



29 April 2019

Remote Area Tax Concessions and Payments
Productivity Commission
GPO Box 1428
Canberra City ACT 2610

Dear Sir/Madam

Submission in response to the Productivity Commission's Issue Paper: "Remote Area Tax Concessions and Payments"

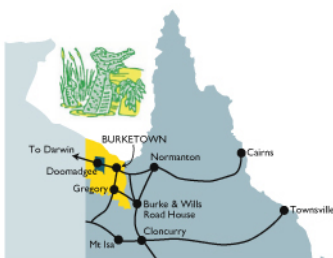
Introduction to our Shire

Thank you for allowing Burke Shire Council the opportunity to respond to your requests for information and to provide comment on your Issues Paper.

Burke Shire, located on the Gulf of Carpentaria up against the Northern Territory border, has an area larger than Belgium or Switzerland at 40,128 square kilometres. With a population recorded in the 2016 census as 328, we have a population density of 0.008 people per square kilometre. Our 'uncongenial' climatic conditions include periodic cyclones, floods (that can leave us isolated for months of the year), drought and extreme heat make things such as air conditioning and four wheel drive vehicles necessities, rather than luxuries.

We are made up of a strong rural pastoral base, the townships of Burke and Gregory, and significant indigenous populations from the Gangalidda Garawa and Waanyi traditional owner groups. As a community, we strive to be the model for remote area inclusiveness, integrity, innovation and infrastructure.

Cox et al.'s comment that 'individuals have a free choice whether or not to live or work in remote areas and to compensate them, if they so choose, would lead to resource misallocation and reduced growth for the country as a whole', would seem to indicate they have not encountered the well-known economic concept of market failure that requires government intervention, have no respect for generational nor Aboriginal attachment to place, and are ignorant of the economic contribution of our pastoralists.



Specific costs related to living in Burke Shire

Living in our Shire is significantly more expensive than living in a larger town or city. Airfares, groceries, schooling and internet are just a few examples of our exceptionally high costs. Often more expensive than metro areas not by a factor of 10% or 20%, but often by more than 100%.

Travel

In order to visit the Shire from Canberra, for example on 7 May, your trip from Canberra to Mt Isa would cost you \$773, your overnight accommodation at the Ibis hotel would be \$174 and your flight from Mt Isa to Burketown would be \$312. A resulting \$1,259 one-way trip. This is not to dissuade you from visiting our Shire, which we hope you will do in the course of your investigation, but rather to illustrate the extortionate costs of regional transport.

Costs of boarding school

With our local school only going to year 6, children must then go to boarding school. Airfares to and from boarding school ex Mt Isa can be upward of \$700 per student and we know of families who have had to pay almost \$1200 per child to get them back home or back to school.

From 2016 figures, the average Queensland boarding school cost per student is \$29,629. This results in out of pocket expenses, after maximum state and federal non-means tested allowances, of \$16,397. Allowances have increased since then, but are not tied to educational CPI so do not rise in line with cost increases.

Groceries

The costs of freight make common groceries extremely expensive. The prices of basic foods are often over 50% more expensive than in a supermarket in a regional centre or in a city. You will have received submissions from Burke Shire residents detailing these costs.

Satellite Internet

Those who live outside town rely on satellite internet. As relayed by a pastoralist: 'We pay \$242.40 a month to provide internet for ourselves and our staff. This is not unlimited data, but consists of peak and off-peak data with limits. Once you reach those limits, you are then reduced to almost dial-up speed. The speeds we can download/upload with are not metro-comparable. We cannot access Netflix, Stan or similar as it would eat all our data very quickly. We still suffer buffering on youtube videos at times and are subject to frequent drop outs and outages. The satellite internet is prone to cloud shading anywhere along its beam – so a storm in WA could mean an outage for me if we were on the same beam. It also means at the first sign of rain/cloud my internet drops out and remains out until the cloud clears.'

Paying more than metro areas for worse service is not equitable.

Principle of Equity

In light of the above, under the principle of equity, and the definition of equity (below) in the policy; taxation of a population that pays significantly more for everything from bread to fuel whilst not having access to the level of service (tarred roads, utilities infrastructure, public services etc) in less remote areas, should be at a lower rate.

- **Equity:** to compensate residents of remote areas for the various disadvantages of living in those areas. These were originally conceived of as uncongenial climatic conditions, isolation or higher costs of living; an alternative basis for comparison may be the level of access to public services.

Burke Shire Council has provided information to the Commission on the following points:

- *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)*

Responses to specific questions posed by the Productivity Commission

- **Are there criteria that would help better target assistance in line with whatever objectives are deemed appropriate for remote area support?**

Measures of remoteness such as the Australian Bureau of Statistics Remoteness Areas would be a more effective and transparent basis for allocating assistance.

- **Should larger regional centres continue to be included in the arrangements?**

We can see no valid justification for the largest four cities in the zones (Darwin, Townsville, Cairns and Mackay) to receive special assistance through the ZTO. As they account for around two-thirds of ZTO claimants, this would free up funds to support very remote areas and the associated costs of living there.

- **Should the payment levels be changed, indexed, and/or means tested?**

We believe rebates (or a lower taxation rate) should be set at a percentage of taxation (without threshold) for everyone in our very remote Shire. We do not believe it should be means tested for reasons both of simplicity in the taxation system and the incentive it could provide for skilled, higher wage earners that we so desperately need to take up positions that we struggle to fill in very remote regions.

- **Given that the RAA was introduced as a companion payment to the ZTO, should eligibility and payment rates be amended to address eligibility anomalies between ZTO and RAA?**

While we agree that those in our community on benefits face equal challenges of high prices and lack of services and therefore support them having the same purchasing power as their non-remote counterparts, we would not want to create a perverse incentive whereby people come to remote regions because of the perceived greater financial benefits and have little chance of finding employment, place increased stress on our limited accommodation and have no access to training or social services.

- **Is there scope to rationalise the three arrangements into one payment for people in remote areas?**

No. We are of the view that a payment system is not as efficient, equitable or incentivising for individuals and businesses as a percentage tax rebate or tax reduction (without a threshold).

- **Should businesses in remote areas be provided with ZTO-like support?**
Yes, but as a percentage tax rebate/ reduction.
 - **Are there alternative mechanisms to more directly support Australians residing in specified geographic areas?**
Yes, but they are not simple and will be variable. For example, providing subsidised freight, flights and groceries would undoubtedly be useful. We would not see these as alternative but complementary to tax rebates or a lower rate of taxation.
 - **Would the forgone revenue and expenditure from the tax concessions and payments be better allocated to State and Territory governments to provide additional funding for their regional development programs?**
No, very remote regions are too easy to overlook and funding could not possibly be targeted enough to provide assistance with the real costs of remote living to individuals.
 - **Should the Government seek to attract graduates possessing in-demand skills to regional areas by forgiving their HELP debts?**
Yes! In our Shire, this would require funding to build suitable accommodation.
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Please do not hesitate to contact me should you require clarification on any of the points raised, or need further information.

Yours sincerely

Clare Keenan