



Local Government Association of the Northern Territory

LGANT Submission to **REMOTE AREA TAX CONCESSIONS AND PAYMENTS**

Via email to: remotetax@pc.gov.au

1 May 2019

I write in response to the Productivity Commission's ('the Commission') issues paper of March 2019 on Remote Area Tax Concessions and Payments.

1. Scope of this submission

This submission provides responses to specific questions that were raised in the issues paper along with some of the information requests.

2. Responses to specific information requests framed here as questions

2.1 Which, if any, of the policy rationales given for special assistance for people in remote areas remains valid in a contemporary Australia and why?

All of the policy rationales remain valid for special assistance for people in remote areas.

It would be worthwhile the Commission examining the Federal government inquiry report into regional inequality if it becomes available within the timeframes of the Commission's deliberations as it should provide further evidence of the need for such assistance as well as the extent of disadvantage in remote Australia.

LGANT requested input from NT council CEOs and one submitted the following:

'FBT exemptions help [the council] offer non-cash benefits at a lower cost by making salary packaging more attractive [for employees]. From a corporate point of view this reduces cost and enables us to provide (more) appealing employment packages than we would otherwise be able to.'

The Local Government Workforce Development Group found that:

Key drivers/reasons behind the current skill shortages in regional, rural and remote local government are:

- shortage of skilled locals - limited talent pool
- limited education in communities
- limited number of candidates applying for positions
- remoteness - hard to recruit skilled and experienced staff to remote locations
- staff attendance and high staff turnover
- staff accommodation shortages and rentals
- remuneration offered by councils - councils cannot compete with the private sector
- poaching of skilled employees by the private sector and the Northern Territory Government
- the costs of living

2.2 What are the costs of living in regional and remote areas within the zones compared to other parts of Australia? What changes in technology, transport, and infrastructure over recent decades have affected the hardships of living in areas that are geographically isolated or have uncongenial conditions?

LGANT provided the example below to the Federal regional telecommunications inquiry which gave the cost of telecommunications between various locations in the Northern Territory.

Location	Transmission Speed	Cost
Remote Community	2 Mbps	\$911.82
Tennant Creek	10 Mbps	\$977.27
Darwin	20 Mbps	\$134.00

The cost of air transport from remote communities to major centres in the Northern Territory is high as the Table 2 below shows:

Table 2

Return flight costs to Darwin from remote communities as at 30 April 2019		
Maningrida to Darwin \$998	Milingimbi to Darwin \$1298	Galiwinku to Darwin \$1198

Both Galiwinku and Milingimbi are also townships that are located on islands which makes them even more reliant on air transport. These examples do demonstrate the level of transport disadvantage that residents have when you consider the flights are all under two hours duration.

Another example is the cost (\$350) of a return flight from Bathurst Island to Darwin. The flight time is only thirty minutes and it is only 60 kilometres away yet it is one of the principal means of travel from the island.

In response to a LGANT request for input from councils on this submission one CEO replied:

'Attracting qualified, skilled staff is difficult and retaining them is even more difficult. Better conditions would help but how do we afford them?'

'It is great that we get a reduced FBT bill with housing and vehicle exemptions but we still have costs to do our business. We estimate the cost of doing business is about 20% higher than in Darwin.'

Another CEO replied:

'Minimising costs is important as our business costs are higher because we have:

- a high percentage of gravel roads in our local government area
- large distances to travel between our towns
- high transport and food costs
- an area to administer that is larger than the State of Victoria'.

The *2018 Regional Telecommunications Review* acknowledged both the benefits and shortcomings of telecommunications infrastructure in regional, rural and remote Australia including:

Benefits

- *..businesses that have a fixed-line broadband service as well as reliable mobile coverage from one or more mobile network operators are in a strong position to take advantage of new digital applications and economic opportunities.*

Shortcomings

- *If we truly aspire to regional Australia being the prosperous and innovative economic powerhouse it has the potential to be, more needs to be done.*
- *satellite service data limitations, congestion on the fixed wireless network, and poor mobile coverage are creating significant disparities [for regional, rural and remote residents and businesses]*

2.3 Is there merit in moving away from remote area assistance based on concepts such as the relative cost of living and instead basing assistance on more direct measures of disadvantage or need?

LGANT considers there is some merit in moving away from remote area assistance based on concepts such as the relative cost of living and instead basing assistance on more direct measures of disadvantage or need. However, LGANT would not like to see more convoluted measures in their place and prefaces these comments by saying they would need to be easily compiled and capable of fitting in with the issues paper:

- tax and transfer design principles mentioned in Box 2
- policy rationales mentioned in Box 3.

3. Responses to specific questions raised in the issues paper

Some of the questions raised include:

3.1 Should the ZTO special area boundaries be redrawn to reflect contemporary settlement patterns?

LGANT considers the boundaries should be redrawn to reflect contemporary settlement patterns because at the moment they are very much out of date and do not reflect the reality pertaining to particular areas especially in terms of disadvantage. See also comments in 3.2.

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

One means of applying criteria that would better target assistance for remote area support is to make greater use of Socio-Economic Indexes for Areas (SEIFA) put out by the Australian Bureau of Statistics. The Northern Territory has some of the most disadvantaged areas in Australia based on SEIFA data as shown in the Table 1 below.

According to the Local Government Workforce Development Group:

59% of councils in the Northern Territory are [have] some of the most disadvantaged Local Government Areas in Australia. The SEIFA Index 2016 lists 10 of the 17 NT councils within the top 30 most disadvantaged regions in Australia

Some of the disadvantaged areas mentioned in Table 1 are also included in zones for tax offsets that do not reflect their disadvantage. For example, the town of Belyuen is ranked the most disadvantaged area in the NT and the second most disadvantaged in Australia yet it is in Zone A and not Zone A (special).

Table 1

SEIFA Index by Northern Territory Local Government Area – 2016

2016 Local Government Area (LGA) Code	2016 Local Government Area (LGA) Name	Usual Resident Population	Rank with Australia	Rank within NT
			Rank	Rank
70200	Alice Springs (T)	24,753	396	13
70420	Barkly (R)	6,655	28	10
70540	Belyuen (S)	164	2	1
70620	Central Desert (R)	3,677	4	3
70700	Coomalie (S)	1,319	51	11
71000	Darwin (C)	78,804	476	18
71300	East Arnhem (R)	9,026	10	4
72200	Katherine (T)	9,717	335	12
72300	Litchfield (M)	23,855	475	17
72330	MacDonnell (R)	6,029	14	5
72800	Palmerston (C)	33,786	450	16
73600	Roper Gulf (R)	6,505	18	6
74050	Tiwi Islands (R)	2,453	23	8
74550	Victoria Daly (R)	2,810	26	9
74560	Wagait (S)	463	411	14
74660	West Arnhem (R)	6,188	21	7
74680	West Daly (R)	3,166	3	2
79399	Unincorporated NT	6,907	440	15

(T=town council, R=regional council, S=shire council, C=city council, M=municipal council. **Note:** in terms of the types of councils under the *Northern Territory Local Government Act* the T,C & M councils are all classed as municipal councils. **Source:** Local Government Workforce Development Group).

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

Payments should be increased and then at least be indexed annually especially given no changes have been made since 1993. If any payments are to be made in the future they should be based on the policy rationales in Box 3 of the issues paper.

In response again to this submission one CEO said:

'The remote area tax offset for zone A (special) is totally inadequate, it needs to be 10 times the amount so it is an incentive to live and work in remote locations. At council we add an additional remote area allowance of \$3260 for Tennant Creek and \$4564 for employees in remote towns. Increasing the offset does have real benefit.'

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

LGANT supports the three arrangements being rationalised into one payment for people in remote areas for reasons of simplicity if that is at all possible.

Tony Tapsell
Chief Executive Officer

References

Regional Telecommunications Independent Review Committee, September 2018, *2018 Regional Telecommunications Review*, Commonwealth of Australia.

The Local Government Workforce Development Group, 2018, *Local Government Workforce and Future Skills Report – Northern Territory*, Local Government Association of the Northern Territory.