

# **COUNTRY WOMEN'S ASSOCIATION OF NEW SOUTH WALES**



## **Submission to the REVIEW OF NATIONAL COMPETITION POLICY ARRANGEMENTS**

TO: The Secretary,  
National Competition Policy Inquiry,  
Productivity Commission,  
P.O. Box 80,  
BELCONNEN ACT 2616

Email: [ncp@pc.gov.au](mailto:ncp@pc.gov.au)

FROM: Mr. Colin Coakley,  
General Manager,  
Country Women's Association of NSW,  
P.O. Box 15,  
POTTS POINT NSW 1335

[personalassistant@cwaofnsw.org.au](mailto:personalassistant@cwaofnsw.org.au)

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As was the case with the first Inquiry into the impact of competition policy, the guidelines for the current inquiry tend to concentrate attention on economic factors though Australians live not just in an economy but in a society. The background reading is in fact fairly dismissive of negative outcomes of the National Competition Policy on rural Australia particularly. There is a glibness about pronouncements that state there will be wins and losses and to a large extent, those areas which have lost the most, at least in the time since the Policy's implementation, are rural communities. There seems to be nothing in the background reading or the statements of politicians and business leaders, though, that different approaches should be tried to heal some of these hurts. Instead, the Inquiry is to look at further opportunity for "enhancing competition". In a democracy, are not governments elected to represent the WHOLE electorate?

In theory few would argue with a competition policy; it was to do away with inefficient industries, bloated government departments unaccountable to the electorate, etc. The outcomes were declared as greater productivity, lower prices for goods and services, usually, for consumers, increased trade, both within Australia and as exports, efficiency and costs savings that would benefit all, sooner or later. There was the occasional discretionary moment when it was admitted that some reforms would not be immediately obvious, but in the longer term, we would all be better off. Are we?

At the macro economic level, we have politicians claiming great gains, latterly boosted by their pride in the Free Trade Agreement between Australia and the United States of America. What a pity this threatens our Pharmaceutical Benefits Scheme, in spite of Mr Howard's claims to the contrary; our cultural identity, again in spite of protestations to the contrary; our agricultural industries in general and the sugar industry, for example, in particular. Both sides of Federal Parliament, whichever is currently in power, proclaim the wisdom, benefits and moral high ground of the "level playing field", without at any time conceding there is nothing level about two sides vying for trade when one has massive subsidization and the other does not. In our trade with both the European Union and with the United States of America, we are hamstrung by agricultural lobbies that are so powerful they effectively hold their governments to ransom at the merest whisper of a cut to subsidies for their sector. In competition with the Asian sector Australians with living wages are pitched against workers on pittances. Level? How can open competition as advocated by the Federal Treasurer and the Productivity Commission in this Review framework, within the framework of Federal Laws, be a positive in such circumstances?

Competition Policy should be replaced by Cooperation Policy at the micro economic level. All communities, but especially isolated rural communities thrive on cooperation; this notion of driving a competitive wedge into every area of our economic lives creates alienation in such communities as well as in small business and, as mentioned previously, in agricultural industries. The dairy industry is an example of such negative outcomes, admittedly not wholly the result of ideological competition policy. The deregulation of the dairy industry, partly as a result of the NCP, has been an unmitigated disaster which has led to no reduction in price for the consumer. The return on a litre of drinking milk to the producer has dropped from 52c/litre to an average of 26c/litre and as low as 22c/l; the consumer still pays the same amount as previously, or more and profits and power have shifted from the producer to the processor and the supermarket. Results include the decimation, still continuing, of the industry, and the resultant negative effects on the communities of the producers. While the NCP does have public interest provisions, these appear to have had little or no impact in turning around the negative effects of deregulation and competitive policies on this industry and its communities.

Similar devastating outcomes are evident in the sugar industry, which has been in strife since deregulation was introduced. When tariffs were cut (the mantra of "the level(?) playing field" again being invoked), the price paid to producers fell from \$426 a tonne to \$287, but the price to consumers did not fall – it has been consistently rising ever since. The omission of this industry from the currently espoused Free Trade Agreement led to a massive compensatory injection of government funds (it is an election year) much of which is designated to help producers move out of the industry. The effect on the communities of these producers? A social issue, not really the province of our economic rationalists.

People can move their families from one area of the country to another, but real costs are involved, not just financial ones but educational and social. People born and raised to pursue a life on the land generally do not want to move to the city or even a regional centre – not only is there little prospect of employment in their preferred and skilled field, but housing in such centres is usually far more expensive than in a rural community, the chance of selling their home in the smaller town at a price at which they will be able to afford the new one is nil, the sense of belonging to a community is lost, children's education is disrupted, etc. When scientific changes and/or medical approvals are sought for introduction into society, the precautionary principle is applied – the reform has to be proven harmless and beneficial before it can be adopted. No such precautionary principle has been applied – or is being applied – to these NCP so-called reforms. Why?

A very real negative outcome of changes to various agricultural industries - dairying, fruit growing, honey production, to name only three, has been the result of aggressive competitive policies by the big supermarket chains – they are not introducing real competition, there are far too few of them, but they are so large and so powerful that they drive down prices for the producer and virtually monopolise the market. Again, producers often go under, with the accompanying effects of unemployment and social dislocation.

These supermarkets have moved into so many areas of our retailing world – food and drink, fruit and vegetables, butchering, baking, petrol, liquor, photo developing, fuel, gardening; in essence because there are only two with 84.2% of market share between them, they are a duopoly and hardly competitive in the “pure” sense that advocates of the NCP profess to espouse competition. Now they are anxious to move into one of the few remaining bastions of family/community independent small business, pharmacies. A great irony about this move has been the Federal Government's urging of the NSW Government not to further deregulate pharmacies (the NSW Government has moved to increase the cap on the number of pharmacies one person may own) while demanding total deregulation of liquor outlets in this state. Fines or withholding of payments to the value of \$50 million per annum have been bandied about if Mr Carr refuses to deregulate an industry which causes untold misery and cost to all levels of society.

According to figures quoted by Ross Fitzgerald in *The Australian* on 13<sup>th</sup> May 2004, “The NCP's gift to the major retail chains and others can be summed up neatly: eggs, \$416 million a year; Sugar \$334 million; milk \$1.13 billion. . . . Conversely, farmers, workers and consumers are every year \$1.879 billion poorer”. It is difficult to decide just where “public interest” outcomes have been invoked here.

The most negative aspect of the NCP has to have been the numbers of workers forced out of jobs by the process. The numbers of bankruptcies, usually of small business and resulting in loss of jobs, has grown hugely until it is around 22,000 a year, according to official figures. Expenditure on welfare is around \$69 billion a year and on health it has risen to around \$28 billion annually. Has there been any study of these figures to find what proportion of each has been the outcome directly or indirectly of the NCP?

Utilities and the drive to be competitive also have a sorry history. The background reading leads one to believe that all have benefited from the application of the NCP to electricity, for example. How then are we to explain the efficacy of the power outages in Victoria and South Australia last Summer? Cuts to homes, businesses and industries became a way of life. Positive outcomes for all? The so-called opening up of telecommunications to competitors has resulted in cheaper local calls and ever increasing line rentals, not to mention thousands of workers given the chop and call centres being sited off shore. (If this has not yet happened – do we believe Telstra? – it is in the pipeline.) Yet Australia still lacks mobile coverage; regional and rural areas – and some urban centres – still do not have access to adequate internet services, ADSL or Broadband. Telstra's USO looks very jaded as they announce a fee will be charged for clients paying accounts by credit card, “because we are able to”, as Group Managing Director Finance and Administration, John Stanhope, told a Senate Committee on 24<sup>th</sup> May this year. Positive outcomes for consumers? In fact what most consumers want, whether with goods, utilities or services, is not cheaper products so much as reliability, availability and follow through. Perhaps these are not part of the NCP's lexicon.

If Australia Post is allowed to go through with its plans to franchise postal services, there will be undoubted competition for business – and just as undoubtedly, loss of jobs initially and of services in the long run. Anyone who has any doubts of this should simply refer to the recent history of banks in Australia. Deregulation and strong competition were to lead without hesitation to better deals for customers, better service, lower fees. Perhaps some of these outcomes have eventuated for major businesses and corporate structures, but for the average Australian the results have been disastrous – continually rising fees, restrictions on accounts, closure of branches, massive loss of jobs. Perhaps even this is a preferable option to having our postal service subsumed by some American corporate entity under the Free Trade deal.

Airline services, banks, some aspects of health, community services, welfare services, small and big business, insurance companies, gas and electricity suppliers, ports, railways, agricultural industries and who knows how many other aspects of our lives have all been exposed to the benefits and drawbacks of the NCP. While the “big end of town” and shareholders in the main have benefited, it is the worker, the “little man” who has suffered and who, in spite of promises that things will improve, continues to suffer. Social, rural and environmental needs are not being met. While overall productivity has increased, so has national debt. More people are dependent on welfare, charities are overstretched. The sense of community has been lost in too many places as rural areas have been decimated. Family businesses have suffered disproportionately.

The NCP has moved into every aspect of our lives, from the water we drink to the food we eat to the workplace we would like to share. Even welfare has taken on a competitive edge with the dismemberment of Centrelink into a dozen fragmentary organizations all vying for the unemployment dollar.

As with the introduction of all policies by government, there are those who benefit and those who suffer. What seems to be missing every time is the realization of the effects on ordinary people, Mr Howard’s battlers, as he likes to call them. The big picture is all. It is not, however. While the NCP is driven by an economic agenda, most ordinary Australians seek a lifestyle which is much broader than monetary gain. While we do live in an economy, we also, more importantly, live in a society. It is this social aspect that is glaringly absent from the impetus of this competition that its proponents would extend into every aspect of our lives. Youngish executives are forgoing massive salaries for more relaxed, family oriented life styles. People surveyed before the Federal Budget this year overwhelmingly declared they wanted better social services, health, education, transport, before they wanted tax breaks. Finely attuned to the electorate, what did our leaders give us? Tax breaks – and then proceeded to congratulate themselves on “their” generosity. While ever governments do not listen it will be the economic imperative in this age of economic rationalism that will drive the political objective. After all, it is for our own good.

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