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

Dear Sir/Madam

I am writing in regard to the study being carried out into Remote Area Tax Concessions and Payments. The Chamber of Commerce Northern Territory speaks for 1,200 businesses employing thousands of Territorians in every sector of our economy. Our members are drawn from every corner of the Northern Territory, with 35% located outside the Greater Darwin Area, and we operate offices in Darwin, Katherine and Alice Springs. We also have regional committees made up of local business representatives in Darwin, Katherine, Alice Springs, Tennant Creek and East Arnhem.

The Northern Territory Government have provided a submission that outlines in depth the need for expanded taxation incentives and the risks inherent in the removal of these incentives. We fully endorse the content of the NT Government submission but will add the following comments

The White Paper on Northern Australia Development outlined the importance of the remoter parts of Australia - *A strong north means a strong nation. Even though over one million people live in the north — all of the Northern Territory and those parts of Western Australia and Queensland above the Tropic of Capricorn — it accounts for over half of our sea exports (Ports Australia, 2014). Thriving and diverse exports in minerals, energy, agriculture and tourism underpin our national income. The earnings from the Pilbara alone are larger than the individual economies of 119 countries but are generated by only 60,000 people (Pilbara Development Commission, 2013).* Much of the wealth generated in Northern Australia is done despite the difficulties associated with recruiting and retaining staff. This is an issue as much for SME businesses as it is for the major project operators.

The issue is much more difficult to deal with for SME's as they do not have access to the operating revenue to be able to fund the cost of fly-in fly-out staff and must rely on other avenues to recruit and retain staff. For those in remote and regional, low margin, high competition sectors such as retail, tourism & hospitality and business services, it is a critical issue. This is exacerbated for the private sector having to compete with public sector employment offering housing and other incentives, which SME's cannot match.

The transitory nature of the Northern Territory workforce has been identified as the key issue for local businesses in our member surveys for the past decade and longer. The lack of any real incentives for Australian citizens to remain in the Northern Territory to work with SME's is a major part of this. As the Northern Territory experienced a 15% drop in State Final Demand in 2018/19, we did not see any significant shift in the unemployment rate as those unable to find employment moved elsewhere.

The Northern Territory Government has moved to provide financial incentives for people to relocate to the NT but this does not help retain a pool of skilled people for the expected rebound in the economy in the next 12-18 months. Our members experience is that it is easier to attract skilled migrants from offshore to work with SME's than it is to attract staff from interstate when conditions improve. The loss in productivity for many businesses during recruitment and training is a hidden cost experienced by many, as staff churn occurs each year.

The provision of meaningful remote area tax incentives would be a significant boost to the NT capacity to retain a skilled population, instead of being reliant on the costly process of recruiting skilled migrants. This incentive would need to be at a level equivalent to the indexed value of remote tax offset to be of any significant impact.

Our members are further concerned that changes to FBT arrangements will discourage resource sector developments in the Northern Territory that many SME's rely on as core business to service and supply. We support the Northern Territory Government's suggestion (P.21) that the exemption only be applied to employee's who usually reside in a regional or remote area.

We are happy to discuss any aspect of the above or the challenges for SME's doing business in regional and remote Australia.

Yours sincerely

Greg Bicknell  
Chief Executive