

Gosford City Council

Submission to the Inquiry into the
establishment of special economic
zones

NSW Parliament Economic Development Committee

John Tilston
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1. Introduction

This submission by Gosford City Council supports the consideration of a range of policies and programmes, including tax and financial incentives, which could form key elements in special economic zones to promote growth in regional and rural New South Wales.

The Council believes special economic zones could boost local activity and efforts on the Central Coast aimed at growing and development our regional economy through more investment.

We have led and been involved in a range of strategic planning initiatives over the past few years that have set in place collaborative operating protocols and activities that will, over time and other things being equal, result in economic growth and development. These include in particular the Regional Economic Development and Employment Strategy; Our City Our Destiny Gosford City Centre Masterplan; The Landing at Gosford Masterplan; The Somersby Industrial Estate Plan of Management; and the soon to be enacted Gosford Local Environment Plan to guide future land uses. Yet business confidence remains fragile and investment very low. It is an appropriate public policy response, therefore, to examine the potential to reduce the extent of investor risk and boost predicted returns at the very least until such time as the market returns to more 'normal' conditions.

This submission focuses on the Central Coast and Gosford City and the issues surrounding potential special economic zones.

2. Background on Gosford and the Central Coast

The Central Coast covers an area of 1,855 km²; it encompasses the two local government areas of Gosford City (1,024 km²) and Wyong Shire (827 km²). The Region stretches from the Hawkesbury River in the south to the shores of Lake Macquarie in the north. It is bordered by the Pacific Ocean to the east and the Dooralong and Yarramalong Valleys and Mangrove Mountain Plateau to the west.

Gosford City Centre is designated as the Regional City in the Central Coast Regional Strategy.

The Central Coast's population in mid 2010 was 319,715, of which 168,188 were in Gosford City Council area and 151,527 were in Wyong Shire. This places the Central Coast as the 9th largest urban concentration in Australia, after the five mainland state capitals and the national capital. It has the third largest regional population after the Gold Coast-Tweed region and Newcastle. The Central Coast Regional Strategy has set a target of 100,000 new residents in the region over the next 25 years and land use planning has been based on this.

Altogether there are about 141,000 employed people living on the Central Coast. According to Census data, about 38,000 people a day commute outside the region to work, mostly to Sydney.

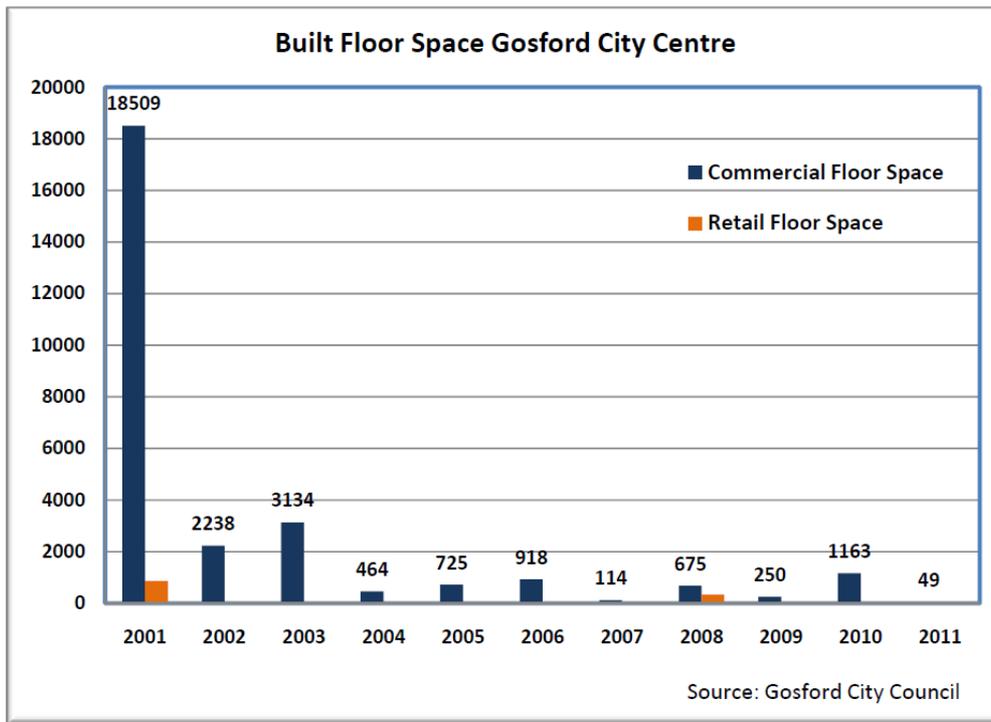
2. Rationale for government action (What is the market failure?)

The Central Coast Research Foundation has found that the Central Coast labour market, consumer and business sectors have been relatively weak for the last five years, reflecting the underlying structural need to strengthen the skills and jobs base in the Region, as well as to address pockets of entrenched socio-economic disadvantage.¹ There is an underlying volatility and weakness in the jobs

market and economy, which is heavily dependent on the level of residents' discretionary consumer spending to maintain its buoyancy.

The region frequently has high rates of unemployment (8.5% in September 2011), because of the dominance in the local economy of vulnerable and volatile retail and tourist sectors, and chronically low participation rates (58.2% in September). Approximately 2,600, or one quarter of residents without work, are now long-term unemployed having not been able to find work for a year or more.

The poor economic performance is reflected in and symbolised by the Central Coast's regional city Gosford. It has a dismal record of new private sector investment in productive economic infrastructure. The chart below shows how little non-residential building there has been in Gosford over the past decade. (The relatively high 2001 total is predominantly the office block purpose built for the relocation of WorkCover NSW). In fact, urban renewal in Gosford City Centre has failed to gain traction over at least the past 20 years.



The absence of new investment discourages new business start-ups and substantial office relocations, despite the proximity of the Sydney-Newcastle rail line and the bus service hub. This lack of investment has been reflected in stagnant levels of employment and is a contributing factor to the lack of viability for residential development in the City Centre.

On the Central Coast as a whole, non-residential building approvals declined for six quarters in a row to June 2011. The impact of governments' stimulus spending on projects such as the 'Education Revolution' and affordable housing projects has dissipated and private investment has not rallied. The real value of approvals is the lowest for at least the past five years.

4. What outcomes are we seeking?

There needs to be a complete about face in Gosford's, and the Central Coast's, investment profile for the local economy to grow and develop. With one in four of residents with jobs commuting out of the region, mostly to Sydney, the continued lack of new investment will further entrench the Central Coast as a dormitory region of Sydney, increasing transport congestion and costs, social dislocation and family disruption. We need an injection of more dynamism in key parts of our economy through the creation of more private sector-led jobs as a critical dimension in the development of a sustainable economy.

There is a clearly demonstrated need for public sector led initiatives to boost economic development in both Gosford and the Central Coast in the stark absence of private sector investment. Both local Councils, the Central Coast Regional Development Corporation, Regional Development Australia Central Coast, and the Departments of Planning & Infrastructure, and of Trade & Investment have been leading strategic and master planning to this end. This planning is laying out a clear framework for investment opportunities.

Councils and government agencies have been working to address economic underperformance with the limited economic levers at their disposal.

The Central Coast Regional Economic Development and Employment Strategy, whose implementation is co-ordinated by Regional Development Australia Central Coast in collaboration with Gosford City and Wyong Shire Councils, has key objectives of developing a more robust and sustainable regional economy, and of creating 45,000 jobs over 25 years.

Gosford City Council, in collaboration with government agencies, has prepared the following to boost economic growth:

1. The Somersby Industrial Estate Plan of Management has provided a high degree of clarity on what types of industrial activities are permissible in which locations within this 300 hectare site - the largest area of potential industrial activity in the southern part of the Central Coast.
2. The Gosford City Centre Masterplan - Our City Our Destiny - has set out the future direction of public spaces, infrastructure and urban development in the Region's city. The Central Coast Regional Development Corporation has prepared a Masterplan for the Gosford Waterfront, which was identified as a priority in City Masterplan.
3. A new Local Environment Plan under the NSW Government's standard instrument for preparing new LEPs, also known as the LEP template, has been adopted by Council. The LEP, still in draft stage pending endorsement by the Department of Planning & Infrastructure, incorporated earlier revisions to the LEPs for Gosford City Centre and Woy Woy Town Centre that increased significantly the building envelope available to developers and investors.

These plans have set out the framework for investment and development, but the sustained weak performance of the NSW economy and the added impact of the uncertainty created by the global financial situation, not least its impact on bank lending for development, appear to be significant reasons for under investment in the Central Coast.

5. Role for a Special Economic Zone?

There are several types of special enterprise zones. The World Bank has identified six types of zonesⁱⁱ that could be subsumed under the SEZ concept. These are: Free trade zones; Export processing zones; enterprise zones; Freeports; Single factory export processing zones; and specialised zones, that include, for example, science and technology parks, petrochemical zones and logistics parks.

The geography, location and economic assets of Gosford and the Central Coast (i.e. it has no international gateway) suggest that what the World Bank describes as an Enterprise Zone would be most appropriate and beneficial to the region.

In the United States, such zones are intended to revitalise distressed urban or rural areas through the provision of tax incentives and financial grants. Identified communities may be eligible for a combination of grants, tax credits for businesses, bonding authority and other benefits. In the United Kingdom, enterprise zones are now targeted at reviving private investment in areas that have become over reliant on government spending.

Gosford City Centre and some other locations on the Central Coast would benefit from some form of special enterprise zone, aimed at stimulating more economic activity and revitalising regional centres.

6. Characteristics of a preferred special economic zone (SEZ) model

We favour a collaborative public private partnership approach to economic development in general and are strongly of the view that a successful SEZ will only be delivered through partnerships. Neither the public nor private sectors can deliver success on their own: together each sector is able to contribute resources and outcomes in their areas of responsibility and expertise.

We are also strongly of the view that any SEZ needs to be actively implemented. Payroll tax concessions that have been 'available' to some qualifying relocating businesses in the past, for example, have not created much impetus. Pro-active implementation suggests any SEZ needs to be tied to a specific land use opportunity to enable its active promotion and because potential new businesses and investment need to be able to evaluate specific quantifiable opportunities.

Of international models that we are aware of, we favour the initiative of Enterprise Zones launched last year by the U.K. Government. While it is clearly too early to evaluate their performance, we believe innovation in public sector delivery of services should be encouraged and, where appropriate, calculated risks taken.

The U.K. Enterprise Zones are geographically defined areas. There is no single size, but there are limits imposed by the levels of funding the Government have been able to set aside to support the Zones. Most Enterprise Zones are expected to be broadly 50 – 150 hectares, although this will depend on a range of factors, including the nature of the site, the size of business likely to be attracted, and the level of rates that would be foregone as a result. (Appendix One has examples of four U.K. zones)

These zones are designed to support genuinely additional growth and create **new** businesses and **new** jobs. The U.K. Government envisages that Enterprise Zones will generally be based on 'clean'

sites with little or no business occupants to reduce the risks of simply favouring incumbent businesses with little added value to the economy of the area. The U.K. Government said evidence suggests that single ownership of land could have had a significant effect on the success of earlier Enterprise Zones.

U.K. Enterprise Zones benefit from:

- A 100% business rate discount worth up to £55,000 a year over five years, for businesses that move into an Enterprise Zone during the course of the current Parliament;
- All business rates growth within the zone for a period of at least 25 years will be retained and shared by the local authorities in the LEP area to support their economic priorities;
- Government and local authority help to develop radically simplified planning approaches in the zone; and
- Government support to ensure superfast broadband is rolled out in the zoneⁱⁱⁱ. This will be achieved through guaranteeing the most supportive environment and, if necessary, public funding.

A key feature of both U.S. Empowerment Zones and U.K. Enterprise Zones is the involvement of the National Government delivering funding and tax credits.

7. How might a special economic zone model work in Gosford City Local Government Area?

The region's strategic planning, which has been founded on widespread community consultation, has designated areas where growth is planned and proposed to be concentrated. These include Gosford City Centre, the region's only city; the town centres of Woy Woy and Erina; and Somersby Industrial Park. The Central Coast Regional Development Corporation, a state agency, is developing land use plans for a major employment zone at Mt Penang. There is a developing agribusiness cluster of sustainable intensive horticulture around the village of Peats Ridge.

Any SEZ should work in support of these local initiatives and strategies.

We have not completed systematic research to make firm recommendations on the key characteristics of SEZs on the Central Coast, but we can see potentially great merit in their application. We see the following areas that are worthy of investigation as components of a SEZ.

- Infrastructure - designation of an area as a SEZ should be accompanied with a recognition that this increases its priority in any ranking of infrastructure projects. Consideration of possible interest free loans for new infrastructure.
- Employment and training grants / subsidies - especially for firms providing jobs to long term unemployed or otherwise disadvantaged. World Bank research strongly suggests that the long-term competitiveness of a zone depends on the quality and productivity of its workers.
- Rent subsidies for small business start-ups - potentially through a business incubator within the designated area. The evidence is that small businesses are a most effective generator of

new jobs. Furthermore, the best method of encouraging small business enterprise is the creation of a climate in which obstacles to business establishment are removed.

- Increased flexibility in planning regimes - potentially streamlined process for change of use and rezoning. Once a strategic plan is in place, all decision-making and approval process should be devolved to the local level, with appropriately transparent reporting mechanisms.
- Taxation - possible payroll tax concessions / holidays for additional employment over a defined period. If the Federal government adopts the SEZ concept, there could be accelerated depreciation allowances and capital gains tax holidays for a defined period of time.
- Investment Attraction and work permits - streamlined processes including liaison with Foreign Investment Review Board and Department of Immigration.
- Government co-ordination - rather than striving for greater co-ordination amongst agencies (usually an illusory goal that diverts a great deal of energy and resources), devolve decision making (including assessments of eligibility for grants / subsidies etc) to the local level within the parameters of an agreed strategic plan.
- Set up shared key performance indicators to focus collaborative effort and to measure performance

A characteristic of the enterprise model in the U.K. is a degree of flexibility within an overall framework. We believe this approach should be considered by the Committee. That is, consider a broad framework as the model and enable a range of options for specific SEZs.

Summary

Gosford City Council strongly supports the Committee's investigation of the potential benefits of Special Economic Zones for regional and rural New South Wales. The Council believes that the model recently introduced by the U.K. government is the most useful framework from which to develop a model that works in NSW.

Council believes that a SEZ should be founded in a collaborative effort between the public and private sectors, and needs to be based around clearly identifiable parcels or agglomerated parcels of land.

Council's view is that a key outcome from a SEZ should be new investment into a region, on the basis that this will deliver greater wealth to the community and lead to the creation of new jobs.

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APPENDIX ONE

U.K. Enterprise Zone Prospectus

Details on the location of four Enterprise Zones:

The **Birmingham and Solihull Zone** is located in Birmingham City Centre, comprising seven clusters of sites over 68 hectares. It expects to create 40,000 new jobs in business and financial services, digital media, ICT and the creative industries including 4,000 new private sector jobs by 2015. A radical approach will see the planning process streamlined through an innovative Local Development Order. The local enterprise partnership estimates the Enterprise Zone, once fully developed, will add £2.8 billion to the economy in GVA each year. It will harness the opportunities presented by the proposed High Speed 2 stop, which would cut journey times to London to 49 minutes, to attract business into the city centre.

The **Leeds Zone** consists of four sites within Lower Aire Valley area covering 142 hectares. It aims to create over 4,000 new jobs in low carbon industries and modern manufacturing. The newly completed East Leeds Link Road runs directly through the Zone, connecting it to the M1 motorway and Leeds City centre. Carbon-efficient buildings and development related to public transport will be permitted via a simplified approach to planning regulation.

The **Bristol Zone**, known as the Temple Quarter Zone, is centred on the Temple Meads rail station. It anticipates 198 new businesses within the Zone, with 80 up and running by 2015, creating almost 4,000 new jobs. Creative industries and technology will be key target investors. The focus of a simplified approach to planning permission will be on promoting development/refurbishment and business locations in the Zone. The estimated business rate income is £272m over the 25 years.

The **Sheffield Zone** is based on key sites along the M1 motorway. It will focus on advanced manufacturing and technology based industries to promote a 'Made in Sheffield' brand that builds on the existing strengths of the local economy. It is expected to generate up to 12,600 jobs and over 400,000 sq metres of floor space for 250 businesses by 2015. When complete, it could reach 20,000 jobs, 400 businesses and £20m a year in new business rates from over 600,000 sq metres of floor space.

Extracted from www.communities.gov.uk/publications/localgovernment/enterprisezone

ⁱ Central Coast Economic Indicators September Quarter 2011 Central Coast Research Foundation

ⁱⁱ Special Economic Zones: Performance, lessons learned and implications for zone development The World Bank 2008

ⁱⁱⁱ Note that Gosford and Long Jetty on the Central Coast are scheduled as early rollout sites for the National Broadband Network