

13.5.08



PRIME MINISTER

CANBERRA

FEB 2007

BY:

11 FEB 2007

Mr Rob Messenger MP
Member for Burnett
PO Box 8371
BARGARA QLD 4670

Dear Mr Messenger

Thank you for your letter of 8 December 2006 regarding a proposal for a tax-free period for any business wishing to set up on Palm Island. I apologise for the delay in replying.

The government is always interested in proposals to further the economic development of rural and regional Australia. I acknowledge the enormous contribution of these areas, not only to economic activity across a range of areas, but also in shaping the Australian identity. The government is committed to ensuring the ongoing economic prosperity of all rural and regional areas including Palm Island.

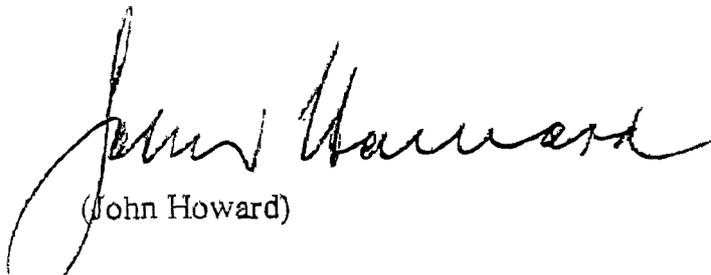
The best thing that the Commonwealth Government can do to support sustainable increases in living standards for all Australians is to continue with its record of responsible economic management creating an environment where businesses can grow and prosper. An important element of this record is an internationally competitive tax system, underpinned by successive cuts in business and personal taxes, while maintaining strong budget surpluses.

The existing system of remote zone rebates acknowledges the uncongenial climatic conditions, isolation and relatively high cost of living faced by individuals who are residents of remote areas of Australia. The government provides fringe benefits tax concessions for employers in remote areas in recognition of the special circumstances, including higher costs, which can be faced by these employers in attracting and retaining staff. The value of the zone tax offset and these remote area housing and housing assistance fringe benefits tax concessions was \$280 million in 2006-07.

there is evidence that economic activity generated by such concessions may not be sustainable without continuing support. The government's preferred approach is to cut taxes generally, and in doing so promote economic prosperity for all Australians.

The government is committed to working in partnership with communities, governments and the private sector to foster the development of self-reliant communities and regions. The government recently provided \$1.5 million to upgrade Ferdy's Rehabilitation Centre on Palm Island and is spending \$122 million in 2006-07 to support regional development under the Regional Partnerships programme. This has included \$141,900 for an aquaculture project on Palm Island which will complete research to establish an open ocean aquaculture farm in the Palm Island group.

Yours sincerely



(John Howard)