



4 October 2017

Select Committee on Regional Development and Decentralisation
Via email: rdd.reps@aph.gov.au

Dear Committee Secretariat

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Select Committee on Regional Development and Decentralisation's inquiry into *Best Practice Approaches to Regional Development, the Decentralisation of Commonwealth entities and supporting Commonwealth Decentralisation*. The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

The NFF agrees that regional Australia deserves its fair share of government services and opportunities. However, we are also conscious that some jobs are best done in the cities. Because of this, NFF supports the relocation of Government agencies to regional Australia where there is a net overall benefit, it is practical, is the best fit for the region and has a positive impact not just on the individual region but on agricultural productivity as a whole.

Farmers are the strongest advocates for living outside of a city – it is where we do our business. We understand that living in regional and rural locations offers many lifestyle benefits, and we must continue to work to ensure these communities remain strong and vibrant. Therefore, the NFF supports the intent of initiatives designed to strengthen rural and regional communities through relocating Government agencies and encouraging private enterprise to regional areas, thus creating jobs and providing financial injections to rural economies.

Ensuring decentralisation caters for agriculture

NFF is of the view that any plans to move Government bodies must be both methodical and driven by common-sense. Consequently, assessments of whether it's appropriate to relocate an entity or agency must include a thorough and independent cost benefit analysis. Farmers want to make sure that there is a strong business case and that the effectiveness of the bureaucratic process is not going to suffer as a result of proposed moves. Many agencies, and indeed private corporations, already utilise a 'hub and spoke' approach to their business operations. This model offers flexibility to their workforce. There must be recognition that there are degrees of relocation, and Commonwealth agencies and entities must be afforded the opportunity to adopt business models that are fit for purpose to their operations.

There must also be adequate allowance in federal budgets for relocation and relocations costs – these costs must not be drawn from the day-to-day costs of agencies. Many agencies are already resource constrained to meet existing efficiency dividends. The NFF believes it would be inappropriate for relocation costs to be drawn from existing operational costs, particularly for those agencies that operate on an industry cost-recovery basis.

Relocation also means more than relocating a principal workforce. The relocation of a single employee carries implications for their partners and families. Consequently, programs that allow for partners to also work remotely must be set in place. For instance, if both partners work for two different Commonwealth agencies and one of those agencies is relocated to a regional area, it would be appropriate for provision to be made for their partner to continue working for their agency remotely.

Tax incentives to strengthen the regions

NFF is a strong proponent of reforming the taxation system to provide for a new era of lower, simpler and fairer arrangements, supporting economic growth and development, productivity and investment. To this end, NFF recommends government to review tax and other incentives for regional Australia and to refine the objectives of taxation in the regions.

The current system of tax zone rebates was originally introduced to compensate individuals for the disadvantages of living in remote areas such as distance, climate and higher living costs. Given that the rebates are subject to a number of conditions and the nominal amounts have not been varied since 1993, they have become increasingly irrelevant and are a poor method of addressing the disadvantages of living in remote areas.

Similar to the tax zone rebates, Fringe Benefits Tax (FBT) concessions allow employers in remote areas to provide their employees with higher after-tax remuneration to compensate them for higher costs of housing construction in remote areas and a lower level of public amenities. The FBT system generally is complex, cumbersome and costly to comply with. The fact that benefits are taxed in the hands of employers and then ‘grossed up’ to an after-tax value for employees is an unnecessary complication which could be alleviated by taxing fringe benefits in the hands of employees and then taxing them at their marginal income tax rate.

In addition to the general complexity of FBT, the remoteness definitions that apply for these particular exemptions are outdated and complex. These should be reviewed alongside the tax zone rebates. Given that FBT concessions make it cheaper for employees to live and work in remote areas, there is a reduced incentive to be a business owner in remote areas, thereby damaging entrepreneurial activity and economic development in remote areas.

There are two broad options for reform. One is to better target the rebate through incorporating a population based criterion – that is, living in a regional centre with a population greater than a threshold would no longer attract the rebate, and then the rebate for the remainder of the population could be increased. The other option for reform would be to scrap the rebates altogether and redirect the funds to providing regional infrastructure and other personal and business incentives to attract people to regional areas.

NFF does not favour a particular option but believes the Government should investigate ways to reform tax zone rebates and remote area FBT concessions or replace them with alternative forms of assistance to compensate people for disadvantages associated with living in remote areas. NFF considers the best way to assist rural communities to get rid of outdated zone tax rebates and to instead use the additional tax revenue to redesign tax incentives on how to do business in regional Australia. For example, simple tax incentives in line with redefined tax objectives could help rural businesses prosper through offering company tax discounts and income tax discounts in the regions.

Barriers to business in regional Australia: Infrastructure and telecommunications

There are two critical factors that can impact on regional areas as place of business – transport infrastructure and telecommunications connectivity. The Australian Government is currently developing a National Freight and Supply Chain Strategy. This strategy must be integrated with decentralisation strategies as a means of attracting private enterprise into regional areas. A coordinated

National Freight and Supply Chain Strategy, accompanied by appropriate infrastructure investment, has the potential to attract industries including manufacturing, particularly food manufacturing, to regional areas to be closer to areas of production. It also opens new markets for fresh produce. Regional centres that offer the opportunity for direct flights to major capital cities have an obvious advantage in attracting a decentralised workforce – particularly from the private sector. Proactive policies are needed around Australia's transport infrastructure to truly open up regional Australia's economic potential.

In addition, reliable telecommunications infrastructure, particularly for broadband, must be a priority. Quality telecommunications underpin not only basic communications (including emergency calls), but other everyday activities such as online banking, weather information, trading crops and livestock, online learning, webinars and the maintenance of livestock traceability systems. There has been much commentary about the current unreliable nature of nbn Sky Muster satellite services as well as its capacity limits. These must be addressed as a priority by the Australian Government to ensure that rural communities and businesses are able to thrive in the 21st century.

While we have identified telecommunications and transport infrastructure as principal priorities, it is clear that a piecemeal or ad hoc approach to regional development would be unsuccessful. There are also social and economic factors. Social support, adequate recreational facilities et cetera all feed into the liveability of an area. Other services such as education and health must also be part of this conversation. Given these areas are the responsibility of the states gives rise to the need for nationally coordinated approach to decentralisation and regional development and this must be pursued by the Australian Government as priority.

Strengthening the regions

The strength of the agricultural sector itself underpins the strength of regional communities. It is critical that the relocation of an agency does not result in ongoing disadvantage to the sector. For example, the NFF continues to have reservations that the relocation of the Australian Pesticides and Veterinary Medicines Authority (APVMA) will have a negative impact on services, performance and business continuity. If current rates of approval of agvet chemicals decline, Australian farmers will be at a disadvantage in the global market place by not being able to access state-of-the-art agvet chemicals, thus being unable to benefit from the on-farm productivity and efficiency gains that could be realised by using said chemicals. This is and remains to be a major concern to the farming/agricultural sector.

The NFF strongly supports growing a vibrant rural and regional Australia. Notwithstanding this, a comprehensive analysis of the impacts of the relocation of any government agency on all Australian farmers and agribusinesses is needed to safeguard agricultural productivity instead of solely focusing on the positive impacts of relocation on the region the agency is relocated to.

Yours sincerely

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