Executive Summary

A comprehensive reform program is overdue to the policies and funding guiding infrastructure provision in regional areas. **There is a need to help level the playing field for regional employment.**

Regional Australia is currently suffering from a narrow and incomplete implementation of economic rationalism - overly focussed on short-term and stand-alone review of issues or project financial rather than community economic returns.

Economic rationalism needs to be redefined - to move away from financial rationalism

The downside from the combination of corporatisation and privatisation of public enterprises, financial sector rationalisations, globalisation and competition policy is the withdrawal of direct employment and capacities to attract new employment from regional Australia.

The recent political advances of parties without workable economic policies in regional Australia highlights the need to:

- not only better sell the benefits of sensible economic policies,
- but more particularly to refine policies to better protect regional communities.

This does not require a rejection of economic rationalism: rather it requires a redefining of this term to allow a broader consideration of economic benefits when reviewing policies and projects.

The narrowness of the existing commitment by successive Governments to economic rationalism has mirrored the rationalism of the financial markets – focussed only on the project financial returns rather than community economic returns and overly focussed on short term costs and benefits. Infrastructure provision has been a particular victim of this governing philosophy.

A first principles rethink is called for regional development – infrastructure provision is an excellent starting point

Australian Governments have been slow to introduce infrastructure development regimes that recognise economic/community as against project financial returns and the social and economic costs of congestion in major cities.

The current Parliamentary Inquiry is an excellent opportunity to bring a more enlightened version of economic rationalism to regional Australia. Any such review would place an increased recognition and policy priority on tourism development.

The tourism sector serves the national interest in earning us a significant portion of our export income ($16 billion per annum) and by generating the employment of over one million Australians, a major share of whom are in regional areas.

For example, Access Economics in 1997 concluded that many of the businesses involved in tourism are more labour intensive than the average Australian business. This is important, as Australia's experience since the early 1990s is more of an output recovery than one showing a large reduction in unemployment. Part of the reason for that is the concentration of the 1990s recovery on industries that are more capital – than labour – intensive.

Broadening the economic recovery, by ensuring tourism in Australia is competitive, would help strengthen the job creation process.

Tourism contributes significantly to the development and employment in Australia's regions, and deserves to be a policy priority in regional development.

Tourism is the very model of a globally competitive, high-employment, decentralised and ecologically sustainable industry. As other regional industries have restructured and replaced workers with capital equipment, the tourism industry has become increasingly important in providing jobs that allow young people to remain in regional areas.

Tourism job growth in regional areas has excellent prospects – where few alternatives for job growth exist

We recognise that tourism's importance is insufficiently understood by regional policy makers, in part because of research and data deficiencies that are only slowly being corrected. Yet tourism development will be critical to jobs growth in regional Australia. Compared to traditional regional industries of farming and mining tourism development offers outstanding prospects for delivering regional job growth in an environmentally sustainable form.

Extrapolating Government inbound tourism forecasts of 7.7 million arrivals in 2007, it is reasonable to expect that today's 4 million inbound tourist arrivals could grow to perhaps 10 million annually by 2010 and 20 million by 2020. These inbound tourism growth forecasts are readily understandable in terms of medium term population growth projections for Asia's middle class and their expected interest in visiting a western culture, that is English speaking, relatively close, safe, friendly, affordable and most importantly that offers a unique travel experience.

Governments' efforts to foster regional tourism growth have been tokenistic – a revised approach to infrastructure provision is a more promising avenue

Regional areas must receive a heightened share of the tourism job dividend if Australia's uniqueness as a tourist destination is to best exploited.

For example, viable regional tourist accommodation is critical if Australia is to accommodate projected visitor growth and spread the "tourism dividend" beyond major gateway cities.

Unfortunately, the reality insufficiently understood in regional Australia is that tourism potential is not evenly spread, and access issues are a major determinant of tourism potential. Too many regional communities have unwarranted optimism for the potential of tourism to be their short-term economic saviour.

By the same token, infrastructure policy-making needs to be reformed if the market is to more effectively deliver sustainable tourism jobs to regional Australia.

The recommendations in this submission call for a first-principles redrawing of infrastructure policy making in regional Australia within a more inclusive and comprehensive economic rationalist framework.

A widespread reform of infrastructure policies growth is overdue on a "Whole of Government" basis to support regional employment.

Simplistic solutions based on advocacy for particular projects, unconnected to a more active support for and involvement of the market mechanism in regional Australia promise only short term and ultimately dead-end solutions.

As a related issue, the Tourism Task Force has noted the public discussion of possible reintroduction of income tax concessions to regional income earners. This would represent fundamental change to Australia's tax system. The TTF recognise that this issue is complex. For example, it would need to be accompanied by complex anti-abuse provisions and is perhaps better delivered through payroll tax rebates to regional employers to encourage relocation of employment. However, one option for personal income tax reform is suggested that treats urban and regional taxpayers equitably but that would bring major advantages to the sustainability of regional communities.

A better deal for volunteers from the personal tax system, would help to increase the sustainability of regional infrastructure and communities.

The TTF is concerned to provide improved support for the voluntary sector of the Australian economy. In regional areas, groups as diverse as Emergency Services, Rural Fire Fighting, the Life Saving Association and Country Womens Association play vital roles in community support. Ideally, in considering fundamental changes to the infrastructure system the role of volunteers should be better recognised in line with a doctrine of "mutual responsibility". A small annual income tax rebate of $500 to all volunteers to approved organisations who provide evidence of more than 150 hours of labour without charge could be a popular initiative in regional communities and directly assist in the maintenance of the infrastructure in regional areas. As yet we have not researched this proposal further, but would welcome the opportunity to discuss it with Government Ministers and the Committee should it be of interest.

Recommendations

On the basis of well-resourced and detailed research, as described in the next section, the TTF recommends a wide range of existing and potential Government actions be closely reviewed by the Committee.

Reform is required in the key areas of:

1. Business taxation;
2. GST implementation;
3. Federal, State and local Government tendering for private sector involvement in infrastructure provision;
4. Budgeting practices by all Governments and their agencies; and
5. Federal, State and Local Government regulations guiding planning and regional investment.

1. The reform agenda for business taxation

The Government is commended for its courage in "wrestling the Medusa" that is Australia's business tax system. The Ralph Review represents a once-in-a-generation opportunity to simplify our business tax system so that business people can hope to understand it.

Serious reform of infrastructure policies must begin with a more supportive business tax environment.

A host of issues being considered by the Ralph Review are relevant to encouraging regional development. A core challenge for the Committee is to ensure these issues receive priority in the Parliamentary response to Ralph Review recommendations.

<u>1.1 Infrastructure bonds</u>

Critical to development of regional infrastructure is a tax system that provides appropriate support for major projects, with long construction and ramp-up periods before cash flows become positive. Currently long term equity investors through franking credits are treated more favourably than long-term debt providers.

It is particularly beneficial in reducing a long run projects' working capital requirements if debt borrowed is neither deductible or assessable to taxpayers at the entity taxrate.

The most recent Infrastructure Borrowings Tax Offset Scheme should be recreated in much expanded form without the design limits in terms of eligible activities and the ridiculously low funding limit. In particular, these bonds should carry a quasi-franking credit to the extent of the entity tax rate with high marginal taxpayers paying a balancing adjustment as occurs with dividends.

1.2 Simplifying tax allowance transfer to private infrastructure developers

Improved regional infrastructure policies rely on more sensitive tax treatment of long term debt and equity providers.

The current arrangements for private sector provision of public infrastructure are unnecessarily complicated by a maze of regulatory restrictions induced by Federal State financial arrangements. By private sector provision, the value of depreciation and other concessions are potentially available to State Governments. In a new environment of much greater cooperation on Federal State finances the regulations prohibiting tax benefit transfer are an anachronism.

The abolition of section 51AD and the reform of Division 16D should be priority outcomes from the review of business taxation.

1.3 Capital Gains Tax Reform

A range of commentators, including Minister Moore, concerned about encouraging long term investment have argued for a concessional treatment of capital gains as the holding period extends. This measure could signal an important cultural change to Australian financial markets in support of long term projects. However, the mechanism for achieving this objective needs to be carefully thought through. In particular, the impact of Treasury proposals to withdraw indexing and averaging provisions for realised capital gains need to be appropriately countered with new measures that effectively encourage rather than discourage long term investment.

Capital gains tax should be payable on a declining share of the realised gain as the holding term increases. This change allows a common rate of tax for income and capital gain for companies, simplifying anti-avoidance measures. This measure is particularly desirable, and should be more pronounced, if indexation and averaging of capital gains is removed.

1.4 Entity Taxation

The Treasury are seeking to tax trusts that are vital to generating investment in infrastructure as companies rather than being allowed to pass through untaxed their after tax income and depreciation allowances. This approach if implemented would seriously reverse the prospects of major long-term private sector involvement in infrastructure investments.

Widely held infrastructure and property trusts should be included in the definition of "collective investment vehicles" allowing "flow through taxation".

1.5 FBT on remote staff accommodation

For many regional tourism operators provision of staff accommodation is a major cost. The higher average labour intensity of tourism operations implies that these costs are more significant than for mines or farms with similar turnover. In addition, tourism staff in remote areas are difficult to attract and retain and unlike some high salary mining staff cannot be economically flown in and out. As a result, the fringe benefits tax on staff accommodation in remote tourism operations is a real impediment to regional employment generation. The recent reinvigoration of the Yulara Resort at Uluru by General Property Trust highlights the potential for remote tourism to be commercially successful. Indeed, GPT are exploring an interest in building an even more extensive central Australian tourism experience with further investment if the numbers stack up.

Remote regional employment has special cost disadvantages warranting a general exemption from FBT for staff accommodation.

All industries within defined remote regions should qualify for FBT exemptions for staff accommodation (extending the concession available to agriculture and promised to mining in a "New Tax System").

1.6 Depreciation treatment of "black hole expenditures", in particular landscaping and export market development costs

Currently certain costs are not subject to depreciation despite their commonly having economic lives.

Landscaping should be subject to economic life depreciation reflecting the practical reality in tourism development.

The Ralph Review consultative document argues that export market development costs should either be depreciated over time or written off in the year of expenditure.

Export market development costs should be treated in the same fashion as research and development and be deductible in the year of expenditure.

2. GST implementation

The Government's proposals for indirect tax reform are considered a major risk to Australia's most decentralised major employing industry, tourism. This conclusion should be unsurprising given that tourism exports are singled out not to be GST free, while tourism imports (outbound travel), unlike other imports will be GST free.

The impact of proposed indirect tax reform will be harshest for regional tourism as this sector will disproportionately suffer from reduced duration of stay by inbound package tourists and most closely competes with outbound tourism for longer duration domestic holidays.

GST will hit regional tourism employment and particularly its growth prospects.

The TTF has recommended some minor amendments to the Government's package (in terms of revenue cost) that will reduce the employment falls by around half, particularly in regional areas, in the vital transitional period of the first eighteen months of the GST. One concern is that without amendment, the impact of proposed indirect tax reform on tourism in the expected run-up to the next election risks further entrenching isolationist policy stances in regional Australia.

2.1 Zero rating tour packages

Minor amendments to the Government's package can cut regional tourism impacts and increase adjustment time.

All of the inbound package purchased by inbound tourists be GST free (beyond the proposed GST free treatment of international and domestic airfares and international sea fares).

2.2 Short term significant funding to a large domestic holiday marketing campaign

Short term funding be granted to promote taking of holidays domestically, to forestall the impact of expected increases in Australian marketing by offshore destinations like New Zealand, Thailand, Singapore and the Pacific Islands, that are favoured by a price shift due to indirect tax reform.

2.3 Transitional assistance to promote marketing and product development for the hardest hit regions

Transitional assistance be provided, to particularly at risk regions (i.e. North Queensland, Northern Territory, Western Australia outside the south-west, Tasmania and the outback) to build stronger product offerings and improve domestic marketing.

3. Federal, State and local Government tendering for private sector involvement in infrastructure provision

While a Federal Parliamentary Inquiry has limited powers to guide State and local Government based processes, in the case of infrastructure provision there is a clear need for advocacy of a move to a best practice model.

Public sector dieting has starved infrastructure – the private sector needs an improved process to pick up the batton.

3.1 Need for a cohesive planning framework for Australia's future transport needs

A national framework is essential given the financial dominance of the Federal Government in Commonwealth-State financial arrangements. This recommendation is also important given comparatively short election cycles and the appropriateness of a long run plan for infrastructure provision.

3.2 Governments must encourage the private sector in the provision of transport infrastructure

Increased private sector provision is essential in part because of short-sighted budgetary restrictions on capital expenditure and because the private sector is often able to complete projects faster and at lower cost.

3.3 Tendering processes need to be revised to overcome:

- An overly bureaucratic decision making process, marked by overlapping departmental responsibilities;

Sir Humphrey Appleby would be all too happy with many tender processes in Australia.

- A lack of specific process guidelines to tendering and the common practice of tenders being changed mid-way through; and

- The sheer cost of the tendering process and the discouragement it offers to investment of private sector intellectual capital.

Governments need to ease the process for private sector involvement in infrastructure development by implementing one-stop shops and giving decision-makers greater authority in the process.

The nature of the largest infrastructure projects impose enormous, if not prohibitive, cost on tenderers – implying that **some form of compensation needs to be provided for the unavoidable costs of tenderers complying with probity guidelines and planning regulations.**

3.4 Government funding for infrastructure needs to be focussed on funding the gap to viability and hence concentrated on the regions

Projects are more likely to be viable for stand-along financing in urban areas than in less densely populated areas. This is in part because projects capable of attracting sufficient "user pays" funding are normally in urban areas, relieving the pressure on the public purse.

Governments should be more innovative in supporting private projects which yield community benefits which are hard to capture in purely financial evaluation.

4. Budgeting practices by all Governments and their agencies

Arguably the most overdue area of reform is that awaiting Government budgeting.

4.1 Identification of infrastructure support

Governments' and their agencies' budget statements should be reformed to clearly identify money spent on infrastructure as capital expenditure and operating surpluses or deficits totaled separately.

4.2 "Full Monty" application of accrual accounting by Government

Arguably the introduction of accrual accounting has gone nowhere near far enough in the public sector. Genuine accrual accounting would see capital items valued separately, depreciated over time to provide funds for maintenance, renewal and replacement.

Both a balance sheet and an expense/revenue statement (alla profit/loss account) should be available from Government agencies. If as a side effect of this reform, privatisation receipts have to be returned to the capital account (balance sheet) this would also be beneficial to good governance.

5. Federal, State and Local Government regulations guiding planning and regional investment in tourism

Commonly large and small private sector infrastructure projects, from major resorts to bed and breakfasts, run into bureaucratic problems at local, State and even Federal Government levels. Major reform is overdue to regulations guiding tourism planning. Problems in the planning policies and processes of Governments should be corrected as a priority to encourage regional employment growth.

5.1 Recommendations to Local Governments on planning regulations

- Increase tourism development opportunities, through improved processes for re-zoning and greater use of regional planning to support tourism development;
- Streamline the tourism approval process;
- Increase stakeholder consultation;
- Support regional tourist accommodation as a major source of employment.

5.2 Recommendations to State and Territory Governments on planning regulations

- To review planning processes and incentives for regional tourist accommodation against the best practice framework developed in the TTF study discussed in this Submission.

5.3 Recommendations to Federal Government on planning regulations

- To avoid a ridiculous Catch 22 problem, amend foreign investment legislation to allow Commonwealth EIS processes to be undertaken before a foreign investor commits to the project;
- Promote opportunities to utilise new construction materials and techniques through increased communication of the flexibility availability for construction under the performance standards approach of the Building Code of Australia (rather than mandated materials and techniques);

- Reform the Integrated Tourism Resort (ITR) guidelines to promote smaller ITRs adjacent to major recreational facilities – such as national parks;
- Improve access to diesel fuel rebate
- Federal co-ordination of the implementation of joint Federal-State funded Tourism Investment Counsellors in each State and Territory.

Background to recommendations

To assist Committee Members understand the origin of recommendations in this submission this section summarises in chronological order relevant aspects of the TTF sponsored research agenda over the last five years.

This section also includes descriptions of three imminent TTF research projects that are expected to contribute to the clarification of issues facing the Committee.

Summary of relevant TTF research

Perspectives on Tourism Investment – A study of the attitudes of institutional investors (November 1995)

Background
This report studied the key issue then facing the tourism industry – the need to source investment capital to finance future developments. This report commissioned by the TTF was produced by Macquarie Bank.

Findings
This report successfully argued the case for a broader product range of listed vehicles owning tourism assets and for enhanced communication between the tourism and investment communities. This report also called for a streamlining of the development process to reduce time and costs involved as a key aspect of creating an appropriate planning and taxation framework for long term tourism investments.

Tourism Transport Needs Across Australia – A study of the financing and development of tourism transport infrastructure (December 1996)

Background
This study identified impediments to effective development of transport infrastructure vital to tourism fulfilling its potential to provide regional employment. This TTF initiated report was produced by Bovis Australia. Over 160 major projects were submitted for analysis with 13 transport projects of national importance described in detailed case studies.

Of the thirteen project case studies reported in detail, the following nine projects were relevant to regional Australia:

Project	Development Activity
Ibis Aerial Highway (Two reefs and Great Parks Project)	Air link in Kimberley Region including upgrading a number of airstrips
Extension to Longreach Airport	Extend runway to accept medium sized jets
Sydney-Canberra High Speed Rail	Implement a new technology to Australia, select route through developed regions and gain high level political support from four Governments
Barossa Tourist Train	Develop broad gauge line, Adelaide to Barossa Valley
Alpine Way	Upgrading of Alpine Way between Geehi and Deadhorse Gap in NSW
Cooloola Connection Road	Coastal road connecting the Sunshine Coast from near Noosa to the Cooloola Coast, providing improved access to Fraser Island
Cairns Cruise Ship Facility	International cruise passenger terminal in Cairns
Cruise Shipping Arafura Sea	Port facilities and cruise terminal in Darwin
Stony Point to Cowes Car Ferry	Port infrastructure at Stony Point and Cowes (Phillip Island) for a commercial car /passenger ferry operation

Findings

Infrastructure provision suffers from too short a planning (electoral) cycle.

1. Despite the enormous contribution of tourism to the Australian economy, **tourism has traditionally received little attention in transport planning agendas**;

2. A problem evident from the outset of research was the **lack of a cohesive planning framework for Australia's future transport needs**;

3. **Governments must allow the private sector to play a larger role in the provision of transport infrastructure**, in part because of short sighted budgetary restrictions on capital expenditure and because the private sector is often able to complete projects faster and at lower cost;

4. **Governments need to ease the process for private sector involvement in infrastructure development by implementing one-stop shops and giving decision makers greater authority in the process.** Increased private sector involvement needs to overcome obstacles of:

   - An overly bureaucratic decision making process, marked by overlapping departmental responsibilities;

   - A lack of specific process guidelines to tendering and the common practice of tenders being changed mid-way through;

   - The sheer cost of the tendering process and the discouragement it offers to investment of private sector intellectual capital; and

   - The inadequacy of the infrastructure bonds scheme.

Regional transport infrastructure is tougher to finance privately than in urban areas: requiring special rules.

5. The nature of the largest infrastructure projects impose enormous, if not prohibitive cost on tenderers – implying that **some form of compensation needs to be provided for the unavoidable costs of tenderers complying with probity guidelines and planning regulations**;

6. Transport infrastructure projects are more likely to be viable in urban areas than in less densely populated areas;

7. **Projects capable of attracting sufficient "user pays" funding (typically in urban areas) should be financed and delivered by the private sector, relieving the pressure on the public purse**;

8. The role of government in the provision of transport infrastructure should increasingly be restricted to financing of regional projects where benefits are distributed to the wider community. **Governments should be more innovative in supporting private sector projects which yield community benefits which are hard to capture in purely financial evaluation;**

There is a critical difference between project finance and (the Government's responsibility to respond to) community benefits from infrastructure.

9. Australia has a comparatively short "window of opportunity" before Asian competitors more effectively compete for infrastructure funding using special tax treatments for projects of national importance; and

10. **Australian authorities must recognise that special tax treatments only normally confer a timing advantage to projects** and are therefore revenue neutral over the long term.

The Economic Significance of Travel and Tourism and Is there a case for Government funding for generic tourism marketing (February 1997)

Background

This study was prompted by recognition that tourism is not a conventional industry, at least in terms of its measurement by economic statisticians and the

Australian Bureau of Statistics/Treasury. This study by Access Economics was jointly commissioned by the TTF, Tourism Council Australia and the Property Council.

Findings

Access found that tourism's economic importance was under-recognised.

Industry involvement in tourism is defined by the proportion of industry sales going directly and indirectly to meet demands by business and recreational travellers. In short, the tourism 'industry' is a combination of conventional industries, where the combination is determined by how much of total output is related to demands by travellers.

While much needs to be done to improve the data available on tourism in Australia, estimates reveal that tourism is a major contributor of jobs, exports and output. Estimates for 1996 by the World Travel and Tourism Council – combining direct and indirect effects underscore this message, as travel and tourism is estimated to account for:

- **11.5% of employment** - one in nine – jobs in Australia (just under 1,000,000 jobs);
- **14.7% of capital investment –** about $16 billion;
- **13.7% of Australian exports**;
- **15% of Australian imports**;
- **10.5% of GDP –** over $53 billion;
- **12% of wages**, salaries and supplements – nearly $30 billion;
- **9% of profits –** over $11 billion; and
- **10.1% of all taxes paid –** nearly $15 billion.

In terms of prospective job generation tourism development is vitally important.

Access Economics concluded that many of the businesses involved in tourism – especially those directly involved – are more labour intensive than the average Australian business. This is important, as Australia's experience since the early 1990s is more of an output recovery than one showing a large reduction in unemployment. Part of the reason for that is the concentration of recovery on industries that are more capital – than labour – intensive. **Broadening the recovery, by ensuring tourism in Australia is competitive, would help strengthen the job creation process.**

General marketing of Australia as a travel destination is marked by an under-provision problem. Private businesses will not provide enough general marketing of Australia as a place to visit. As all industries benefit from tourism spending and often don't know by how much, until a catastrophe like the pilot's strike, it is impossible to justify expenditure by any one business on marketing the whole of Australia as a destination. It is rational for all tourism businesses to free ride on the marketing efforts of others.

Access Economics found that in 1995-96 levels, an increase of $1 million in ATC promotion could generate an additional $8 million to $10.7 million in tourism export income per annum.

Developing Viable Regional Tourist Accommodation (Stage 1 - March 1998, Stage 2 – November 1998)

Background

The Tourism Task Force began an initiative in mid 1997 to produce a review of the policy environment confronting regional tourist accommodation development and a guide for potential financiers, professional advisers and developers involved in the construction of regional tourist accommodation.

This initiative was an outcome of a poisonous reputation of regional tourism development within the financial sector from bankers to equity providers and the need to ensure a large investment in regional tourism if the tourism job dividend were to reach the bush. Folklore was widely repeated of the (thankfully rare) regional developments that returned 10-20 cents in the dollar to their developers and bankers. Unfortunately, a number of successful investments were far less widely known.

Tourism is the most decentralised of Australia's major employing industries. Tourism is often the only growing employment source in much of regional Australia. For example, data from the ABS indicates that approximately 60% of Australia's total tourist accommodation is located outside the capital cities, Gold and Sunshine Coasts and Cairns city.

Yet over the last fifteen years tourism has been growing far more quickly in urban than regional Australia. Between 1988 and 1997 the proportion of tourist accommodation in regional Australia has fallen from 64% to under 60%. If the 1988 ratio had been retained through the tourist accommodation investment to 1997 an additional 6,000 hotel, motel and guest house rooms costing approximately $500 million, would have been invested in regional tourist accommodation construction over these ten years.

During 1996/97, investment worth over $110 million commenced in new regional tourist accommodation projects, representing an increase of 62% over the 1995/96 value of commencements.

Tourism is the most decentralised of Australia's major employment sources.

Australia in 1997 attracted over four million international visitors and 63 million domestic trips. Nights in hotels/motels are expected to grow strongly in the next decade. With the bulk of the tourist demand increase expected from inbound tourists it is vital that the quality of regional accommodation properties be significantly upgraded and more modern accommodation concepts introduced than the 1920's country pub and early 1960's motel.

Belatedly all Governments have become concerned about the need to increase the dispersion of the tourism dividend more broadly through the community, but effective action has been very limited. Increasing visitation to regional Australia is a trend that all Governments are encouraging as a way of spreading the dividend from increased tourism to non-metropolitan taxpayers.

The fifteen projects reviewed in detail are described in the table below:

Project	Description
Pacific Bay Resort, Coffs Harbour	A large integrated resort that avoided opening for five years after its completion, but is now operating successfully for new owners.
Aanuka Beach Resort, Coffs Harbour, NSW	A cleverly targeted intimate resort development, that survived industrial relations problems to be an ongoing success for the developer.
Tree Top Houses, Byron Bay, NSW	A new product adjacent to an existing resort that has successfully promoted its uniqueness.
The Convent, Pokolbin, NSW	A remarkable project featuring the dismantling and relocation of a large building from Coonamble to the heart of the Hunter Valley.
The Esplanade, Newcastle, NSW	A successful redevelopment and upgrading of an existing motel that had been riddled with concrete cancer. The redevelopment had to overcome a four year delay in renegotiating the lease from the State Transit Authority, a year delay in gaining BA and DA approval from Council, aboriginal heritage objections including bearing the cost of an archaeologist during excavation and finally local community objections requiring a report from a wind consultant.
Cypress Lakes Resort, Pokolbin, NSW	A 4.5 star carefully staged golf and resort development in the heart of wine growing country. Through well developed staging of construction and marketing to North Shore buyers of the plan this project is a rare financial success among golf resorts.
Warburton Mountain Resort, Victoria	A 19 hectare site, zoned rural, purchased in 1989 at the foot of Mount Donna Buang. Rezoning process begun in 1992 and but only approved in 1996, since when the project has been on the market as the initial developers financial resources for the project were exhausted in the approval stage.
The Lake House, Daylesford, Victoria	A 4.5 star country overlooking Lake Daylesford comprising 22 rooms and a conference facility that was developed around an existing successful owner operated restaurant – that was suffering for lack of suitable accommodation.
Summit Ridge Alpine Lodge, Falls Creek, Victoria	A 17 room luxury ski field development opened in mid 1997. Professionally developed feasibility study led to selection as winning tenderer for lease site from Alpine Resorts Commission. Existing operators appealed the decision and the right of the ARC to approve the lease. Two appeals were subsequently dismissed more than a year after the initial tender outcome announced. Major delay and legal costs incurred.
Double Island Retreat, Palm Cove, Tropical North Queensland	Redevelopment of Robert Holmes a Court owned retreat as an eco-tourism lodge resort that overcame lenders reluctance in part because of a comparatively short lease term (32 years).
Beaches Holiday Apartments, Port Douglas, Tropical North Queensland	A 27 unit 4.5 star holiday apartment development that opened in September 1994. Apartments sold off the plan reduced financing risk and approval process conducted professionally.
Ferntree Resort, Cape Tribulation, Tropical North Queensland	A 4 star resort opened in the Daintree in 1994, developed over three stages. Experienced tourism operator retains ownership and had few problems in approvals due to successful consultation and EIS process.
Bottletree Gardens Motel, Roma	An 18 room motel developed during 1997. On an existing block zoned commercial, the motel was developed as a fall back after a commercial development did not proceed.

Regional tourism support, including through improved transport access, will be important to limiting growing congestion from tourists in urban areas. But more importantly, the uniqueness of Australia is normally found outside the capital cities. Recently in the Business Review Weekly forecaster Phil Ruthven predicted that Australia would receive 25 million annual inbound tourists within the next 25 years. [1]

Given the audience for the two reports in this study and the range of issues reviewed a consulting joint venture was formed that married the feasibility analysis expertise of Arthur Andersen, Tourism and Leisure, with the planning and consultative expertise of Planning Workshop Australia.

Findings

In reviewing regional tourist accommodation development this study first assessed the question **– "Is it more difficult to initiate and operate a sustainably profitable tourist accommodation project in regional Australia than in a capital city?"**

Yes! was the resounding answer from the consultants. Regional tourist accommodation is on average more complex to initiate, requires more careful planning and demands a higher expected return to compensate for the increased risk compared to city properties.

Tourism development must be more professional from both the private and public sectors.

In addition, the conclusion of the consultants was that private sector failure was at least as responsible as public policy failure as the cause of the poor reputation of regional tourism development. Nevertheless, public policy failure was surprisingly often the major contributor to project failure.

The key finding of the first report in this study was that the approach of Governments to regional tourism projects lacked focus, resulting in:

- high levels of developer uncertainty and frequent experience of long delays and excessive costs in meeting the requirements of Governments; and
- an under-resourcing and inconsistency of Government's support for developing viable regional tourist accommodation given its role in allowing the benefits of tourism growth to reach regional Australia.

The Best Practice Model proposed by this study includes a range of recommendations to both Local and State Governments. **It is recommended that State Governments:**

- incorporate tourism plans or guidelines into the objectives of statutory planning instruments and develop a series of common definitions for categories of tourist accommodation;

[1] Business Review Weekly, April 16 1999, pp102- 105.

- introduce statutory State Planning Policies to encourage tourist development, allowing for the range of permissable uses to be widened within various planning zones;

- plan legislation to include appeal procedures against refusal to rezone land;

- make provisions relating to the preparation of plans and EISs subject to time limits which are incorporated in legislation;

- produce technical bulletins to assist local councils in their assessment of rezoning and development applications by investor/developers;

- in association with Regional Development Departments, coordinate a program of matched funding for preparation of feasibility analyses by intending developers of regional tourist accommodation, and make annual submissions as an aspect of government infrastructure planning and the budgetary process for tourism related infrastructure planning;

- in association with Regional Development and Local Councils, identify State owned land in regional tourism hotspots that may be suitable for tourism development and consider defining a consistent policy regarding the leasing of Crown Land;

- implement a payroll tax deferral scheme for new regional tourist accommodation properties (as applies for maunfacturers);

- extend any regional development program to tourist accommodation developers;

- maintain Development Registers including regional listings of all tourist accommodation or attraction projects granted development approval; and

- include the level of regional accommodation supply growth anticipated in the coming year as a factor in deciding allocation of regional marketing funding.

It is recommended that Local Governments:

- liaise with adjoining councils in submissions to State Planning agencies seeking assistance for tourism investment planning tools;

- encourage relevant State Planning Agencies to develop model provisions for Council use in statutory instruments encouraging tourism;

- consult with the developer and nominate a short list of specialist tourism planning consultants to undertake investigations by the Council;

- increase density provisions for hotel and other tourism related uses in particular zones;

- consider the benefit of alternative forms of land subdivision (such as community title) in advising prospective developers of development potential of sites;

- make clear to any prospective developer designated specific tourist zones and degree of support;

- undertake and provide alternative dispute resolution training in considering rezoning developments;

- reduce time delays in consideration and granting of rezoning and development consents;

- facilitate the construction of unique products which are in keeping with the local environment;

- encourage development applicants to stage larger projects through granting approval and providing guidelines at a range of stages;

- publicly stipulate in advance their relative fees and contributions required to allow developers to accurately budget construction costs;

- encourage investors/developers to consult with Council technical staff during the design process;

- require the developer to make a formal presentation to the local community outlining the impact of development;

- consider easing restrictions on provision of land for tourism purposes and permitting tourist accommodation developers access to prime locations;

- consider a rates deferral scheme for new regional tourist accommodation properties; and

- include the level of accommodation supply growth anticipated in their regions as a deciding factor applying for and allocating funds to regional tourism marketing.

The Stage 2 of this study was “A Practical “How-To” Guide”. This publication and its included diskette provide a comprehensive, yet simplified, guide on how to plan a project, conduct an assessment of feasibility, consult and seek approvals. In brief, how to follow a best practice approach to business planning for a regional tourism accommodation project.

As the lessons are typically the same for regional tourist attractions, tourism retail, tour operators and even events this publication is expected to be widely used in regional Australia. It was launched by Parliamentary Secretary Warren Entsch, MP who has promoted it widely in his own North Queensland region. The included multi-media diskette won a Royal Australian Planning Institute Award for best new application of technology to planning.

TOURISM: The Forgotten Exporter, The Forgotten Employer – TTF Submission to the Senate Inquiry into the GST and a New Tax System (January 1999)

Background

Tourism is unique among Australia's industries under the Government's proposal for indirect tax reform as:

- its exports are not to be GST free; and
- its import competitors (outbound tourism) will be GST free.

Tourism in 1997-98 contributed more export revenue than the combined sum of the wool, wheat, beef, dairy, sugar and cotton industries – at $16.1 billion. Alternatively, tourism provided export revenue in this year equivalent to the combined total of commodity exports of iron ore, alumina and aluminium, crude oil, iron and steel, liquified natural gas and nickel.

Tourism cops a double blow from the proposed GST – both as an exporter and in competition with the outbound destinations (an importer).

Findings

Unfortunately, in regional employment terms the impact of proposed indirect tax reform on tourism generated employment will be highly significant and greater than the average impact across Australia.

The Treasury's own economic modeller, Chris Murphy from ECONTECH, foresees a 6.9% fall in inbound tourism. Professor Dixon using arguably more believable assumptions expects a 10-13% fall in inbound tourism due to proposed tax reform. **Both acknowledge that the tourism sector will be particularly hard hit.**

As the foreign currency price of travel to Australia increases by between 4-5% price sensitive travellers such as package tourists will go elsewhere while those tourists that do come will curtail their length of stay – normally at the expense of visitation to regional destinations. **Indirect tax reform will have a medium term impact of entrenching the focus of inbound visitors on urban areas.**

Even more worrying, is the expected impact of proposed tax reform on the mainstay of regional tourism employment, long haul domestic travel. Unfortunately, the economic modellers Chris Murphy and Professor Dixon did not study the impact of proposed tax reform on domestic tourism with any rigour.

In terms of the brief of this Committee the impact on domestic tourism is more significant, as it is common that domestic tourism provides over 80% of tourist spending in many regional areas.

Around an average 5% increase is expected in the price of domestic travel, or 3% after inflation. Impacting on the regional distribution of impacts is that trips by car and bus are expected to have smaller price increases while trips by air, ferry and rail will have larger price increases. Though the price of business travel is expected to fall this sector is not considered to be anywhere near as price sensitive as leisure travel.

Contrary to the wishful thinking of some commentators, increased household consumption will not be a major factor feeding through to save domestic tourism growth. The key economic modellers in the Senate debate did calculate that household consumption would not change dramatically in response to indirect tax reform providing a boost to domestic tourism. Murphy predicted a 0.5% increase while Dixon predicted a 0.3% fall in household consumption.

The TTF has estimated using Government forecasting models that overall a 4-5% fall in domestic tourist visitor nights will occur due to proposed tax reform. However, we also anticipate that the fall will be concentrated in long haul domestic destinations that most closely compete with outbound tourism which is expected to fall in cost due to tax reform.

It is entirely likely that in many regional areas tourism will suffer a 10-20% fall due to the proposed GST.

Complicating this picture further is that the expected income distribution impacts of proposed tax reform suggests that outbound tourism will grow by more than our published expectation of 3-4%. The better-off as winners of proposed tax reform are set to increase further their preference for outbound over domestic tourism.

A conservative expectation is that destinations typically serviced by air or sea such as North Queensland, Northern Territory, Western Australia outside the South West, Tasmania and the outback can expect significant falls in domestic demand. In many cases it is expected the fall in tourism spending will be greater than 10% in response to implementation of proposed tax reform.

Regrettably, the tourism industry's concerns over proposed tax reform, particularly for regional Australia, are perfectly understandable.

As ameliorative measures the TTF recommended that:

- all of the inbound package purchased by inbound tourists be GST free (beyond the proposed GST free treatment of international and domestic airfares);
- short term funding be granted to promote domestic holidays to forestall the impact of expected increases in Australian marketing by offshore destinations like New Zealand, Thailand, Singapore and the Pacific Islands; and
- transitional assistance be provided to particularly at risk regions to build stronger product offerings and improve domestic marketing.

Despite a small cost to revenue of these measures, a "she'll be right/trust us" approach by the Federal Treasury has limited debate of these important regional tourism employment impacts and the potential of ameliorative action.

TTF submission on business taxation in response to "a platform for consultation" (April 1999)

Background
A range of the issues raised by the Ralph Committee consultative document are critical to the development of infrastructure in regional Australia. In particular, the treatment of long term assets and infrastructure trust taxation should be the subject of detailed review by the Committee.

Findings

Treatment of long term investments

During the progressive tightening of public sector budgets over the last twenty years it has often been public investment that has been cut. This infrastructure has often been vital to developing tourism's long term potential. Privatisation of existing enterprises has led to efficiency gains, but the calls for long term public infrastructure investment have typically been left chasing too little available finance.

State Governments have progressively introduced private sector capital to vital road, rail, water and power investments. However, private sector funding of infrastructure has run the gauntlet of regulatory change from the Federal Government designed to limit tax concessions to this type of investment.

A first principles review of the tax system must ensure that worthwhile private infrastructure projects with high capital cost, long construction times and long ramp-up periods before positive cash flow can be financed in Australia – without inappropriate State Government guarantees.

For more infrastructure projects to be bankable business tax reforms must reduce the cost of both debt and equity.

The abolition of section 51AD and the reform of Division 16D should be priority outcomes from the review of business taxation. These provisions have confused and frustrated private infrastructure provision for too long. It is the case that domestic tax-exempts should be able to choose the most appropriate combination of public and private sector provision (and distribution of risks and benefits) without being influenced by tax factors. The Commonwealth's understandable concern over transfer of tax benefits is better handled by an inter-governmental arrangement, without burdening the private sector with obstructionist legislation.

Regional Australia in particular has many potential infrastructure projects where project fundamentals provide an economic but not a financeable standalone project.

More generally, special provisions are warranted to assist projects with long construction periods to help ensure this type of project is fundable by the private sector. Special provisions are warranted whether or not a decision is made that the taxable proportion of realised capital gains should fall over time. With the experience of a number of years with Infrastructure Bonds, it is now practical to expand the availability of private issuance of non-taxable and non-assessable bonds in a manner that will ensure they are not used for tax avoidance.

In the Tourism Industry Leaders' Poll 64% of respondents supported the statement that if the Government decides to tax most trusts as companies, developers of long lasting assets should be able to raise debt, like Municipal Bonds in the US, that pay interest that is not deductible (for the issuer) or assessable (in the hands of recipients).

The most recent Infrastructure Borrowings Tax Offset Scheme should be recreated in much expanded form without the design limits in terms of eligible activities and the ridiculously low funding limit. In particular, these bonds should carry a quasi-franking credit to the extent of the entity tax rate with high marginal taxpayers paying a balancing adjustment.

Capital Gains Taxation

Capital gains tax reform must provide improved incentives for long term investment.

Rewards for entrepreneurship are promoted under a lower rate capital gains tax (especially with lower company tax). If a lower capital gains tax rate were purchased by removing indexation and averaging provisions most tourism businesses would be supportive, so long as the capital gains tax system also has reduced compliance costs.

Given the potential for abuse of a capital gains tax rate different to the company tax rate, the Tourism Task Force favours a common rate for company and capital gains set at the lowest level achievable.

Within the Tourism Industry Leaders' Poll (see attachment) over 76 % of respondents supported the statement that the Government should remove indexation and averaging arrangements for capital gains in favour of reducing the capital gains tax rate to 30%.

However, removal of indexation of the cost base in calculating capital gains will penalise the long term holding of assets vital to infrastructure development. For this reason, and more generally to encourage longer-term investments it is proposed that Australia adopt the recent UK move to progressively exempt a proportion of the capital gain from tax as the holding term increases. Under this tapering system of capital gains tax, a reducing proportion of realised capital gains are taxable over time. This avoids some of the difficulties posed by having a lower capital gains tax rate than company tax rate.

Entity taxation

There are compelling grounds for including widely held infrastructure and property trusts in the definition of "collective investment vehicles" allowing "flow through taxation". This would allow infrastructure trusts to make equity distributions without having to pay "deferred company tax" further eroding the sensitive cash flow position of projects in their early phases.

In this regard, the TTF welcomes the Treasurer's announcement that collective investment vehicles including property trusts will be excluded from the proposed entity tax regime, and subject to "flow-through taxation" instead.

In the Tourism Industry Leaders' Poll 58 % of respondents disagreed with the statement that the Government should tax widely held trusts (that invest in infrastructure and property) in the same manner as companies. Given that a number of our Members are in company structures competing with trust structures it was not surprising that there was also considerable support for the proposition (40%).

The direction of the Treasury in the Ralph Review is set to make infrastructure equity investment much harder to find.

It is also proposed that widely held infrastructure and property trusts be allowed to distribute tax preferred income as non-assessable income. These trusts operate as collective investment vehicles, which allow small investors to pool their risks. **The Government is proposing that individuals and partnerships investing directly will continue to receive the benefit of tax concessions and it is inequitable that smaller investors should not have the same opportunity when investing through trusts.**

International precedent exists for this treatment with the United States (and Canada) recognising the special nature of property trusts by allowing flow through of tax preferred income. Achieving this treatment is particularly important in maintaining foreign investment in Australian property and infrastructure, and hence is vital to future growth in tourism investment and employment.

Without allowing distribution of tax preferred income as non-assessable income, widely held trusts will increasingly retain these earnings rather than pay distributions in order to provide a timing benefit for their investors.

Farmers and miners are not the only employers in remote areas.

Fringe Benefits Tax (FBT) on staff accommodation in remote areas

A continuing inequity following "A New Tax System", is that farming and mining have FBT exemptions when providing staff accommodation. There is no reason these industries should be the only beneficiaries of this treatment. **All industries within defined remote regions should qualify for FBT exemptions for staff accommodation**.

Much higher costs of construction and operation of staff accommodation are typical for remote resorts. To attract staff, resorts are forced to offer comparatively attractive accommodation, often comparable with guest facilities. Resorts such as Yulara at Uluru and the Queensland islands should have the same opportunity as available to often less remote farming and mining employers. Similarly, often less luxurious staff accommodation in outback traveller accommodation entails an FBT burden. Consultation with major resorts indicates that the cost to the revenue of extending this concession within the tourism industry would be less than $1 million, although the compliance burden savings would be significant.

Treatment of Black-Hole expenditures

Tourism businesses, particularly resorts have endured the inconsistent treatment of so-called "black hole expenditures". Proposed treatment of landscaping and export market development are important issues within the tourism industry.

Landscaping costs are suggested to be included in the cost base of land and effectively deducted against capital gains tax at the time of sale (p 101). However, this ignores that landscaping costs are often a wasting asset, such that eventually replacement of the asset will be required. Unfortunately, the often-integral role of landscaping in resort development implies that this tax treatment will discourage development, which normally occurs in regional areas.

The current treatment of landscaping costs discourages regional tourism investment.

In building a golf course, for example, landscaping costs are critical and few other than base earthworks are one-off expenditures. Greens once built need renewing about every 12 years, few trees last more than 20 years if put in as mature (and expensive) specimens. **Landscaping other than base earthworks is commonly subject to an economic life and the normal economic life approach should be applied** (with the taxpayer determining economic life in association with the ATO).

The proposal that export market development expenses be deductible at the time they are incurred is obviously more attractive than the alternative proposal of a write-off over a statutory period. The current treatment for similar often similarly risky research and development expenses (ignoring the extra 25% concession) suggests an equity argument in support of **export market development expenses being deductible as they are incurred**.

In the event that the favourable treatment of manufactured exports under indirect tax reform leads to further cuts to the Export Market Development Grant Scheme (EMDGS) it is vital that the unfavourable treatment of tourism exports be at least acknowledged by more generous access to EMDGS.

<u>The case of Southern Pacific Hotels investment in the new regional Travelodge brand (April 1999)</u>

Southern Pacific Hotel Corporation is currently in the process of constructing 20 new regional tourist accommodation properties. When complete these new properties will in many cases be the only new property in their region over the last ten years.

The SPHC approach highlights the potential advantages of fresh approaches to regional tourism.

The design of these properties has utilised modern construction techniques to reduce costs and increase speed of construction. Similarly, these properties in order to be economic are designed to operate with lower staff ratios than similar city properties of a similar building quality.

The total investment in these regional tourist accommodation properties is in excess of $X million, providing approximately y,000 jobs during construction and a further z,000 ongoing jobs in direct operations.

Unfortunately, the commitment of Southern Pacific Hotels to develop an enhanced regional tourist product is all too rare in recent years.

TTF Research at early stages

Three major research projects relevant to the Committee's recommendations are under development within the TTF. Following a decision of the TTF Board of Directors in early 1999 it has been decided to ramp up the TTF's research program during 1999/2000.

In addition, the TTF is examining two other more specific research issues of relevance to the Committee's deliberations.

1. Assessing the contribution of tourism to regional Australia

Improving the awareness in the regions of the contribution of tourists is vital to fighting off isolationist policies.

Following the introduction of the National Visitor Survey in calendar 1998 detailed domestic tourism expenditure data is about to become available for the first time since 1992. Our informal understanding is that this data will show a considerably higher level of domestic tourism spending than previously estimated.

The TTF is seeking to appoint consultants to apply a similar methodology to that previously used at a State level by the Federal Bureau of Tourism Research to provide detailed estimates of spending and employment impacts of tourism, on a direct, indirect and total basis. This study will seek partial support from relevant Federal and State Government agencies.

2. Infrastructure needs in South East Queensland

As Australia's fastest growing region it is vital that new infrastructure approaches be tested here.

The fastest growing regional population in Australia is in South East Queensland. Nevertheless, transport and other infrastructure planning has commonly lagged population growth.

The Gold Coast region is Australia's domestic tourism heartland and continued tourism development in line with the reinvigoration of the Gold Coast tourism brand implies major infrastructure needs as does the more general population pressure in the region.

Some support for this project from the Federal and Queensland Governments will be sought in order to improve information flows to the consultant and the likelihood of adoption of recommendations.

3. Securing Sydney Aviation Access for NSW Regional Communities

The growth prospects for regional NSW communities is increasingly influenced by the availability of access to Sydney by air. Business people and those requiring specialist professional assistance value the opportunity to make within the day trips between Sydney and regional centres. In considering regional infrastructure needs in this case it is essential to look at the urban end of the transport link, if major problems are to be avoided for regional communities.

NSW regional development is now under threat from significant declines in the quality of air access to Sydney: Badgery's Creek would guarantee this outcome.

Unfortunately, longstanding Federal Government mismanagement of Sydney airport capacity means that regional and commuter services are currently bearing a heavy share of the delays at Kingsford Smith Airport (KSA). This situation is only set to get worse, notwithstanding "ring fencing" of existing regional services. Increased regional traffic at Sydney airport, particularly at peak times is not practical.

Within three or four years, KSA's operational delays in peak periods, even with favourable weather will be at their all time worst. Put simply, too many planes will want to land at KSA. Commuter and regional services have the lowest capacity to pay because of their typically smaller passenger numbers per aircraft movement. Already KSA landing charges make commuter and regional services highly expensive. Any move to deregulation of NSW intrastate aviation that might otherwise improve services will be ineffective because of the block to new capacity by the shortage of KSA landing slots.

Any new and distant second airport, including Badgery's Creek, Newcastle or Goulburn will not be supported by the major airlines given their existing investments at KSA. The proposed sell-off of KSA puts further pressure on the Government to maximise the efficiency of use of this airport.

As a result, the first users of a second Sydney Airport is expected to be the commuter and regional airlines. Unfortunately, the foreseeable travel time from even Badgery's Creek will seriously erode the access for NSW regional communities to Sydney. It will be common from the most distant airports in the State to spend more time in Sydney traffic than in the air. This is particularly the case as the NSW Government has indicated it will not support the selection of Badgery's Creek with essential road and rail major infrastructure investment.

Under the most likely scenario in the medium term, the Federal Government will be under growing pressure to exclude commuter and regional services from increasingly wide peak periods at KSA.

The TTF research study in development will examine the options for improving access for regional NSW communities to Sydney by air. Alternatives to be examined include further investment at KSA (East-West runway), removal of the artificial 80 movements per hour restriction at KSA, regulated regional airline hubbing to reduce KSA aircraft movements and investment in high quality land transport links at Bankstown and incentives for commuters and regionals to transfer their operations to this airport.

In addition, the TTF anticipate that a co-ordinated program of regional consultation will need to happen in parallel, if the intractable nature of the coming problems are to be widely understood.

Given the highly charged political environment surrounding this study it is not considered desirable to seek Government funding support, at least at this stage.

4. Technology support for regional tourism

Regional communications infrastructure and encouraging on-line SME use is a vital ingredient to increasing regional jobs from tourism.

The Sport and Tourism Division within the Department of Industry, Science and Resources is currently preparing an on-line tourism strategy whose key target is assistance for regional tourism development.

In tourism as in many industries the large companies, normally urban based, are leading the way in implementing on-line solutions to their marketing and other challenges. However, with the focus of Internet users on travel, this marketplace is expanding rapidly. The Internet potentially offers major economies in marketing and distribution of travel product.

Ensuring that regionally based small and medium sized enterprises don’t find the Internet developments a barrier to market share is a key challenge for the Federal Government. Critical is development of industry standards on issues like the use of fax machine to email translation (and vice versa) to put the Internet within reach of a much wider range of operators.

But perhaps most critical is a cultural change driven through training and education programs to allow hard pressed small businesses keep up with the blossoming technology opportunities. In the late 1980s the then Department of Industry engineered a remarkably successful change in attitudes to quality management in Australian manufacturing. A similar challenge confronts the Government with tens of thousands of tourism businesses in regional Australia.

Other relevant studies

Report from the Taskforce on Regional Development – Developing Australia a Regional Perspective (1993)

The Kelty Report while from a different economic & political environment had a range of sensible policy proposals.

This report recommended a major infrastructure program be undertaken over the next 30 years, particularly in transport. In addition, the report called for a greater regional focus in industry policy and new industrial strategies in a range of new areas including tourism.

Particularly interesting among the recommendations of the Taskforce were the calls for:

- Government Budget statements to clearly identify money spent on infrastructure with capital expenditure and operating surpluses or deficits totaled separately;
- Major expansion of the infrastructure bonds to make them more effective in attracting private sector investment in infrastructure. Included under this recommendation was a change to the concessional nature of these bonds to a rebate on tax paid, like a deemed franking credit;

Government establishment of a 20 or more year bond market is a sensible suggestion to assist private sector risk assessment.

- Government establishment through sales of 20 year bonds of a long term bond market; and
- Government provide a rebate on FBT payable for spending in remote areas on employee housing and community amenities.