

**Submission to the Productivity Commission:
Remote Area Tax Concessions and Payment
March 2019**

This submission does not directly respond to all the questions on which the Productivity Commission has sought comment, though it does address some of them directly and others indirectly. This submission suggests that the Frydenberg request for study of the “zone tax offset and related remote area tax concessions and payments” provides the Productivity Commission with a limited opportunity to comment upon how Australia’s interior might most effectively be developed in the future.

In this submission, I will make submissions under four headings:

1. Constitutional issues
2. There is no point without water and other supporting infrastructure
3. Incentives have to be genuinely and practically attractive
4. As a wealthy country, Australia has an international social obligation to develop its interior in a responsible way.

Please note that I am not an economist. I do not have the skills to cost my recommendations below, but I am confident they can be economically costed and implemented by stages in ways that would enhance rather than burden our state and national economies. What we need is a larger vision. This submission is about that vision. My primary vocational experience is an international lawyer though I now teach Australian Constitutional Law, the Law of Evidence and Legal Research.

My core recommendations are:

- That we halve personal taxation for all Australian taxpayers who lived more than 300 kms from any metropolitan area with a population above 300,000 in the last Australian census
- We develop Australia’s interior with all the resources at our disposal including our nuclear resources

Abstract

Australia is one of the world’s largest and wealthiest countries. It is full of natural resources but those resources are not all conveniently located. Australia has an international social obligation to develop its resources in economically sustainable ways so that the environment is enhanced, so that the country is greened, so that the world is fed and so that we can house, meaningfully engage and develop the world’s refugees as a long term economic resource. Genuinely attractive polices are required to encourage people to leave the large cities of the coastal fringe. Encouraging such departures in genuine ways will avoid the need for additional infrastructure that responds to their growth.

Constitutional issues

Section 51(ii) of the Constitution confers on the Commonwealth the power to make laws with respect to ‘Taxation; but so as not to discriminate between States or parts of States’. Section 99 further states ‘The Commonwealth shall not, by any law or regulation of ...

revenue, give preference to one State or any part thereof over another State or any part thereof'.

A policy that was even handed between the states would not breach either of these provisions. For example, a policy that stated that any Australian tax payer that lived more than 300 kms from any metropolitan area with a population above 300,000 in the last Australian census, would not discriminate between states or parts of states.

I believe that a policy that made such non-discrimination intent clear in all documentation would be upheld by the High Court if challenged as a matter of parliamentary sovereignty. Of course if the policy was not genuinely non-discriminatory in design or effect, the High Court would be obliged to find the offending parts of the policy or its application effects unconstitutional. This interpretation of the Constitution was made clear by the majority of the High Court (Gleeson CJ, Gummow, Hayne, Callinan and Heydon JJ) in *Permanent Trustee Australia Ltd v Commissioner of State Revenue* (2004) 211 ALR 18 despite the separate dissenting views of McHugh and Kirby JJ.

However, if the intent and design were non-discriminatory from the get-go, then there is no constitutional impediment.

Water is essential

Australia has abundant water resources but they need to be relocated. For example, the Argyle Dam in the Northern Territory holds 7x the volume of Sydney Harbour. While some of it is used to irrigate agriculture in the Northern Territory, most of it escapes to the sea. Additional infrastructure could tap all of this water and redirect it to places where green economic projects including agriculture could be developed.

Our tropical areas are prone to seasonal inundations. Wise planning could tap, hold and channel these surpluses into existing natural and future man made waterways. As our climate continues to change, the inundations will grow. Wise capture of the resulting waters would protect existing inhabitants and enable the ongoing development of the interior.

Australia has 70% of the world's uranium resources. Such resources should be used for peaceful purposes including:

- Pumping water to interior locations for wise irrigation and managed forestry development
- Desalinising additional water as needed to supplement the greening of Australia's interior with new agriculture and forests
- Cost-effective powering of new remote communities that would be established under the overall policy

The traditional green objections to the development of nuclear power should be answered with reasons including the following:

1. We know how to build safe nuclear power stations. There has not been an 'accident' with any post-1960 nuclear power construction
2. Nuclear power is the safest and most environmentally friendly power alternative yet discovered by man. It does not emit carbon. It does not require the construction of

wind turbines that kill birds or blot visual amenity. It does not require vast space like existing solar power plants.

3. We can establish attractive financial prizes for physicists who develop safe ways to dispose of, or better re-use current waste products
4. We can amend our Constitution to ban the direct or indirect use of any of our natural resources (including uranium) for non-peaceful purposes.

I also observe that fossil fuel power and desalination have enabled the greening of the United Arab Emirates.

Attractive incentives

The current incentive plans do not encourage anyone to relocate to a life away from Australia's big cities. No one has ever relocated purely because of the existing incentive programs. At best, they have been a secondary factor in relocation consideration. Future incentives must be good enough to encourage relocation on their own.

I recommend that a policy designed to economically lure people into the push is essential if Australia's interior is to be economically developed. I recommend that appropriate promotional slogans would include:

- Halve your tax
- Build Australia's future
- Raise a healthy family

It would have to be clear beyond reconsideration that Australian government was committed to remote development for the long term over the voting power of the cities. Continuing city dwellers would thus have to see benefits to themselves. Such benefits might include reduced need for infrastructure, less pressure on transport systems, a Green Australia to which they were contributing. An example of reduced infrastructure needs would be the cancellation of fast train services from remote dormitory locations to provide increased work force in existing large cities.

Responsible development responsibility

We owe the responsible development of our interior not only to our own future generations but to the world. We have the potential to be able to feed the world. While economic growth and wealth production are not the be-all and end-all of wise societal development, they will be the natural by-products of such policy. But they require patient long term commitment.

Australia ratified the *Refugee Convention 1951* in 1954 but has never taken serious steps to take care of those in need despite the number of refugees we have assimilated during the intervening years. That lack of commitment is manifest in the fact that racism endures and there has been no systematic education campaign to eliminate it. We know that drink driving is a crime, but we don't know that refugees aren't terrorists.

We must expedite our processing of refugees so that we determine they are safe, welcome and wanted contributors to our future economic, social and spiritual growth.

Professor Keith Thompson

Associate Dean, Sydney School of Law
The University of Notre Dame Australia

April 2019