes motor vehicles, fuel, parts and charges (106) ahead of the Pilbara (101.9), Gascoyne (101.7), South West (101.5) and the Mid-West (100.7). Transport costs in the Peel, Great Southern and Wheatbelt were all lower than Perth. Healthcare (108.1) was the second highest in the state behind the Pilbara (111.6). Some more specific examples are provided below.

- Insurance in the Kimberley is a significant cost. Residential insurance has been quoted at up to 2% of property value, with rates above 0.8% common. This compares poorly to urban areas where rates can be 0.1% or less. Whilst cyclones are recorded in the Kimberley, building standards mitigate this risk. To provide context, the insurance costs for an average 4x2 home are in excess of \$4,000 per annum.
- The reliability of food is compromised; for example, food supplies were compromised for Broome during the 2018 wet season, with the barging of food required due to cyclone related flooding. Whilst most residents ensure appropriate supplies of tinned and long-life food is on hand, this is a disadvantage experienced in the regions when compared to major urban areas. Indeed, travellers would bring fresh milk and other produce by air from major urban centres when visiting during this period. Remote communities and businesses are even more disadvantaged, and plan on the basis of being routinely cut off for up to six weeks per annum, with major cost incurred through the required storage of diesel for energy and frozen foods.
- The diversity of product. Due to the very thin markets, products are often “ordered in” with the cost inclusive of freight, which can add between 10% and 100% depending upon the bulk/value ratio of the products.
- Daily commute costs may be lower in the regions, however trips to get items that would be available within a 10km radius in capital cities may involve a return journey of up to 1,000km.
- Fresh foods in remote communities can be double the price of the same product in a capital city supermarket.
- The cost of flights to major urban centres creates challenges for families, particularly for parents seeking to visit their children at boarding schools or attend family reunions/funerals. The price of a one-way economy ticket from Broome to Perth spiked to \$5,200 in 2018. The average cost of a one way ticket from Broome to Perth is \$350.
- Fuel costs are higher in the regional areas. As of Wednesday 2nd October, the cost per litre of diesel averaged 149.51c in Perth whereas in Broome the cheapest price was 163.9c. In Fitzroy Crossing the cheapest diesel was 173.0c. For Unleaded Petrol the comparison was 154.7c (Perth), 161.9c (Broome), 176.0c (Fitzroy Crossing).

- Remote locations are littered with abandoned cars as the cost of repair is greater than the replacement value.
- It is also evident that there is an increased cost of services within remote communities. Hourly rates paid by to employees by businesses are passed on to the consumer and result in significantly inflated pricing when compared to less remote areas. Some examples include car servicing, non-essential medical and dental care, trade services and home and garden maintenance.
- The “finding” that there is some evidence of cost increases in relation to remoteness is quite remarkable given the vast amount of evidence available regarding increased cost indexes in regional areas (including those not considered remote). It is common knowledge to those living and doing business in remote areas that this increased cost of living impacts on every purchase made.

DRAFT FINDING 2.4

Although life in remote Australia has a unique set of challenges, many Australians choose to live there because of the pace and quality of remote life, or because of close personal or cultural attachments to places or to communities. Others move to remote areas in pursuit of economic opportunity.

Whilst it is acknowledged that some Australian’s choose to move to regional areas for the lifestyle or economic opportunity, many remote areas, including the Kimberley, struggle to attract the key workers required, including health, education, law enforcement and community workers.

The reasons for people living in specific locations is not relevant in the equity discussion for very remote locations. A more reasoned approach is to identify the expected level of service that should be available to Australian citizens and the affordability of the region.

There is general acceptance that regional communities will not enjoy the same facilities and services of their metropolitan counterparts however there is an unacceptable gap between services in regional and remote areas and the services available in the major urban centres. Examples of this include:

- The lack of specialist medical services with patients needing to be transported thousands of kilometres away from family and support networks to receive treatment.
- Lack of adequate aged care facilities including dementia care.
- Lack of university opportunities outside of a narrow curricular focused on nursing.

It is critical that decisions being made in relation to taxation do not undermine the capacity of employers, including government agencies, to attract critical workers to a region which can endure extremely harsh conditions.

The Shire of Broome has a varied population demographic. An assertion that all people living in remote Australia have a choice and the financial ability to relocate if desired is short-sighted and naïve. Many members of our community have lived in Broome for a long time and have deep family ties to the region. Often, they are required to make sacrifices in regard to quality of life due to family commitments or financial constraints (i.e. not having the luxury of sending children to less remote areas to access high quality education; not having access to aged care facilities for elderly members of their families). To assume that all residents reside in regional and remote locations as a “lifestyle choice” is simply not true.

DRAFT FINDING 3.1

Remote area tax concessions and payments form just one small part of the broad suite of measures put in place by all levels of government to support individuals, businesses and communities and to facilitate development in regional and remote Australia.

Whilst it is acknowledged that tax concessions are just part of a broader suite of measures, that is not a sufficient argument for dismantling the existing system.

As mentioned above removing even a mechanism such as the ZTO (without replacement) would have flow on effects on the ability to attract and retain staff. This would significantly impact the Shire of Broome as an organisation and reduce our ability to deliver the services expected by our community.

The impacts on the wider public and private sector would result in similar drops in service provision over time.

INFORMATION REQUEST 1

The Commission is seeking data (to augment the data used in this draft report) capable of supporting a comparison of the cost of living in different parts of Australia, particularly in relation to housing costs.

The Shire of Broome would like to highlight the work undertaken by the Department of Regional Development in Western Australia which provides weighted analysis across regional Western Australia, based on the degree of variation to the cost of living in Perth. This is transparent and also maps detailed changes over time. Further, it clearly demonstrates that distance from the capital has a material impact on the cost of living.

Regional Results – A Comparison Between 2015 and 2017

Index numbers 2017									
	KIMBERLEY	PILBARA	GASCOYNE	MID WEST	GOLDIELDS- ESPERANCE	WHEATBELT	PEEL	SOUTH WEST	GREAT SOUTHERN
Overall	112.9	110.7	109.1	101.2	101.3	101.7	97.4	101.6	100.2
Basket									
Food	112.4	110.3	108.5	106.4	108.7	104.3	99.5	100.9	99.9
Cigarettes, tobacco, alcohol	109.3	101.6	108.5	106.1	104.3	105.5	100.3	98.5	99.8
Clothing	102.2	103.7	111.5	104.4	99.1	108.4	97.4	105.0	104.2
Housing	117.8	120.6	111.5	94.8	96.5	97.0	93.9	101.4	96.8
Household equipment and operation	113.6	106.1	110.7	103.4	101.4	107.0	102.0	103.5	100.6
Health and personal care	108.1	111.6	107.9	98.5	109.3	102.0	99.1	101.7	107.8
Transport	106.0	101.9	101.7	100.7	100.8	99.5	96.7	101.5	99.5
Recreation	104.2	108.0	110.7	105.2	102.3	102.2	97.9	100.7	104.4

Regional Results – A Comparison Between 2015 and 2017

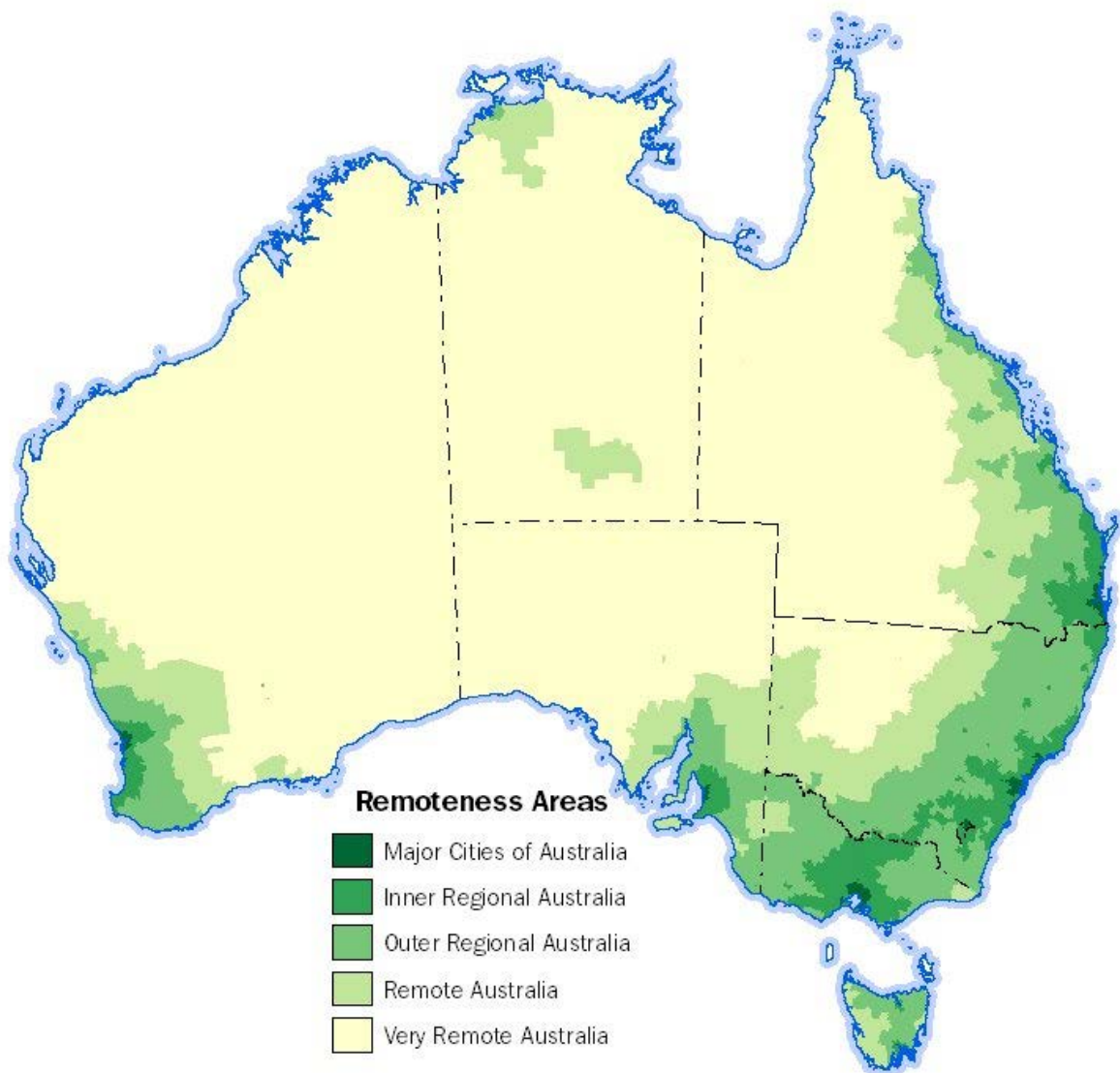
Index numbers 2015									
	KIMBERLEY	PILBARA	GASCOYNE	MID WEST	GOLDIELDS- ESPERANCE	WHEATBELT	PEEL	SOUTH WEST	GREAT SOUTHERN
Overall	115.4	117.5	112.3	102.9	103.2	102.3	98.6	102.2	100.0
Basket									
Food	116.6	117.6	118.1	106.4	106.4	107.1	107.7	112.3	103.8
Cigarettes, tobacco, alcoholic drinks	109.7	104.3	108.1	100.9	103.9	105.7	97.0	99.1	96.6
Clothing	120.3	99.0	130.8	98.2	105.6	100.4	103.4	109.0	104.5
Housing	115.4	132.2	112.0	98.4	94.4	94.2	94.4	99.2	94.7
Household equipment and operation	122.3	115.4	119.7	114.8	111.9	105.3	101.4	103.4	111.0
Health and personal care	112.5	116.9	108.4	109.9	108.9	103.7	98.4	100.7	91.8
Transport	110.0	115.6	107.1	101.7	107.0	106.1	95.2	100.5	96.8
Recreation and education	112.4	97.9	101.0	95.7	101.9	106.2	96.2	96.7	100.0

DRAFT FINDING 4.1

The remoteness areas published by the Australian Bureau of Statistics would be a more suitable basis for defining zone tax offset boundaries. They are widely used, including by State governments and the Commonwealth Grants Commission, and are updated after each census using a transparent and well understood methodology.

Defining boundaries in line with other statistical data sets is seen as a positive outcome. The ABS remoteness boundaries are more reflective of the level of disadvantage experienced through isolation compared to the current system which sees towns such as Derby, which has a population of 3,300 people, and Bidjadanga (population 750), classified as Zone A, along with Darwin (population 132,000).

ABS Remoteness Map



DRAFT FINDING 4.2

The zone tax offset (ZTO) is flawed and outdated.

- Eligibility has not kept up with change in remote Australia, and nearly half of ZTO claimants live in large coastal regional centres.
- Inflation and growth in wages have substantially eroded the value of the ZTO. The economic and employment impacts of the concession are likely to be small, and there is no evidence to suggest that the ZTO currently affects where people choose to live and work.

Eligibility

There is some merit in the argument to re-evaluate eligibility as there is a significant difference between the services in towns of 20,000 or less compared to cities of 100,000 or more. The comparison becomes starker as the size of the town decreases.

Value of the ZTO

It is noted that the ZTO has failed to keep pace with wages growth in some areas, however this does not constitute a valid reason for the abolition of the ZTO.

Whilst in and of itself the amount is too low to be an attractor, it is part of a package that may include employer housing, additional annual leave and potentially a funded annual return trip. As part of that broader package it is meaningful.

Moreover, it is the only allowance that all working regional residents receive as recognition for the challenging conditions in which they work. Whilst the high wages that have emerged through the mining boom in some areas provides reward for those in that sector, many of those employees are fly-in-fly out and are excluded from the ZTO.

There are however, many low paid employees that value the taxation concession. Some locations within the Kimberley are classified as Special Areas including Fitzroy Crossing, Halls Creek, Kununurra and Wyndham and the \$1,173 ZTO is of significant benefit.

While not a significant allowance outside of the Special Areas, the \$338 ZTO is of significance for those that receive it in that it provides some relief from the high costs associated with living in remote areas such as Broome.

DRAFT FINDING 5.1

There is no compelling justification for a zone tax offset in contemporary Australia.

Higher living costs or other aspects of life in remote areas do not warrant compensation from other taxpayers. Australians face a range of advantages and disadvantages in where they live, and will typically locate in the area they value most highly.

Communities likewise grow or shrink based on their advantages and disadvantages. Attempts by governments to artificially create an advantage for a remote community, or attract people to live in high cost areas through tax concessions, typically result in net losses to the broader Australian community.

Whilst superficially the economic rationalist argument has merit, it fails to look at the total costs that could accrue to the broader Australian community if insufficient key workers are attracted to the regions.

Aboriginal people have an unbroken link to country which stretches over more than 40,000 years. Whilst individuals may relocate, the community is likely to endure regardless of the hardship involved and they need access to doctors, nurses, teachers and other community workers. Although some key workers are deeply attracted to regional areas, many need to weigh up the financial implications of working in such isolated locations, particularly if they have family commitments. For example, the cost of housing is 17.8% higher in the Kimberley when compared to Perth (Department of Primary Industries and Regional Development, 2017), with the gap significantly higher in some locations. The higher costs, lower amenity and poorer education and health services means that the Kimberley is at a distinct disadvantage in attracting key workers.

With insufficient services in remote areas, the gap between Aboriginal and non-Aboriginal people will continue to expand, not only exacerbating the intergenerational crisis being experienced in this region, it will have very long term financial implications for the Federal budget.

Further, as many of the key workers are employed by Local and State Government agencies, the financial burden of additional fringe benefits is likely to lead to the need for additional (grant) funding to maintain services at an acceptable level. The efficiency of the total tax regime needs to be considered including the compliance burden, potential risk and time demands of a grant system in comparison to a foregone tax regime of the ZTO.

DRAFT RECOMMENDATION 5.1 ABOLISH ZONE AND OVERSEAS FORCES TAX OFFSETS

The Australian Government should abolish the zone tax offset and the overseas forces tax offset.

The recommendation to abolish the ZTO is strongly rejected by the Shire of Broome as a simplistic response to a complex issue. Whilst there is a valid discussion to be had in terms of the detail of offsets, to simply remove offsets is inappropriate, counterproductive and inequitable for those in some of the most remote and disadvantaged communities in Australia.

DRAFT FINDING 5.2

There is no case for the Government to provide company tax offsets specifically to businesses in remote areas. Governments should focus on creating successful business environments regardless of their location.

Draft Finding 5.2, which advocates that “there is no case for the Government to provide company tax offsets specifically to businesses in remote areas” fails to recognize the broader context of the business environment in regional and remote areas. Historical infrastructure investment in less remote areas improves the viability of projects. This includes but is not limited to the need for roads that are sufficiently resilient to endure access 365 days a year, and a supply chain that is efficient and fit for purpose.

That investment is only just gaining momentum in the Kimberley with the recognition of the impact of infrastructure-based-isolation of up to 6 weeks per annum as a result of flooding. Challenges include the impact of an under-developed logistics supply chain including ports which are hampered by unmitigated high tides and the lack of capacity for rapid bulk loading and container management.

In the Kimberley, many mining ventures are undertaken by “start-ups” with well-resourced proponents a very small minority of operators. This means new projects can face significant barriers due to the cost of transport, which in some cases represent up to 75 percent of the cost of production, exacerbated by the logistics issues identified above.

Businesses including mining, agriculture and tourism, inject funds into the local economy, providing other remote businesses with the opportunity to contract work. This is extremely important when looking at Aboriginal businesses and the opportunity to close the gap of disadvantage.

In the case of the Kimberley, the Federal government is providing strong support as they recognise the longer term economic advantages of growing resilient businesses in remote areas. NAIF funding is often sought by proponents, with grants and other opportunities explored to try to move through the initial high-risk period, including exploration and pre-feasibility studies through to the bankable feasibility and securing product sales.

The alternative is for these opportunities not be explored and developed. This could have significant implications for Australia in a global environment where rare earths and tech metals are in global demand, but the resources are in some of the most remote locations in Australia. Self-reliance and resilience in the supply of these metals, other critical minerals and hydrocarbons is essential for Australia, particularly as we face a period of geopolitical uncertainty.

Food security is also a major consideration as we move forward in a global economy which may potentially strain existing supplies.

Further, we are in a globally competitive market for investment dollars in agriculture, mining and other development, noting Australia has the third highest corporate tax rate in the world (after Costa Rica and Chile). It would seem sensible to use all of our opportunities, including tax offsets, to encourage the investment required to build our regional economies and improve our national self-sufficiency.

Long term job creation is vital in regional and remote areas and if a tax offset can support the viability of businesses enduring extremely difficult conditions, the net benefit to the broader Australian community of reducing the reliance on social welfare is likely to more than compensate the tax offsets in the longer term.

The Shire of Broome agrees that governments at all levels should focus on creating successful business environments regardless of their location. Whilst not advocating for widespread application of business taxation concessions, strategic application in the start-up phase or during periods of significant innovation

could help to unlock regional and remote business potential where issues such as poor infrastructure present as a significant barrier.

The Remote Area Allowance

DRAFT FINDING 6.1

Notable characteristics of the profile of remote area allowance recipients include that:

- Most reside in very remote and remote areas of Australia (as defined by the Australian Bureau of Statistics).
- The majority are located in the Northern Territory, with one in five Northern Territorians over the age of 15 years in receipt of the payment.
- Half are located within areas of the highest socio economic disadvantage.
- Almost 65 per cent of recipients are Indigenous Australians.
- Just over half have been in receipt of an income support payment for over five years.

DRAFT RECOMMENDATION 6.1 ADJUST RAA BOUNDARIES

The Australian Government should revise section 14 of the Social Security Act 1991 (Cth) to align the remote area allowance geographical boundaries with the Australian Bureau of Statistics remoteness classification for very remote and remote areas.

SUPPORTED.

DRAFT FINDING 6.2

There is a rationale for a remote area allowance to address cost of living differences affecting income support recipients in remote Australia.

DRAFT RECOMMENDATION 6.2 REVIEW RAA PAYMENT RATES PERIODICALLY

The Australian Government should revise payment rates for the remote area allowance (RAA) following the completion of this study.

Thereafter, the Department of Social Services should review the RAA periodically. These reviews should:

- revise RAA payment rates, taking into account changes in living-cost differentials between remote and non remote areas
- report on RAA annual outlays and recipient numbers
- consider any issues associated with administering the RAA.

The reviews should be made public.

SUPPORTED.

Fringe Benefits Tax Remote Area Concessions

DRAFT FINDING 7.1

The use and economic effects of fringe benefits tax (FBT) remote area concessions vary.

- The exemption for employer provided housing (used as a usual place of residence) can provide significant value at the employee level, particularly for higher income employees, and could cost as much as \$430 million per year in forgone FBT revenue nationally. Usage is concentrated in certain areas — such as the Pilbara in Western Australia, and the Central Highlands and Bowen Basin in Queensland — and in industries such as mining, agriculture, and public services (including hospitals, police, and local government).
- The partial concessions on employee sourced housing are narrowly used. The 50 per cent concession is much less generous than the full exemption on employer provided housing, and the compliance burdens are higher.
- Use of other FBT remote area concessions (on residential fuel, meals for primary production employees and holiday transport) is minimal, in part because they provide limited tax savings and are overly complex with high compliance costs.
- FBT concessions for fly in fly out workers, while widely used, are likely to have only a minor influence on decisions to maintain a fly in fly out workforce.

Finding 7.1, “that the use and economic effects of fringe benefits tax (FBT) remote area concessions vary,” is of critical importance. This means that, until the roll-on impact in different locations is clearly understood, a unilateral decision to abolition or slash the level of concession could lead to unintended consequences which could require greater levels of government expenditure to fill the gap.

The Shire of Broome acknowledges the need for review and potentially more targeted Fringe Benefits Tax remote area concessions, however provides the following comments:

- Reduction of the concessions will arguably impact most on local government services and may potentially reduce the funds available for other essential community programs and services, such as those supporting our youth which have an unacceptably high suicide rate and levels of incarceration at Banksia Hill Youth Detention Centre.
- Some areas could benefit from an increase rather than abolition of employee sourced housing. This would enable employers, which do not have the resources to provide housing, to attract staff into the regions for essential services.
- There needs to be a clear understanding that the larger the gap between concessions available for a local resident workforce and those available for a fly-in-fly-out workforce, the greater the potential of the latter being used for the bulk of the workforce, undermining regional employment.
- The Shire of Broome draws the Commissions attention to current rental costs within the townsite of Broome and immediate surrounds. While housing price relief has been experienced following the strategic release of land by the State land development agency LandCorp, rental prices are still far higher than similar housing stock in Perth. Any move to reduce the availability of FBT remote area concessions would have a direct and immediate impact on the Shire's staffing and operations. Simply put, we will be unable to attract suitably experienced staff to the Shire of Broome without allocating significantly more municipal funding to offset rental costs. This would have serious impacts on our ongoing financial sustainability.

DRAFT FINDING 7.2

Fringe benefits tax remote area concessions help to address inequities inherent in the FBT regime, but they are not fit for purpose. The current concessions are overly generous and complex, thereby creating other inequities.

The Shire of Broome welcomes further exploration of Fringe Benefits Tax Remote Area Concessions to address inequities, however, does not agree that the current arrangements are “overly generous”. If that were the case, there would be a magnet attraction to regional areas, yet the reverse is true with many regional and remote areas suffering population contraction with key worker roles difficult to fill.

Caution should be applied, particularly in relation to the unintended consequences of rapid changes to policy and the potential for exacerbation of the current challenging economic conditions in some regions.

The Shire does recognise the complexity of the current concessions and submits that this is one of the main reasons that uptake amongst smaller public and private entities is not at the same level as larger organisations.

DRAFT RECOMMENDATION 8.1 TIGHTEN TAX TREATMENT OF EMPLOYER PROVIDED HOUSING

The Australian Government should amend the Fringe Benefits Tax Assessment Act 1986 (Cth) to change the tax treatment of employer provided housing. Specifically, it should:

- revert the exemption for employer provided housing (section 58ZC) to a 50 per cent concession (as it was prior to 2000)
- remove the provision that enables employers to claim the concession because it is 'customary' to provide housing (section 58ZC(2)(d)(iii))
- remove the provision that extends the concession to additional areas for 'certain regional employers' (section 140(1A)).

Broome currently has a median weekly house rental cost of \$450 and a 3.38% vacancy rate. Median rent is \$55 more than the comparative Perth median weekly house rental cost (\$395) while the vacancy rate is 2.22% less than the Perth rate (5.6%). Rental housing stock is limited and more costly than metro areas (or most regional areas) of WA.

There is deep concern in the Kimberley that, if the Productivity Commission's recommendation to revert the exemption for employer provided housing (section 58ZC) to a 50 per cent concession, the consequences for Shire budgets in remote areas could be devastating. For example, the Shire owns 8 staff houses and provides 100% Remote Area Housing Concessions to 23 staff to a total value of \$587,191.28. This represents a 2.6% increase in annual rates.

The Shire of Halls Creek has estimated the change would add at least \$400,000 to the Shire's costs each year. This represents 15.6% of the estimated revenue from rates and 4.8% of the total budget including grants for the financial year ending 2020. They went on to say:

"The FBT exemption is critical for non-mining industries like local government; in many of the rural communities Local Government is the major employer. In our case the Shire of Halls Creek has 33 rental units for 58 staff. The rest live in State Housing, which is not in a position to provide additional housing when Shire needs it and it usually takes years to supply. If we need new staff we have no choice but to provide the accommodation too. For the Shire of Halls Creek, a 50% reduction would add about \$12,000 to the cost of every employee as the real cost of rent is \$450 week. For SoHC this would be a bill of \$400k per annum.

Adding 50% to the FBT on housing on our annual bill will be disastrous."

Noel Mason, CEO, Shire of Halls Creek

In order to sustain services, further grants would be required from either the State or Federal Government, changing the arrangement from forgone revenue to a government budget item subject to the whims of political sentiment and bringing with it significant compliance arrangements, eroding the value of the funds and increasing the grant requirements. This is an inefficient taxation arrangement.

It should be noted that private rental is not available in all locations. In Halls Creek, for example, 56% of housing is owned by the state with a further 15% likely to be provided by employers. Under 8% is privately owned and none is let through a real estate agent. The investment market for private rentals would be shallow at best, adding to the high level of difficulty in attracting people to very remote locations.

DRAFT RECOMMENDATION 8.2 REMOVE CONCESSION FOR EMPLOYEE SOURCED HOUSING

The Australian Government should amend the Fringe Benefits Tax Assessment Act 1986 (Cth) to remove the 50 per cent concession on employee sourced housing (section 60).

The removal of the concession for employee sourced housing is not appropriate.

Mono-owner towns can have significant consequences where project closures create “ghost town ghettos” where streets of housing are boarded up, facilitating anti-social behaviour. By allowing the private housing market to provide options, a mosaic pattern of employee housing would be implemented, making better use of the existing housing stock, allowing employees to make housing choices appropriate to their requirements and improving integration of new residents into the residential community. Indeed, an increase to parity with employer-provided housing could be argued.

Currently the Shire provides 50% rental concession to 10 staff to an annual value of \$203,821. Removing this concession would have a similar impact to a change to the 100% concessions in relation to attraction and retention of staff. This would result in a direct movement of people out of the organisation and the district.

DRAFT RECOMMENDATION 8.3 TIGHTEN TAX TREATMENT OF OTHER GOODS AND SERVICES

The Australian Government should amend the Fringe Benefits Tax Assessment Act 1986 (Cth) to change the tax treatment of residential fuel, meals for primary production employees, and holiday transport provided by employers in remote areas. Specifically, it should:

- limit access to the residential fuel concession for use in conjunction with employer provided housing (section 59(1)) to instances where there is an operational requirement for the employer to provide residential fuel
- remove the residential fuel concession for use in conjunction with employee sourced housing (section 59(2) and (3))
- limit access to the exemption that currently applies to meals for primary production employees (section 58ZD) to instances where there is an operational requirement for the employer to provide these meals
- remove the definition limiting the exemption to meals ‘ready for consumption’, as it leads to ambiguity and difficulty in implementation
- remove the holiday transport concession (section 60A and section 61).

The Shire of Broome utilises a third-party provider to ensure that staff have access to these concession (where applicable under the relevant legislation) in an effort to provide benefits to staff. This offsets our inability to compete with other industries (notably the resources industry) in attracting staff. The mechanism also allows us to limit the increase in salary and associated allowances when attracting staff from less remote areas.

Any move to remove or reduce these concessions would have an immediate and significant impact on the Shire’s ability to attract and retain suitably qualified and experienced staff, and would require us to revisit our remuneration arrangements. Again this would result in the Shire having to increase rates, increase reliance on grants or reduce quality of services provided.

INFORMATION REQUEST 2

The Commission invites feedback on its estimates of the utilisation of the FBT concessions. Are the Commission's assumptions plausible? If not, what alternative assumptions should apply? Are there other data that could assist in gauging the use of FBT concessions?

No further information available on this item.

INFORMATION REQUEST 3

Should the revised remote area concessions be considered 'reportable' or 'excluded' benefits? Are there additional compliance burdens from allocating these benefits to individual employees that justify excluding them?

Are there any other factors that should be considered in implementing these changes?

Currently the recommendations of the Productivity Commission include the reduction in benefit to 50% for employer funded housing.

The Productivity Commission's Report also identifies that employee sourced housing is underutilised and makes commentary in relation to the impact of compliance complexities.

Whilst it is easy to provide feedback that the recommended concessions should remain excluded benefits, by setting a threshold it triggers the need for entities to be able to justify their decisions, as all decisions become challengeable.

This is an issue for remote locations where the compliance burden (whether precautionary or a requirement) cannot be mitigated over a larger workforce. This creates additional costs for already disadvantaged communities, either directly through the rates base of local governments, or indirectly through increased fees and charges of the business.

This information request assumes implementation which the Shire of Broome strongly opposes. The Shire also supports strong governance which would mean any reduction from 100% should be clearly managed. This creates a conundrum.

It is suggested that a non-reporting, self-auditing of the requirements should be implemented rather than the burden of a reportable fringe benefit.

The Shire reiterates, this change to the existing arrangements is not supported and will further disadvantage regional and remote communities.

INFORMATION REQUEST 4

The Commission invites further information on the compliance burdens that could arise from this change in the FBT treatment of employer provided housing, and on what could be done to reduce these burdens while addressing equity concerns.

The compliance burdens will be impacted by the nature of the data required. For example, if the requirement for employer-provided-housing is the market value of that housing rental, in some locations there is no existing “market,” such as in Halls Creek, where there are only 42 privately owned properties (6%) with none available on the private rental market through a real estate agent.

The direct cost model can overestimate the value of the rental return on housing in regional areas given that construction costs in those locations can be 70% higher than in urban areas however the existing market could not support a 5percent return on that investment in the form of rent.

As per information request 3, it is suggested that a non-reporting, self-auditing of the requirements should be implemented rather than the burden of a reportable fringe benefit.

INFORMATION REQUEST 5

How often should the FBT remote area boundaries be updated?

Should the FBT remote area boundaries be decoupled from the ZTO boundaries? If so, how?

Can the other eligibility rules for remote area concessions be improved sufficiently to make geographical boundaries redundant?

Boundaries should be linked to ABS boundaries and maintained in accordance with any changes made by the ABS.

INFORMATION REQUEST 6

What impacts would the proposed changes to FBT remote area concessions (particularly for housing) have on the provision of key public services, such as health services, in remote areas?

One of the fundamental considerations when examining the impact is the difficulty in filling existing positions and retaining staff. The more remote the location, the more difficult it is to recruit staff and the churn can be very high.

This indicates that market capacity to absorb the reduction in benefit to employees is low, which will result in a deterioration in health services in a region which is already challenged by very high premature death statistics. In Halls Creek, 80.6% of all deaths are classed as premature, with the rate in the Shire of Wyndham East Kimberley 85.7%, marginally down from the 90.3% experienced in 2013. Any moves that erode health services will require a compensatory response by Federal Government to ensure the long-term viability of services is not compromised.

Education outcomes are another area that may be compromised with these changes, again requiring a compensatory response to ensure continuity of services. The compensatory response may be the proliferation of public beneficiary organisations that have higher thresholds for fringe benefits tax exemptions, funded through grants for the delivery of services. Whilst this is not inherently negative and indeed will have some positive aspects, the result will be that tax collections through FBT in remote and very remote areas will not increase.

Non-financial considerations also exist. Staff providing health, education and law enforcement services in remote and regional areas deal with higher rates of abuse and assault, as well as being exposed to a portion of the population experiencing significant social disadvantage. Turnover and burnout is high as a result and an additional financial burden will accelerate this circumstance.

The overall consequence would have a profound impact on the provision of social services which are already far below that available in less remote areas.

For further details please contact

Shire of Broome

Cnr Weld and Haas Street

PO Box 44

Broome WA 6725

P: 08 9191 3456

F: 08 9191 3455

E: shire@broome.wa.gov.au