

Shop 5
259 Peel Street
TAMWORTH NSW 2340

All Mail: PO Box 963
TAMWORTH NSW 2340

Ph: (02) 6761 3080
Toll Free: 1300 301 839
Fax: (02) 6761 3380
e-mail: Tony.Windsor.MP@aph.gov.au
Web Page: www.tonywindsor.com.au

Submission on NCP

30th August 2004

Review of National Competition Policy Arrangements

Dear Commissioners,

I am very pleased that the Productivity Commission has been enlisted to undertake a review of National Competition Policy Arrangements.

My concern however is that such a review may only look at macro economic indicators and not take into account the more micro economic impact and the flow on effect to the social impacts particularly in rural and regional Australia.

I would therefore request you look past the overall economic growth indicators showing that Australia as a whole is doing quite well by world standards and take a closer look at the more micro economies of rural and regional communities.

Many country communities have experienced large population declines over a period of years as well as an ageing population. Many of our young people have left country areas through lack of opportunity as previous successful industries have declined without any affirmative approach to addressing the problem. In fact, much of the assistance that has been rendered to regional communities could best be described as "palliative care".

I believe that this has partly been brought about by the impact of National Competition Policy which has seen the concept, initially introduced to combat inefficiencies in major utility industries like electricity, gas, transport and water, blindly expanded into other industry deregulation including dairy, poultry (meat and eggs), liquor outlets and even farm debt mediators.

It was only after much lobbying by the Pharmacy Guild and strong community support that pharmacies escaped being deregulated as part of the NSW State Governments program under the CoAG agreement. However, this was only after the request from the Prime Minister to NSW Premier Bob Carr requesting him not to proceed with the deregulation of pharmacies.

...2/

Whilst much of the deregulation of industry is the responsibility of State Governments, the process is being driven by the Federal Government through the CoAG agreement and the attached “Competition Tranche Payments” made to the States in “reward” for doing so or not receiving such payments for not having performed in deregulating industries required under the CoAG agreement.

It is quite easy for the Federal Government to point the finger at those “nasty” State Governments for deregulating industries but it is the Federal Government who has driven the agenda via the Competition Payments made to the States to “help” them alleviate the impact of such deregulation. These payments have very rarely made it down to those individuals directly impacted by the deregulation.

I draw your attention to the deregulation of the dairy industry initiated by Victorian producers, driven by the Federal Government pressuring the State Governments to pass deregulation legislation by threatening to withhold access to the Dairy Industry Adjustment Package which was funded by a levy on the consumer not as often claimed by Federal sources to be a Federal Government funded program.

The ludicrous situation now is that the dairy producers are beholden to the major supermarkets and have even recently had to go cap in hand to try to negotiate a slightly better deal with the head of Woolworths, Roger Corbett. The result was hailed as a great result when they got an extra ½ cent per litre for three months. It really should have been seen as an insult to those hard working farmers forced as a result of competition policy into a position of weakness when negotiating with major supermarket chains.

It is very disappointing to note that despite all the reasons given that consumers would get cheaper milk, this has not been the case and many dairy farmers are no longer in the industry. The flow-on effect to the communities by which they were once serviced has resulted in a continuation of population decline and perpetuating the downward spiral both economically and socially in smaller country communities.

Deregulation of telecommunication services and air services and even the banking industry has seen either the withdrawal of services or the need for Government intervention and financial support to keep or bring services to rural and regional areas.

Despite the deregulation of telecommunication services, the size of rural and regional markets has not been sufficient to attract real competition and therefore access to services comparable to big profitable metropolitan markets is not readily available. The only reason that services are gradually improving is as a result of the political imperative of the Federal Government wanting to proceed to fully sell off Telstra.

The following is a transcript of the ABC WORLD AT NOON program on Monday, 26 July 2004 which supports my statement.

HELEN COONAN: *Governments provide targeted funding to assist people, who live in rural and regional areas, to get access to services that are available in metropolitan areas, at something like competitive prices. So unless the government does provide a subsidy it is almost impossible for people, who live outside metropolitan areas, to be able to access broadband.*

CHRIS CLARK: *Is there no market solution to this problem?*

HELEN COONAN: *Well, obviously if there is a market solution—what we believe in, in this whole area, is greater competition that drives better outcomes and greater choice. But where you are dealing with scattered populations across vast areas, it's extremely difficult for the market to be competitive in rolling out these kinds of services, and the government has always acknowledged that. We have a role to provide targeted services to deliver these kinds of outcomes to rural and regional Australia.*

Where the financial bottom line replaces public policy ensuring equitable services for all Australians, low populations centres with large physical distances will always lose out.

...3/

For further information contact Tony Windsor, Ph (02)6761 3080 or 042766 8868

Regional Australians have experienced this situation consistently across all services over the past twenty years and this has happened on the National Party's watch with both Labor and Liberals in government.

We know that the injection of funding into mobile towers and broad band incentive schemes and the repair of a dilapidated regional landline network will only continue if the Australian Government remains linked to the problem by ownership of the problem.

If the Government is allowed the hook by selling Telstra we will soon hear the statement from the Australian Government that it is inappropriate to interfere in the market place and country Australians will be left to the tender mercies of corporates maximising profits in densely populated centres.

Regional transport services such as air and rail have public support removed from them in the name of competition and this collapses community confidence and actually removes vital specialist services.

Visiting health practitioners deliver a much needed service to country people and if they cannot get up and back in one day, they will not provide their service to the people of that community who then have to travel by other means to access this vital service.

The final insult for regional Australia with transport policy is that while public support is withdrawn for rail and air services in regional areas, public support for comparable services in Sydney such as Ferry , Bus and Rail passenger services has never been higher.

With deregulation of the banking sector and great improvements in technology, bank branches in the country were among the first to close as the banks geared up to compete with the new overseas banks.

The closure of the bank branches caused the loss from country communities of many people who not only provided banking services to their community but were very much involved with that community. Their extra curricular involvement in service clubs, schools, churches, sporting clubs, the list goes on has seen the social fabric of country communities decline and left to the few left.

The Public Interest Test (the PITs)

I would like to particularly draw your attention to the Public Interest Test that could be used and should be used more often to over-rule the implementation of National Competition Policy in a variety of regional issues.

This test interestingly enough will not allow one state or any combination of states to have an advantage over other states or state due to the Competitive Neutrality Agreement. This is the basis for the summary rejection of state based arguments of a public interest being attached to State policies such as Farm debt mediation or state based trading entities.

The PITs also does not have any capacity to look at change management i.e. structural adjustment or other social issues that arise out of a National Competition Council (NCC) recommendation.

This is an admission extracted from Graham Samuels in the water reform process.

If you combine competitive neutrality between states with no need to look at change management issues there is really no NCC public interest test.

NCC is a Federal agency that recommends policy changes to the Federal Treasurer with no social issues or specific regional economic issues actually being referred to with competitive neutrality and no review of change or structural adjustment ensuring and automatic override of concerns put forward.

....4/

The economic benefits that the NCC proudly refers to in its 'PIT' assessments often amount to a dollar or less per head per year across the entire economy.

So it is reasonable to say that the NCC is often happy for regional communities to go through massive changes for the questionable outcome of a few dollars per head per annum over the national economy.

For example, NCC's assessment for Rice deregulation of a few dollars per head per year advantage across Australia is enough to dismantle an international marketing tool in the single desk.

Rice growers have independent advice that says the impact is way more than a dollar per head per year and creating huge damage to a regional industry.

Concluding remarks

In conclusion, the blind pursuit of National Competition Policy economic outcomes has overlooked the impact on our small, remote and distant communities and has contributed to overcrowding and lower home ownership in our capital cities.

The whole NCP process is in danger of being hijacked by profit takers who see public policy as interference to their capacity to maximise market control and profit. Public policy has to be able to re-assume its rightful role as the delivery mechanism for equitable services (particularly for regional Australia) and as an effective moderator on market power.

I call this blind pursuit of National Competition Policy a "Feedlot Mentality". This Feedlot Mentality among bureaucrats is best described through the economic rationalist philosophy of the easiest way to deliver the highest number of services to the most number of people at the cheapest possible price is to put them in a feedlot.

There is no counter balance to profit takers within the current NCC driven process, the PITs is a well worn farce and needs to be replaced with a public benefit test that places the onus on the NCC in conjunction with the Productivity Commission to measure wider costs such as regional unemployment and the impact of service losses as a minimum requirement of a recommendation to the Federal Treasurer.

If we continue to go down this path, we will have no inland Australia except for visits by tourists. We will import our food and be dependent on the rest of the world. If we make a commitment now to have an inland Australia and for ALL Australians to share in the wealth of our nation, Australians will have a secure future in our own right as well as being part of the world community.

Thank you for the opportunity of drawing my concerns to your attention. I look forward to your Report on this very important issue and its impacts on country Australians.

Yours sincerely

*Tony Windsor MP
Member for New England*