

**Submission to the
Productivity Commission in
response to the draft review of
National Competition Policy**

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Executive Summary

The Commission's draft report reflects the concerns raised by NFF in its original June submission to the review of National Competition Policy (NCP): that the public benefits test be amended to ensure the interests of rural and regional Australia are fully and appropriately addressed; and that appropriate compensation or structural adjustment is paid to those individual businesses and communities bearing the costs of reforms for the greater public good rather than just to governments on behalf of the community.

Read alongside the Commission's draft report into the *Economic Implications of an Ageing Australia* the NCP review provides a powerful case of the need for a new microeconomic reform agenda to drive productivity growth into the future. NFF considers that a new reform agenda building on the lessons learned from NCP is vital for the future prosperity and economic security of all Australians to help ensure continued low interest rates and employment growth. Farmers are benefiting from the current economic environment when compared with the situation during the drought and economic climate of the early 90s.

Key points in the NFF submission on the Commission's draft report are:

- NFF agrees with the need for a broader microeconomic reform agenda covering new areas including the health sector and particularly natural resource management.
- Competition policy will play a key role in a future agenda, but NFF considers that *National Competition Policy* should be re-branded to reflect this broader agenda, which involves more than just competition reforms.
- This may assist in addressing negative perceptions and resistance to NCP, particularly in rural and regional Australia. NFF suggests a new policy, which emphasises the positive nature of reform such as a National Productivity and Sustainability Strategy.
- A future reform agenda must address the lack of capacity and the inefficient and inconsistent regulation of our nation's infrastructure.
- In particular NFF would like to see inefficient and inconsistent transport investments and regulations addressed under a new nationally coordinated reform agenda.
- Given the distances travelled relative to our international competitors it is vital Australia leads the way in efficient transport and telecommunications.
- Productivity gains elsewhere in the economy will be significantly diminished if farmers and businesses cannot get product to domestic and international markets efficiently.

- It is vital to the future productivity and sustainability of Australian agriculture that the states and territories recommit to the National Water Initiative and that COAG agree to implement the recommendations of the Productivity Commission's recent report into *The Impact of Native Vegetation and Biodiversity Regulations*.
- In relation to land and native vegetation issues, NFF has called on COAG to develop an intergovernmental agreement to deliver resource security and certainty for farmers.
- In relation to greenhouse policies, farmers are delivering 31 million tonnes per annum of emissions reductions in 2004 towards meeting Australia's Kyoto target however they receive no recognition for this despite the costs incurred.
- NFF is calling for a National Environmental Management Programme, which appropriately recognises the contribution farmers make where farmers provide public good environmental services.
- Inconsistent regulations across State and jurisdictional boundaries continue to impose considerable costs on Australia farmers. Many NFF members operate farm businesses that span across state borders and therefore face varying and often inconsistent compliance requirements.
- When implementing reforms to address these issues it will be important that the public benefits test assess regional contingencies as not always will a 'one-size-fits-all' approach be appropriate.
- NFF considers that there is an urgent need for more consistent cross-border regulations with regard to agricultural and veterinary chemicals, occupational health and safety and food safety standards, which are currently imposing unreasonable compliance costs on farmers.
- NFF supports the full completion of the legislative review program as previously agreed by COAG. These reviews should focus on areas, which have not previously been given attention by governments, for example anti-dumping regulation. If jurisdictions do not complete these agreed reviews, they should be subject to penalties. It has been too easy in the past for jurisdictions to step away from the NCP reforms with the NCC having too limited an ability to enforce compliance.
- Future areas for reform should also include the professions, newsagents and chemists.
- NFF note that the Commission takes the view that industrial relations, tax and education and training reform are areas not in need of a nationally coordinated reform initiative. It is the view of NFF that there may be a benefit from constructively progressing further tax reform through a nationally coordinated approach – in particular the abolition of inefficient state-based stamp duties that were not included in the 1999 Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations.

Implementation issues

- It is absolutely critical to the future credibility of the next national reform agenda that implementation of reforms is more rigorously governed. This must include as a minimum the requirements set out on page 295 of the Commission's draft report, namely that it should be underpinned by:
 - A clear statement of objectives and guiding principles;
 - robust criteria for ensuring that reform outcomes are in the public interest;
 - transparent and independent assessment procedures; and
 - a pre-announced timetable for implementation and review of the reform program; and
 - rigorous external monitoring and public reporting of implementation progress.

NFF considers that one additional point should be included in the fourth point of this list:

- a pre-announced timetable for implementation and review of the reform program *including provision for any structural adjustment assistance where required.*

NFF consider this is vital to ensure that the objective of adjustment costs – and in particular the cumulative impacts of reforms and broader pressures – be afforded greater policy attention in the future.

This is particularly important for regional communities that may already be experiencing social drift to metropolitan centres.

The Commission's review notes that there has been a general negative perception of NCP in the bush. In particular, NCP has been perceived to have had ignored issues of social capital and community cohesion in favour of unfettered competition. NFF believes that these problems have arisen through poor implementation of NCP, bad communication of reforms in the bush, lack of awareness and rigor of public interest testing, and inadequate assistance given to those groups worse off for the greater public good.

This is reflected by the Commission in their draft report on page 91:

“It is acknowledged that the early effects appeared to have favoured metropolitan areas more than rural and regional areas, and that there was likely to be more variation in the incidence of benefits and costs of NCP among country regions than in metropolitan areas.”

And on page 231:

“In particular the Commission sees value in encapsulating the essence of the 2000 COAG directive on governments to ‘give consideration to

explicitly identifying the likely impact of reform measures on specific industry sectors and communities, including expected costs in adjusting to change’.

NFF therefore urges governments to apply explicit targeted payments to assist in the implementation of reforms. This will greatly assist in restoring community confidence in the next reform agenda.

NFF also requests that the draft recommendation under the heading: *The general framework for future nationally coordinated reform*, which reads:

“The institutional framework(s) used to progress future nationally coordinated reforms should be underpinned by:

- transparent and independent assessment processes, incorporating a comprehensive public interest test and providing scope for consultation with, and input from, interested parties.”

Be amended to read:

“The institutional framework(s) used to progress future nationally coordinated reforms should be underpinned by:

- transparent and independent assessment processes, incorporating a comprehensive public interest test and providing scope for consultation with, and input from, interested parties particularly where reform impacts regional communities.”

NFF recognises that commonwealth-state relations are central to many of these areas of reform. This underscores the need for COAG to work to find improved ways of delivering services and implementing regulatory reform.

NFF also supports the principle of the Federal Government providing direct incentive payments to local governments to reduce inefficient regulations.

In conclusion, NFF strongly supports a reform agenda that will deliver the macro and micro economic settings required to boost the productivity and sustainability of farms and other businesses around Australia. However, this support is contingent on robust implementation strategies that meet the requirements described above.

2. Picking up on NFF concerns raised in the NFF June 2004 submission

In its June submission, NFF calls for the strengthening of the public interest test and that in particular the commitments given by the Australian Government on 29 August 2001 in response to the Productivity Commissions 1999 report *Impact of Competition Policy reforms on Rural and Regional Australia* to change NCP are made. These are:

- The public interest test should be strengthened to specifically require that policies be assessed against the interests of rural and regional communities;
- Requiring governments, in undertaking reform commitments, to commit to public consultation where reform is proposed and public education where reform is implemented; and
- The National Competition Council, which assess the implementation of NCP, should be required to assess whether jurisdictions have met their commitments on consultation and education.

NFF considers that these changes have not been made to date and that NCP is still being conducted without robust public benefits testing and poor implementation strategies – particularly with respects to providing support to individual businesses and communities who bear the brunt of microeconomic reform for the greater good of the economy.

In its draft report the Commission acknowledges that particularly the early effects of NCP benefited metropolitan areas more than regional Australia and that aspects of NCP have added to the pressures facing regional Australia. NFF welcomes that the Commission is also arguing that adjustments costs are given greater attention in the future. However, given the broader challenges faced by regional Australia, NFF considers that future reform should have reference to an explicit requirement to consider any impacts on rural and regional Australia.

NFF strongly supports the Commission's view that an effective public interest test is essential to secure beneficial reform as well as community acceptance of the reform process and that in any reform program, the potential adjustment and distributional implications should be considered at the outset, with decisions about transition assistance guided by appropriate principles.

It seems accepted that the rigour of the public interest has not met expectations or provided public confidence regarding fair process in NCP implementation. It is absolutely vital, as the Commission observes, that the potential adjustment and distributional implications are considered at the outset and that a plan for transition is mapped out and understood by the community.

NFF believes that the public benefits test should be open to public comment particularly where the interests of a particular group will be significantly affected.

Another key message from the NFF June submission was the need for fair compensation to be paid to those facing adjustment costs as a result of NCP reforms. NFF considers that governments should determine who receives compensation, how they receive it and how much they receive during the NCP review process, in parallel with the analysis of adjustment assistance under the public interest test.

NFF considers that this process can deliver ‘win-win’ outcomes for the community and economy, particularly where the benefits from reform are large and to a diffuse group and where costs are relatively small and to a concentrated group as is often the case with reforms in agriculture.

The Commission in their draft proposals has picked up these sentiments:

“The framework(s) used to progress future nationally coordinated reforms should make explicit reference to the need for up-front assessment of distributional and adjustment issues and the case for adjustment support. They should also include criteria relating to circumstances in which adjustment support is likely to be warranted, and the characteristics it should embody to facilitate rather than frustrate adjustment and avoid duplication with generally applicable income support.”

NFF supports the principles laid out on pages 137-138 in relation to adjustment assistance that assistance should only be given where there is a clear case for it to be made, assistance should be targeted in such as way to best facilitate desirable change including the option of payment prior to the implementation of reforms.

3 Implementation Issues

NFF notes that on page 128 of the Commission's draft report COAG's attempts in 2000 to address the problems perceived with the public interest test were discussed:

“Later in 2000, CoAG (2000, p. B.1) agreed to several measures to clarify and fine tune implementation arrangements for NCP, including a provision that it ‘undertake an enhanced role in guiding the NCC in relation to its role in explaining and promoting NCP policy to the community’. CoAG also agreed that in applying the public interest test, governments ‘should give consideration to explicitly identifying the likely impact of reform measures on specific industry sectors and communities, including expected costs in adjusting to change’.”

While commending the intent of this COAG directive, it is clear that implementation of the directive has failed, or as the Commission puts it:

“Notwithstanding these CoAG initiatives and efforts by the NCC and State and Territory governments to seek to improve understanding of the public interest test and its role within NCP, criticisms and misunderstandings continue. This has been clearly evident in submissions to this inquiry, as well as during discussions at the Rural and Regional Roundtable organised by the Commission in Wagga Wagga earlier this year. Many of these criticisms appear to be about the practical application of the public interest test in specific instances.”

NFF considers that if the future reform agenda is to be successful it will be necessary to take stronger measures to ensure COAG policy implantation than in the past.

This is why NFF is urging governments to apply specifically targeted payments to reform implementation milestones such as a public benefits test that provides fair process to communities impacted by reforms. As part of the implementation schedule there should be adequate contingency set aside for individual business and community groups where adjustment assistance is likely as opposed to the current situation of untied payments to governments.

Experience has shown that it is unrealistic to expect that the much-needed improvements to the public benefits test and adequate provision for adjustment assistance will be successfully implemented without more direct incentives.

NFF supports proposals to improve the processes to drive reform at a local government level. A lack of incentives for local government exists, where competition payments are made to the sates but where implementation of beneficial reforms lie at a local government level. There is a clear case for tied

payments to be made to local governments to implement desirable regulatory change.

NFF consider that the future reform agenda is an opportunity provide powerful incentives, including accountability and transparency measures to assist governments ensure that the implementation of beneficial reforms, which are urgently needed and in the national interest, are progressed as intended.

4. Reform Priorities

NFF agrees with the Commission's view that there is a need for a broader reform agenda and that while the Australian economy as a whole is performing well, there is considerable scope to do better. This is important not just to meet the economic aspirations of all Australians including farmers, but also to ensure that we can meet the significant social and environmental challenges that lie ahead.

The economic pressures of operating in a global economy are too familiar, particularly to Australian farmers. It is accepted that in order to survive and prosper, farmers, indeed those in all sectors of the economy, need to focus on achieving a competitive edge, through cost control, innovation and responsiveness to consumer demand. Farmers have risen to this challenge, with agricultural productivity almost three times higher than the market sector average since 1988 and being second only to the telecommunications sector.

This is of particular relevance to NFF as the terms of trade farmers face have declined by over 50 per cent since 1960 and perhaps no other sector of the economy is more exposed to international competition and therefore aware of the need for continued reform.

In its draft report the Commission provides some initial indicators of where reform through COAG is most likely to be of benefit. NFF notes the Commission's view that while recognising education and training, taxation and industrial relations reform as critical elements of the future micro-economic reform agenda, the Commission considers that these are areas that can be substantially progressed outside of COAG.

The Commission puts forward a reform blue print to succeed NCP which includes competition-related reform such as transport, telecommunications, broadcasting and further legislative reviews; but also which includes broader microeconomic reforms in areas such as natural resource management, climate change and health.

NFF considers that there is a strong case to drop to current concept of a 'National Competition Policy' in favour of a national approach to reform which emphasises the positive and broader nature of future reforms, such as a *National Productivity and Sustainability Strategy*.

This will also help address some of discontent and resistance to reform felt by some, particularly in regional Australia, who perceive regional communities have suffered because of "National Competition Policy".

4.1 Natural Resource Management

NFF strongly supports the inclusion of natural resource management to be part of a new set of reforms to be implemented through COAG. Indeed, greater security

and certainty for farmers over the use of natural resources is NFF's number one priority.

4.1.1 Land and Native Vegetation

In relation to land and native vegetation issues, NFF has called on COAG to develop an intergovernmental agreement to deliver resource security and certainty for farmers. NFF consider that this can follow a similar process to that undertaken in the achievement of the National Water Initiative.

NFF has welcomed the detailed recommendations put forward by the Productivity Commission in their recent report into *The Impact of Native Vegetation and Biodiversity Regulations*. NFF considers the implementation of these reforms should be a high priority for COAG and note that the Prime Minister has committed to progressing them at the next meeting of COAG.

The Productivity Commission found in their report that inflexible rules governing land management and inconsistent administration had imposed costs and hardships on farmers and have:

- created significant uncertainty for farm businesses;
- undermined land and investment security;
- depressed property prices;
- impeded investment in more sustainable and resilient farming systems; and that
- some blanket restrictions have led to perverse environmental outcomes.

NFF is calling for

- A national framework to promote sustainable and productive land and native vegetation management, providing the basis for nationally consistent land and vegetation policies, and consistent, transparent, equitable and accountable administration of that framework;
- Regulation Impact Statements (RIS) should be prepared for all policies, legislation and associated regulations including an assessment of the problem being targeted, expected costs and benefits of the proposed policy (environmental, social and economic), and an assessment of alternative instruments; and
- Assurance that where contemporary environmental regulations result in the diminution of land values, or constraints on planned or future development, structural adjustment and compensation will be provided.

Existing national programs such as the Natural Heritage Trust and National Action Plan for Salinity and Water Quality have not been designed to deliver

property-based incentives to undertake environmental management on behalf of the entire community.

Rather, the NHT and the NAP are driven by a single regional plan and aim to improve natural resources on a regional scale. (Commonwealth of Australia, 2004 – Department of Environment and Heritage website)

The recent Productivity Commission report into the impacts of Native Vegetation and Biodiversity Regulations also found that:

“While funding and related voluntary community involvement under such programs can be of assistance to landholders, it will usually not cover landholders’ costs (less any associated benefits) incurred in retaining and managing native vegetation.” (PC Inquiry Report No.29, April 2004, p156)

Moreover, there are issues in terms of getting NHT funds to work ‘on the ground’ and not be absorbed in bureaucratic costs. For example, the Tasmanian Conservation Trust as part of its submission to the Productivity Commission stated that:

“A significant proportion of what money has been contributed by the Commonwealth for NHT1, and Landcare before it, has been shamelessly misappropriated by State agencies through cost-shifting” (page 157)

While that situation may have improved since NHT1 there are challenges in ensuring that NHT and NAP funds are spent on the ground. Neither of these programs is specifically directed at farmers at the farm level.

Farmers acknowledge that they have responsibilities to bear the costs of actions that directly contribute to equitable and sustainable resource use and the long-term viability of their farms.

This is in line with the Productivity Commission’s assessment, that:

“... it is reasonable to expect landholders in the aggregate to bear the costs of actions that directly contribute to sustainable resource use and, hence, the long-term viability of their operations ... - landholder actions affecting soil and water quality, for example - would constitute the responsibility of landholders individually and/or as a group”; and that

“...the wider community should bear the costs of actions to promote public-good environmental services - such as biodiversity, threatened species preservation and greenhouse gas abatement - that it apparently demands, and which are likely to impinge significantly on the capacity of landholders to utilise their land for production.” (PC Inquiry Report No.29, April 2004, pXLI)

However, there is a significant gap in the availability of direct farmer incentives to deliver these environmental services that are demanded by the wider community.

If we are to harness the significant potential of farmers to improve environment outcomes we must address this gap.

The National Farmers Federation is therefore proposing the development of a National Environment Management Program by the Federal Government to address this gap at the property level.

It should be noted, this program is consistent with our efforts on trade reform, in that it is not akin to a European or US production subsidy.

The NEMP would be based on the following principles:

- Deliver, on behalf of the community, environmental outcomes on individual private properties.
- Recognise farmers as environmental managers.
- Provide a simple means of funding, on behalf of the entire community, specific environmental outcomes on private property from willing farmers.
- Minimise bureaucratic processes and allow farmers to get on with the job of delivering outcomes and maintaining profitable enterprises.

Activities

The NEMP should fund on ground management actions outlined in property-based agreements that complement and in some cases refine regional plans:

- These actions would be agreed between a willing landowner and the Federal Government.

The property-based agreements would be simple and:

- Identify the environmental values that require conservation, ongoing management or enhancement activities on behalf of community.
- Clearly outline the actions and outcomes that the community is paying for from the landholder.
- Establish management payments for the delivery of identified actions and outcomes over an agreed period of time.

Outcomes

Address the gap in providing incentives and funding for delivery of environmental outcomes demanded by the community at the farm level through a world class National Environment Management Program (NEMP):

- Areas set aside for conservation purposes; and
- Ongoing management actions to maintain and enhance specific environmental values.

NFF has already articulated a set of administrative arrangements and indicative funding to deliver this program:

- There are concerns with the effectiveness of some regional bodies under current programs such as the NHT and NAP in some states.
- Consequently, the Federal Government would determine the most appropriate vehicle to deliver payments in consultation and genuine agreement with farming and environmental and community groups.
- A Federal Government commitment to a new 10 year rolling program with an initial \$250 million per annum in each of the first four years to be reviewed after year three.

4.1.2 Greenhouse policies

In relation to greenhouse policies, NFF recently noted the unrecognized contribution farmers are currently making each year to the achievement of Australia's internationally agreed greenhouse targets set under the Kyoto protocol.

According to a recent Australian Government report *Tracking to the Kyoto Target 2004*, native vegetation restrictions in Queensland and New South Wales have reduced annual greenhouse emissions by an additional 25 million tonnes and 6 million tonnes per annum respectively in 2004. This 31 million tonnes per annum is on top of the 37 million tonnes per annum of greenhouse emissions savings already achieved through land clearing regulations implemented between 1990 and 2003.

NFF considers that governments are requiring farmers to provide public good environmental services for the benefit of the broader community at a cost to the farmer with little or no public recognition.

To address these issues NFF is calling on the Federal government to support the National Environment Management Program, which will provide recognition and incentives for farmers to provide public good environmental services, including the delivery of greenhouse objectives.

4.1.3 Water Reform

NFF support the Commission's call that all governments should complete outstanding NCP water requirements and give high priority to resolving the current uncertainty about the future of the National Water Initiative by recommitting to its reforms.

NFF supports measures in a forward agenda that will provide for: developing ways to achieve more effective management of environmental externalities; exploring new opportunities for cost-effective water recycling; and ensuring that monitoring arrangements post-NCP provide a discipline on all governments to progress agreed water reforms.

NFF considers that the framework agreed on water can be a useful model for reforms in the natural resource management area.

4.2 Infrastructure Reform

4.2.1 Transport Reform

Chapter 6 on lessons learned from NCP contains observations from the Commission on transport reform which resonate with many of the views reflected by NFF members:

“Further, notwithstanding the priority status afforded infrastructure reform under NCP, formulating the reform agenda, assigning priorities and managing them effectively did not prove straightforward.

- The CoAG reform commitments for road transport have captured only a relatively small proportion of the reform proposals developed by the National Road Transport Commission in concert with the Australian Transport Council. Beyond this, delays in organising funds for the upgrading of roads and bridges delayed regulatory approvals to raise mass limits for heavy vehicles in some jurisdictions, even though a large proportion of the gains from road transport reform were estimated to come from mass limit increases.
- Priorities for rail transport reform were left with individual jurisdictions to determine as part of the generic reform components of NCP — namely, structural reform of public monopolies, third party access and implementation of competitive neutrality. This approach effectively accorded a lesser priority to rail reform, despite earlier assessments of the potential gains being double those for road transport and water (IC 1995). Moreover, with rail being handled generically and separately from road, there was less scope to ensure that reform initiatives in these two areas were consistent with the broader objective of achieving a more integrated transport system.” Page 121.

NFF consider that while policy articulated under Auslink has allocated significant new resources to upgrade the nation’s transport infrastructure and has commend the regulatory reforms outlined in the Transport White paper released by the Federal Government in June 2004 significant risks to achieving the stated objectives of government in this area lie in policy implementation.

Some of the current problems farmers face include: grain sitting in storage unable to reach markets in NSW due to poorly maintained rail lines and as a result, grain being transported along country roads which were not designed to transport heavy loads, accelerating depreciation of those roads and imposing safety and other external costs on regional communities. NFF hears of trucks being stopped at state borders and asked to offload cattle because loads permitted in one jurisdiction are not allowed in others; and ad hoc investments such as roads which have been upgraded by one level of government but where no upgrades have been made to the bridges on those roads which are the responsibility of another area of

government thereby preventing increased mass limits of heavy vehicles on those roads. These are just a few examples of the problems inefficient and inconsistent investment in, and regulation of land transport infrastructure is causing farmers today.

The capacity of our nation's infrastructure is also an issue. This is an issue for our roads, rail lines and ports and also of intermodal efficiency. Concerning evidence of emerging problems was recently revealed in the ACCC *Container Stevedoring: Monitoring Report No. 6* released November, 2004. The report finds that in relation to the first rise in unit costs of stevedoring since monitoring commenced in 1998/99 that it is likely that the higher unit costs in 2003–04 indicate emerging capacity constraints after several years of strong growth in volumes.

Capacity constraints pushing up costs at our ports will no doubt impact on the competitiveness of the farm sector. Farmers, as already mentioned, have been able to rise to the challenge of a 50 per cent decline in their terms of trade since 1960 by significantly boosting their productivity. This has also corresponded with a three fold increase in the volume of Australian farm production over this period¹. This long-term trend of increasing volume of farm product is set to continue and pressure on our infrastructure will only be reinforced by growing volumes of exports from other sectors such as mining.

The Federal Government also estimates in their *Auslink White Paper* that the total freight task is forecast to double in the next 20 years and that in addition urban road freight will increase by over 70 per cent between 2000 and 2020.

The Bureau of Transport Economics in their 1999, *Urban transport looking ahead*, Information sheet 14, estimate that the congestion costs to the economy in 2015 will be almost \$30 billion per annum.

Despite the positive policy initiatives under Auslink to address these challenges, our current infrastructure situation is acting as a break to our competitiveness and the challenges are only set to rise. It is for this reason we need greater cooperation between all levels of government – and local government is a key partner in regional Australia to ensure we get the most out of our transport policy.

4.2.2 Telecommunications

The NFF believes that the delivery of equitable telecommunications services in rural Australia requires the Federal Government facilitating an environment where all Australians, wherever they reside or carry on business, should have timely access to affordable quality internet as well as fixed and mobile telephone services.

The NFF does not consider that there is a case for telecommunications issues to be progressed in a COAG process and while there are issues relating to telecommunications competition policy, these can be adequately progressed at the Federal level alone.

¹ ABARE *Australian Commodity Statistics 2003*, table 18.

NFF has consistently highlighted telecommunications service and service level inequities which continue to be of strategic importance to farmers and communities in rural and regional Australia including:

- Service fault repair and installation times;
- Mobile phone coverage;
- Bandwidth availability and cost; and
- Future proofing” rural and regional services.

NFF has also called on the Federal Government to introduce strict carrier licence conditions, regulatory refinements and provide targeted Government funding to “*future-proof*” the ongoing provision of equitable telecommunication services as new technologies emerge.

In order to ensure the delivery of equitable telecommunications services in rural Australia, NFF calls on the Government to:

- Change the telecommunications Customer Service Guarantee (CSG) to ensure that rural and regional voice and internet service standards are the same as urban standards;
- Ensure that more affordable digital telecommunications services in non-urban Australia are accessible, preferably through competition in their provision;
- Ensure that rural Australians can access the same standard of on-demand high speed internet services that are available in metropolitan area.
- Institute Government guaranteed “same service levels” for all on demand minimum voice and internet services.
- Make available in-building handheld mobile services for all communities of 200 and above and in-vehicle coverage for all primary and secondary highways.
- Guarantee independent reviews of regional telecommunications services every three years.
- Provide leadership in government to refocus on the delivery of “*whole of government services*” for all 3 tiers of government to be online by 2007.
- Create a single portfolio of responsibility encompassing all aspects of communications policy and regulation resulting in a single agency without internal technology based demarcations.

The Government’s response to the Regional Telecommunications Inquiry in June 2003 included a comprehensive package that accepted of all 39 recommendations of the Inquiry and provided \$181 million for

programs to enhance the availability telecommunication services in rural and regional Australia. In this regard, NFF notes that:

- RTI recommendation implementation progress is being made, however a range of outstanding RTI “outcomes” are yet to be delivered.
- The \$107.8m HiBIS program is underway with 20 approved providers.
- The detailed timeframe for the \$16m Mobile Service expansion program rollout has not yet been provided.
- A number of RTI outcomes have been delayed through lack of legislative progress or focus and follow-up on reporting and Telstra responsiveness to agreed activities.
- That after a year since Government agreed to all 39 recommendations, approximately half of the RTI recommendations are yet to deliver an "outcome in the paddock" for farmers.
- Metropolitan marketplace competition continues to reduce the cost of higher bandwidth service suggesting the need for supplementary funding to achieve equitable services in rural Australia. An estimated \$100M may be necessary as a partial offset to meet the increasing requirement.

NFF views that the full sale of Telstra should not even be *considered* until the requirements are met to ensure that those in rural and regional Australia has timely access to affordable quality internet as well as fixed and mobile telephone services.

4.3 Farm Chemical, Fertiliser and Associated Regulations

Cross-border variations in regulations occur in relation to agricultural and veterinary chemical regulations, fertiliser regulations, occupational health and safety standards, food safety standards to name just a few. Such regulatory inconsistencies greatly increase the compliance burden facing farm businesses and lead to considerable confusion within the farming community, in turn undermining the integrity of regulations. While some efforts are being made to harmonise the objectives of regulations between different states, to date no concerted effort has been made to harmonise regulatory processes or requirements. This issue must represent a high priority for a national reform agenda into the future.

4.4 Other Reform Priorities

In the interests of sustainable government finances and the delivery of quality health services, NFF supports the inclusion of health care in a future reform agenda.

NFF also considers that further reform is necessary in the professions, newsagents and chemists. These are areas where the efficiency gains from competition reform are still high.

NFF supports the Commission's draft proposal that governments should complete the existing legislation review program and that if jurisdictions do not complete these agreed reviews they should be subject to penalties. The future reform agenda should build on areas where there are still gains to be made from further competition reform, however there should be due regard given to reviews already completed and sectors which have already undergone significant review and reform.

NFF considers that further reform to taxation, industrial relations and education and training arrangements are vital components of any broader reform agenda, but note the Commission's view that these areas of reform can be progressed most constructively outside of COAG. NFF understands the amount of time it can take to work issues through COAG and supports efforts ensure that the COAG agenda is able to be constructively progressed.

Notwithstanding this, it is the view of NFF that there is scope to continue the taxation reforms that were originally included in the 1999 Intergovernmental Agreement (IGA) on the Reform of Commonwealth-State Financial Relations. In particular, there are a number of outstanding inefficient transaction-based state taxes, originally scheduled for removal in the 1999 IGA such as stamp duties on mortgages and other financial transactions which may benefit from having a national approach to their reform.

In addition there are a number of inefficient local government levies and regulations that have been identified by NFF members as creating perverse incentives and reducing farm competitiveness, that would benefit from a nationally coordinated approach.

5 Conclusions

NFF commends the Commission's draft *Review of National Competition Reforms* as a timely, insightful and relevant contribution to the debate on the future of competition policy and microeconomic reform more generally.

NFF recognises the substantial benefits that NCP has provided to the Australian economy, including the farm sector, and considers the micro-economic reforms undertaken by governments as fundamental to Australia's current prosperity.

The Commission outlines in the draft review a wide-ranging program for a future reform agenda, which is much broader than just competition policy. NFF supports this approach and in this submission to the draft review of NCP has argued:

- *National Competition Policy* should be rebranded to reflect a possible broader reform agenda as a successor to NCP and is suggesting a *National Productivity and Sustainability Strategy*.
- An improved process of public benefit testing and explicit recognition of any adjustment assistance up front is necessary.
- Improved reform implementation strategies are needed. These should use specifically targeted, tied funding strategies, rather than untied payments to the states for reform implementation. Local governments should also be able to receive incentive payments to reduce inefficient regulations and levies.
- These measures taken together will help address the negative perceptions of NCP and resistance to reform that have built up due to poor reform implementation.
- NFF strongly supports including natural resource management in a future nationally coordinated reform agenda.
- NFF is calling for a National Environment Management Program to provide recognition and incentives for farmers who provide public good environmental services.
- Improving the consistency and efficiency of national transport investment and regulation is another high priority for NFF.
- The delivery of equitable telecommunications services in rural Australia is another priority for NFF, however this is one area that does not need a nationally coordinated approach through COAG and can be progressed sufficiently at the Federal level.
- Continued infrastructure reform and the full completion of the legislative review program are also further reform priorities.

- NFF considers that there is an urgent need for more consistent cross-border regulations with regard to agricultural and veterinary chemicals, occupational health and safety and food safety standards which are currently imposing unreasonable compliance costs on farmers.
- There is still considerable scope for benefit to be made from competition reform in the professions, newsagents and chemists.
- The COAG reform agenda should be put together to cover issues which can be progressed constructively by governments and require a nationally coordinated approach.

NFF strongly supports a reform agenda that will deliver the macro and micro economic settings required to boost the productivity and sustainability of farms and other businesses around Australia. However, this support is contingent on robust implementation strategies that meet the requirements described in this submission.