

COMBINED PENSIONERS AND SUPERANNUANTS ASSOCIATION OF NEW SOUTH WALES INC.

Founded 1931.

Representing pensioners, superannuants and low-income retirees.

Consumer Protection Awards – 2002, 2003

9 June 2004

Our Ref: GFA.001

Submission to the Productivity Commission Inquiry into National Competition Policy Arrangements

Introduction

This submission has been written to endorse the submission produced by the Bathurst branch of our association and to highlight the fact that National Competition Policy (NCP) is of interest to the association as a whole.

Combined Pensioners and Superannuants Association of NSW Inc (CPSA) is a non-profit, non-party political membership based association representing the interests of pensioners of all ages, superannuants and low-income retirees. It has around 150 branches and affiliates with a combined membership of over 12,500 throughout NSW.

CPSA's interest in NCP

CPSA's interest in NCP stems from the fact that our members and constituents are affected by market forces. Naturally pensioners, superannuants and low-income retirees have many of the same basic needs and aspirations as the rest of the population. However, there are various goods and services that CPSA's constituents are particularly worried about if they are adversely affected by NCP or other similar Commonwealth or State Government initiatives. They include but are not limited to:

- Public transport;
- Pharmaceutical Benefits Scheme (PBS);
- Telephone, electricity and gas services;
- Basic good such as food and clothing;
- Health services.

Any rise in prices due to competition policy has a profound effect on low-income earners who rely on these goods and services.

It may sound like a contradiction to equate competition policy with price rises. However, it makes much more sense when we look at what happens when NCP is applied.

Detrimental effects of competition policy

Before NCP was formalised the financial sector was deregulated by the Hawke Labor Government in 1985. Whatever benefits that move may have had for business and some consumers it was certainly problematic for those on low incomes. Anyone in receipt of a Centrelink pension or an allocated pension from superannuation (and most waged workers) is required to have a bank account. With deregulation came an increase in bank fees which reduced the meagre income of CPSA constituents. This is because deregulation has inevitably led to greater monopolies as banks merge. Banks' most important customers tend to be large corporations or wealthy individuals. They regard clients on low-incomes and superannuants as a burden. There is nothing in competition policy to motivate them to lower their bank fees.

Woolworths recently invoked competition policy in order to grab a share of the pharmaceutical industry in the form of in-house pharmacies in their supermarkets. The CEO of Woolworths, Roger Corbett, used the language of free market economics in a bid to compete to with traditional pharmacies. Naturally Corbett did not disclose what was to happen further down the track: other pharmacies would be driven out of business by Woolworths' initial low prices and then the prices would go up once the retailer established a monopoly.

Competition policy and government services

On the National Competition Council's (NCC) website (www.ncc.gov.au) it states that:

"NCP does not require privatisation, blanket deregulation, free markets, welfare cutbacks, contracting out, reduced social services or a focus on markets, money and materialism. It does not prevent governments from increasing spending on welfare, increasing the level of government funded or subsidised social services, or retaining businesses in public ownership.

NCP explicitly recognises a need for government intervention in markets, where this is justified.”

This may radically change with the introduction of measures under the US-Australia Free Trade Agreement (USFTA). The Australian Fair Trade and Investment Network (AFTINET), of which CPSA is a member, have some serious issues concerning the USFTA (see www.aftinet.org.au). Moreover, NCP does require: “the introduction of competitive neutrality so privately owned businesses can compete with those owned by Government on an equal footing.”

This statement, of course, contradicts the previous assurance that NCP is not about contracting out and the like. Competitive neutrality would mean removing subsidies from government agencies in order to create a “level playing field”. An example of this occurred during the tendering for the Liverpool-Parramatta Transitway. STA buses, the NSW Government bus service, had to drop its Pensioner Excursion Ticket (PET) concession (\$1.10 all day for eligible concession holders) in order to compete on a “level playing field” with private competitors. STA won the contract but pensioners now have to pay half-fare concession to use the Transitway – which is more expensive than \$1.10. This is just one instance of how enforced competition is not necessarily in the best interests of low-income earners.

CPSA regards government services as far too important to be downgraded in order to conform to particular political ideologies. And while the NCC asserts that NCP is not the same as privatisation, it can be a precursor to privatisation in that it sets up lucrative government services so as to be “cherry picked” by private operators.

Conclusion

CPSA’s Bathurst branch provides much of the detail on the problems of competition policy for those people CPSA represents. In general, it can be safely asserted that competition policy is not necessarily useful in serving the needs and interests of low-income earners. Competition may serve a purpose in some areas such as retailing. However, when it comes to essential services and basic needs of low-income earners it is wanting. CPSA’s constituents want service delivery of essentials such as health and transport to be quarantined from profiteering. It is doubtful whether NCP or the USFTA (which will have a profound affect on current competition policy) is able to do that given the evidence so far.

Yours faithfully