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Productivity Commission

Remote Area Tax Concessions and Payments Study
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Dear Commissioners

Draft Report on Remote Area Tax Concessions and Payments

Thank you for the opportunity to respond to the draft report on Remote Area Tax Concessions. You will appreciate that issues affecting our region's development and lifestyle are of passionate concern for North Queenslanders.

It is in no small degree that I must express my severe disappointment at several conclusions drawn in the draft report. In particular, the recommendations to abolish the zone tax offset (ZTO), and to wind-back Fringe Benefit Tax (FBT) concessions, are primed to hurt our community.

You will recall that Townsville City Council has previously supplied a submission to your research study. Among our proposals were for the ZTO to be upgraded in value, particularly because of the ever-punitive insurance costs borne by local businesses and homeowners.

In making its case for abolition, I note your draft report argues that the ZTO has "little effect"; that payment levels have not increased in 25 years; that its real value has declined; and that it is now, in fact, a "modest sum" with "minimum impact".

This is a story that North Queenslanders have heard many times before – it's called the "removal by manifest neglect strategy". It begins with a historical scheme of good intentions and value; continues through years of neglect until the scheme's value is negligible.

The converse to this line of reasoning is not to abolish the ZTO scheme but to upgrade and restore it to its original intent.

Your draft report does indeed examine this option but concludes that such reform is not desirable, particularly because concessional schemes like the ZTO have no justifiable role in assisting regional development. In the words of your draft report:

"Attempts by governments to artificially create an advantage for a regional community are unlikely to be successful, and typically result in net losses to the Australian community as a whole."

We believe in our strengths and our advantages as a growth centre of renewable technology, tropical science, advanced manufacturing, defence and trade. That is why all levels of government are committed to realising Townsville's potential as Australia's northern gateway to the Asia Pacific, as set out in the *Townsville City Deal*.

Our city is not interested in palming off the hard challenges of our development to the rest of Australia. We are not looking for hand-outs. Nobody knows more than the people of Townsville about what it takes to sustain prosperity.

However, we can't generate the full national benefits of our region's potential by ourselves. We seek a fair share of support and assistance from the Australian Government. It is stating the obvious to say that we must work together.

In response to your draft report, I strongly reconfirm Council's views that the ZTO be upgraded and work be undertaken to extend this allowance to regional businesses. In particular, an upgraded ZTO can function as relief for the exorbitant cost of insurance in northern Australia.

We also assert that the FBT concessions regime should be more effectively targeted. As stated in our April 2019 submission, consideration should be given to increasing the nominal value of FBT concessions for FIFO employers with operations based in regional centres as opposed to capital cities.

Lastly, I note that your draft report's analysis of the comparative costs of living across regional Australia does not include detailed analysis of home insurance costs. The report contains an information request for additional data, particularly on housing costs, to augment your comparison of living costs.

On this, I recommend you refer to the ACCC's current inquiry into northern Australian insurance. In particular, the ACCC is undertaking detailed case study analysis of insurance premiums in Townsville, which may be germane to the Commission's objectives.

If you require any further information about my Council's concerns, please feel free to contact our City Economist, Mr David Lynch

Thank you again for this opportunity to contribute to your study.

Yours sincerely

Cr Jenny Hill
Mayor of Townsville