

NCP Inquiry
Productivity Commission
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The NSW Department of Housing is pleased to have been afforded the opportunity to respond to the Productivity Commission's *Review of National Competition Policy Arrangements*. I understand the Commission has been asked specifically to report on areas offering additional opportunities for gains to the Australian economy through the removal of further impediments to efficiency.

In accordance with the Commission's intention to encourage a broad cross-section of participation in the inquiry, I make the following written submission.

Competition is not about the pursuit of competition per se, rather, it seeks to facilitate effective competition to promote efficiency and economic growth while accommodating situations where competition does not achieve efficiency or conflicts with other social objectives.

The importance of social objectives is highlighted in the *Competition Principles Agreement* which stipulates that a number of factors should be taken into consideration when considering the public's interest in national competition. For example, governments have the flexibility under National Competition Policy to deal with circumstances where the promotion of competition is considered to be inconsistent with certain social, environmental, equity and regional objectives. The Issues Paper then makes reference to governments needing to take into account social welfare and equity considerations, including community service obligations, when assessing the benefits of competition reform to the community. Very little detail, however, is provided as to how this should occur.

What is required is better definition around the benefits of social welfare as well as greater clarification around the outcomes sought by social welfare providers. Both the definition and measurement of social outcomes have an enormous impact on the capacity to determine whether the benefits to the community of implementing competition reform outweigh the costs. To give you an example, the social outcomes sought by the social housing provider include quality, affordable, appropriate, secure and accessible housing. The beneficiaries of social housing may include an individual in direct receipt of certain housing rights, such as a housing allowance or accommodation. It may also

include the immediate social network of the beneficiary receiving these 'housing' benefits, as well as the broader community. Measuring the 'value' of the benefits received will be critical to applying the 'public interest' test.

The impact on social outcomes also varies enormously according to what indicator of success is used. For example, if housing authorities are more closely targeting those most in need, the measure of subsidy (the difference between the market rent and the actual rent charged) may go up (i.e. get worse, cost more) while actually providing a good housing outcome for the tenants involved.

Overall the Department feels that social housing services are inherently unsuited to competition-related or market-based initiatives. The concept of universal coverage or 'access' is an important one that should remain sovereign. If public housing providers were to strive for greater cost transparency through mechanisms such as full cost accounting, the elimination of cross-subsidisation and the pursuit of a commercial rate of return on assets, then it is inevitable that some services may be lost (particularly lossmaking services) and, for those services that remain, there would be some rationing of entitlement.

A further concern is the risk of causing unintended, yet irreversible, social consequences as the result of the implementation of a competition-related or market-based initiative. For example, a social housing provider operating under competition principles may choose 'favourable' tenants on a basis other than 'need' and hence abandon the provision of service in complex, difficult or unviable locations. Such outcomes are entirely inconsistent with social housing providers' objectives.

Thank you again for the opportunity to comment.