
Submission to the Review of National Competition Policy Arrangements.

The ideal state

Multi-competitive and open markets provide the most favourable environment for continual consumer efficiency improvements and entrepreneurial opportunities for innovation and new business opportunities.

The requirements

"Multi competitive markets and fair trade" are the essential requirement for private ownership of business assets in an ideal capitalistic society. However, it is the behaviour of monopolistic operators who are "respected" as capitalists that give "Capitalism" a bad reputation. These people are not capitalists. ¹They are monopolists. They contrive political agendas that provide for them, privileged opportunities in markets.

²Government has a generous financial assistance program, the "Action Plan for Science". The flaw in this program is that commercial developments depend on engineering skills, not science. We need both, science and engineering research. We need digital electronic engineering education rather than "IT". Australia's direction in reducing the public research establishments in engineering and agriculture is at a real cost to the potential to improve or establish new efficient enterprises in Australia. When the market facilitates opportunities for new business, existing business must become more efficient to compete. Industrial and agricultural related research has proved many times over to be a major contributor to the economy, far more effectively than contrived methods to create competition³. Wealth is more equally distributed.

The development of public infrastructures is an essential element in improving the efficiency of the economy. The Governments' plans and financing of infrastructures and their developments and progress requires public knowledge, public involvement and continued public awareness programs, not by advertisements but by public educational programs.

¹ *In a recent "News Item" on the ABC, the news presenter introduced the national competition with the game of "Monopoly" as those with real interests in "Capitalists". Too often, the game of Monopoly is associated with Capitalism. This is incorrect, as the game does not regulate anti competitive behaviour, an essential requirement in the capitalist environment of fair trade and free markets. Those in support of Monopolies encourage confusion re this distinction, especially in political issues. The game of Monopoly is monopolistic, not capitalistic.*

² *Contrary to the Treasurer's recent comment, "you get monkeys if you pay peanuts", wiz kids are paid relative peanuts for the values they generate, and do provide ideas and leadership that could confound many managers or directors in the multi-million-dollar bracket. Most of the world's largest companies, (Bell, Microsoft, Philips, Apple, Honda, Toyota, Qantas, Ford, Estee Lauder etc. etc.) were started by wiz kids earning "peanuts". Many were founded in their back yards. Many of the contributors to the major breakthroughs in mathematics, science, technologies and engineering were paid "relative peanuts".*

³ *\$ABillions have been lost to investors in Australia, UK and USA by believing that "Government Auctioned Spectrum" a device purported to increase competition in the media industry had a special value and security for them. The current operators now have the monopoly of these businesses at no or little cost to them. The division of resources has been a huge waste to investors and suppliers and "bargain" opportunities for monopolists.*

The innovative ideas and the energy of young individuals are the major driving forces for economic growth and social developments. Their contributions to society also require Government actions and leadership to stimulate their potential. Government supporting roles include education and research in engineering and commercial management of industry agriculture and public infrastructures.

The direction of any society is motivated by its expectation of its leaders, learned from its education, general society attitudes and beliefs. Mass media focus in Australia, (newspapers, magazine, PayTv, Internet) is towards sports, entertainment, politically motivated issues, and gambling and promiscuous lifestyles. This can be expected when the owners of the mass media industry are key investors of these interests.

We need an approach in media diversification that re balances public attitudes and beliefs towards excellence and achievements in education, engineering art, culture social values, entrepreneurial inventiveness and business achievements.

Natural and artificial monopolies

Natural monopolies include public network infrastructures for the transport and distribution of goods and services, such as roads, rail, water, energy, and communications and include such functions as the Reserve Bank and the Stock Exchange. The local railway station, the local airport and seaport and, for instance, the local village shopping centre also function as natural monopolies within local communities.

Natural monopolies cannot be duplicated without inefficiencies and waste in infrastructure duplication and overbuild, well beyond the potential of recovery of costs. This could apply to the possible duplicated services in Local, State and Federal Governments.

Artificial monopolies are those operations that appear as normal commercial operations but by process, eliminate customers and suppliers from participating in fair trade and competitive marketing.

When Governments permit individuals or organisations to privately control natural and artificial monopolies the Government has permitted for them, special legal and financial market privileges.

This becomes a serious problem when Governments allow such privileges to exist while the monopolies employ abusive trade practices. In such instances, the democratic multi-competitive market philosophy is under threat. When the Government no longer has the legal strength to correct such adverse market behaviour, then democracy itself is being threatened by the monopolists.

An efficient Government regulatory system would be one that is so clear and precise that it would not, in the first place, permit potential monopolistic operations outside the control of Government.

Public Infrastructures

Public infrastructures are strategic and complex resources for a nation. They are essential institutions to service private and business needs of communities, towns and cities and to service local, national and international industrial and commercial organisations. They are vital to the success of our economy. They are natural monopolies. Therefore, they should not be outside the full Government control or ownership.

As an expression for their reason to privatise Government owned monopolies, Government members have stated that their policies are based on using “Market Forces” as the means to achieve more efficient markets. The Government has made the claim that Governments cannot run efficient businesses. This policy completely overlooks the differences between those market forces that work towards efficient and competitive markets and fair trade and those forces that work towards the development of monopolies. This policy based on “Market Forces” also discredits the managers of those publicly owned monopolies that have operated so efficiently in the past.

Those in the private sector, intent on the control of monopolies, promote and manipulate these policies towards their advantage. They become “In the Club” supporters.

Promoting the idea that efficiency can be improved from natural monopolies by creating competitors is quite false. This leads to duplicate overbuild and a division in the deployment of assets and resources. This is clearly observed and the consequences of huge losses to investors as a consequence are also observed with the parallel build of fibre cable in Australia.

Only with full Government agency control of natural and artificial monopolies could the complex issues involved with monopolistic enterprises be efficiently and fairly managed. They require the close alliances of supporting organisations involved in research and engineering. They require aligned university educational programs. They require the coordinated planning and input from the industrial and commercial enterprises that depend on the monopolies concerned. They require open and complete public disclosure of the planning and reporting of progress. They require consumer promotion and support for their objectives and achievements. The supporting industries and research establishments should also be publicly recognised for their contributions towards the successful and efficient operation of publicly owned enterprises.

Government’s involvement include short and long term planning, policies, financing and regulatory issues. A private company has too many conflicts of interest to allow it to cope with these complex alliances of contributors to the nation’s infrastructures and assets that are natural monopolies.

The background information and intelligent criteria re Governments’ social and economic objectives for Australia are inhibited by constraints on mass media distribution. It is not likely that the current media owners would support the distribution to the public of the pertinent information and public education explaining the intelligence behind the management of competitive and monopolistic markets. The ABC and SBS are about our only source of in depth evaluation of relative complex issues. But their responsibilities are not to be primarily an information and educational service to the public. Perhaps the biggest gap, a widening gap, in public communications in Australia would be this.

While industrial research and technologies are providing communities with cheaper, faster and more efficient methods to educate and communicate, Australia is reverting to a monopolistic control of the technologies employed and to be exploited primarily for entertainment and sports.

Government could make available a few of the hundreds of the currently monopolised digital TV channels on the Telstra public networks to do this by introducing “open” public educational and information channels. Input from research organisations, Universities and Government departments could be the catalyst to establish a public multi media education and information service. One objective for this program could be to stimulate entrepreneurial opportunities and adventures. This could provide the means for Australia to catch up to world trends in the efficient use of electronic multi-media systems for public education and learning. This opportunity for the Australian public would be lost if Telstra were to be fully privatised.

⁴Common standards preferably as proposed by international industrial and commercial forums, is one valuable tool to assist in regulating markets for improving efficiencies and to stimulate and support competitive mass markets. The modification of common standards by one company to formulate a proprietary market or service is and has been a device used by monopolists to protect their market from competition.

Regulations that call up the compulsory adoption of common standards is a low cost way to eliminate this form of market abuse. The trend in Australian Standards has been to let industries and commercial organisations work alone without university or Government engineering research establishments being involved in the standards and testing processes. Without this, the danger, as already experienced with media policies, is that standardisation may focus on market and monopoly protection rather than on market efficiencies as recognised by engineers.

The trends, monopolies or multi competitive free and fair markets

Monopolies under the control of private enterprise and self-regulation, are attractive opportunities for the more greedy to gain power and wealth. With the trends towards monopolies, the objectives of stakeholders and/or controllers may not be in the best interests of the investors, the community, or efficient markets.

Civic matters of public rights, Government formulation of policies, planning and procedures are frequently clouded in secrecy. The details of the issues behind the formulation of Government policies and objectives are seldom open to the general public in a broad and in depth way. This permits the subject to become the special focus and involvement of only those with monopolistic objectives while the public becomes exposed to a more political and less commercial focus on the issues.

The trend to use “Cabinet”, as a means to initiate programs seems to be the means for providing new opportunities more frequently to a “privileged” few. The secrecy of Cabinet has its purpose

⁴ *DVB* www.dvb.org
ETSI www.etsi.org

in periods of conflict with the enemy but now has become a tool for infrastructure and economic planning that includes only key Government members and “insiders”. This has been obvious with the Governments policies conveyed to the public and the actual Government commitments re town planning and digital TV.

Government and its departments do provide web sites for access to most of these issues, but to find and access all the political issues involving the public become an onerous task in its self. The Internet is not an efficient system for the general community to gain an insight and overview of Government planning and policies.

Key Issues for Government.

Monopolies and Ownership

It is a fallacy to use the reason that “Government is not good at managing business” to privatise monopolies. People manage businesses, whether owned by the private sector or the public sector. When fully owned by Government, the management team of Telecom Australia, (now Telstra), matched or excelled world class business management in the communications sector. It was internationally respected by the telecommunications industries. This was because of their professional management skills, their technical and commercial insight and overview of the business. This is no longer the case.

Too often, this excellent natural monopoly was criticised by those jealous of its profitability and its direct access to all consumers. ⁵The loudest critics now have virtual monopoly control of the Telstra network and relatively, the business as a modern telecommunication company has deteriorated. Abusive trade practices have been implemented. Telstra has become a tool for one media cartel to monopolise the PayTV industry and use proprietary systems to block competitors access to consumer homes. It has contributed to the interference and long delays in Government’s Digital TV program. The Government investment of over \$2.5bill to place Telstra as world leader in digital telecommunication and multi media services to the commercial and consumer markets has been exploited by a private media monopoly. It was the catalyst to closing two Government research laboratories. It was the cause of key electronic engineers working towards a digital interactive networks for Australia to move offshore to other more objective fields.⁶

Telstra is a typical example of the disruptive effects to the nation’s progress and the implementation of abusive activities of perhaps the worst kind in a consumer market due to Government policy changes from a Nation owned monopoly to a privately controlled monopoly. The methods for the choice of a management team and the measurements of performance apply equally to private or public organisations. Lack of performance, relative to the industry, requires a change in management and / or the board.

The mission and objectives of Government monopolies should be towards efficient and continual improvement to efficiently satisfy their markets. Universities and engineering research

⁵ ACCC Document: “The Emerging Market Structures in the Communications Sector” June 2003.

⁶ “Telstra too big to Regulate says ACCC” *Financial Review* 1/7/04

establishments should be provided with the means to develop and assist towards the continuation of their objectives. Natural monopolies depend on managers with an insight and overview of their business. Efficiency gains are by way of improvement programs. Parallel duplication of natural monopolies with an objective to produce efficiency improvements will result in waste, a division of resources, market confusion and losses in investments and real opportunities.

Legislation

Legislation for fair trade, for taxation, for superannuation has become so complex and sophisticated that it is almost impossible for the average consumer or small business to initiate any commercial transactions without call on lawyers and professional advice or assistance. These administrative overheads on business can be observed by the fact that a major growth in new business investments in Australia has been in administration and finance companies.

Litigation and lawsuits has become the definitive means to battle regulatory agencies' claims against abusive practices in business. The continual loss of the public funds that finance the thousands of court cases without corrective actions surely should not be tolerated.

Australian markets are in urgent need of legislation from Government that effectively supports the corrective roles of the regulatory agencies.

Litigation becomes a cost to the consumers when Governments only method of discipline of fair trade is via a court process. Definitions in legislation must be inadequate when this becomes the last resort. Government's agencies are essential for their consolidated endeavours to protect free and multi competitive markets from abusive trade practices. Government agencies are involved in international trade and standardisation forums and ensure trade opportunities and /or participation for Australian objectives are internationally open. They are there to assist in the continual developments of simple and precise regulations that can be applied by test and inspection. The aim should be to eliminate expensive legal processes as the means to ensure the continuation of multi-competitive free trade.

Few Examples of the deterioration of Democratic principles that tend to stimulate Monopolies and Cartels.

The Stock Exchange

During the Sixties, the stock exchange was the source and publisher of "all" information for involving the stock market. Any citizen could access the stock market reference libraries to purchase very detailed information on any publicly listed company. More recently, its board has decided that the stock exchange no longer is the source for financial information directly to the public but has provided private companies exclusive access to data for redistribution to the public. Now the general public must purchase this data from those in the business of compiling and distributing stock exchange data.

This opens the way for larger companies to have privileged access to data. It opens the way for publication and press releases of financial data to be politically influential. This is a weakness

that may be providing those with more interest in Monopolies to mislead the public or to influence public and political attitudes re investments in industry and commerce. ⁷This is a special opportunity for the media industry that has almost a total monopoly on mass distribution of information to the public.

This is a negative direction for the security of superannuation funds. Most funds are managed by organisations outside the control of the salary and wage earners. The rightful owners of these funds need more care and protection from potentially abusive behaviour. These needs are clear following recent experiences such as GIO, Onetel⁸, AMP and Telstra where actual business details to the public, as to where the missing money went and who got it when their share prices peaked with large volumes. Questions have to be asked re the ability of the law to act against such behaviour when it can be clearly observed from the trading patterns that information was available to some investors before public exposure to the problems. The media has not published answers to these questions.

With today's modern electronic accounting systems, any company, big or small could at small cost, have the means of a daily (and at least monthly) profit or loss reporting of its financial state. No longer should such "surprises" as experienced from the above be tolerated. The Stock Exchange is not a multi-competitive business and therefore should be regulated in such a way that it alone is responsible to provide all necessary data to Government regulators and to the community on a non-exclusive basis.

As salary and wage earners must, by regulations, contribute to the markets' supply of funds, it is even more essential that Government provide the means of full access to the public for detailed information on the companies' management planning, reporting and risk behaviour with their investments. The continual battle from big companies in Australia re compliance with international accounting standards, does raise doubts about the integrity of some managers of companies and their interest in accumulation of wealth for investors and superannuants.

It appears that the most expanding list for new entries to the stock exchange have been financial institutions and property finance. Over the same period, the best growth in personal wealth has been domestic property. However, most homebuyers need to borrow amounts equal to the major proportion or even equal to the total value of the purchase price. Financial institutions lend to homebuyers.

Prior to compulsory Super, the purchase of ones own home or the personal purchase of any real estate was and possibly still is the most satisfactory "super scheme" for any individual. While the 9% salary deductions cannot be used to finance ones own primary investment as an individual's own retirement plan, it is becoming a constraint on the potential for the average individual to accumulate wealth in his own right.

A wage or salary earner now has very much lower proportion of his total earning available for his every day needs compared with an earner three or four decades ago. There is nothing in the

⁷ see <http://www.irmo.hr/culture/conf/medconf02/rcader.html> and
http://www.irmo.hr/culture/conf/medconf02/Media_Diversity.pdf.

⁸ See Huntly's "Shareholder", 19th Edition, 2001 and associate trading graphs, June 1997 – June 2001

legislation that guarantees that the compulsory superannuation funds will be available on retirement and how those funds will relate to the indexed costs of living. The earner has no protection for a loss of property purchase, (now with high proportion in loans), following even a minor lift in interest rates. These issues must place constraints and pressures on individual liberty and family responsibilities. It contributes to frustration re choice of domestic matters re their wealth, health and pleasure that must be considered in future National Competition Policies.

This process does reduce one's ability to manage and control one's own destiny. This could be evaluated as a system that reduces an individual's entrepreneurial enterprising opportunities and increase the opportunities for existing market dominant players to exploit the availability of super funds that might otherwise be more efficiently employed by an individual's own skills.

This could be another undemocratic process that assists to feed monopolies. Better protection from this is necessary in our markets. "Super" should at least directly finance a home purchase.

Shopping Centres

The "Paddy's Market" is an example of competitive marketing and fair trade. The local Government provides the public with an "open" location for business. These principles of fair trade and competitive markets date as far back in recorded history as the Old Silk Road where efficient, multi competitive trade boosted the total industry and economy in their markets.

Modern cities replace Paddy's Markets with Mega shopping centres. When town planning permits private ownership of one major shopping mall together with car parking and exclusive road access to be the prime commercial centre of a community, a Government endorsed private monopoly has been created. It is a monopolist who now decides who or what business and at what rental costs and with what competition operates within the centre. The situation of a new Mega store near an existing established centre becomes a more serious monopoly for its effects on existing established businesses.

Cessnock is a typical example where local community investments and wealth have been devalued by what could be perceived to be a private alliance with Government re town planning that provides special privileges to a new enterprise. Cessnock is a clear example where it appears that a major retailer/real estate alliance has influenced local Government policy and planning, for a privileged market position, even at a cost to its own major competitor, let alone the local stores and property owners.

Perhaps a better system that ensures the continuation of multi competitive markets and fair trade when infrastructure upgrades are desirable, is for the community itself to be assisted with the means to plan, and re establish the town's total infrastructure. The local community members could then own and operate the Mega store system rather than permitting the profits and wealth to be removed from the local community by an artificial monopoly. Other infrastructures for social and industrial requirements could be included in the planning. Towards these aims, local communities would need to be educated and properly informed in all aspects of the upgrade of their community. Government and research establishments could assist in their objectives.

Some of the claims of the efficiency improvement as a result of retail consolidation may be questionable. With fewer stores and petrol stations, consumers must travel further to purchase their essential supplies. They must spend more time in walking long distances through large stores to select goods. Because of the extra travel time to shop and travel, they must store more food and supplies to reduce the frequency to shop. This requires more storage space and energy costs for food storage. More of their weekly allowance is spent on stored food.

In the supply market, farmers in particular are under increasing pressure from reduced supply channels. This reduces their ability to negotiate prices. The trend is for widening margins between their revenues and market prices. As a focus point, a farmer receives about \$1.50 (before accounting for waste) for a kilogram of beef that sells in Mega stores for about \$20 (after accounting for waste). The reduction in farming profits and increased costs for farmers' supplies is one contribution to putting farmers out of business. Trends of reducing market channels to one or two in any otherwise multi competitive market segment, without Government intervention, cannot be favourable to consumers or suppliers or equality of wealth. This danger applies to any market segment, not just farmers.

Information and Education

We have a system today where the public has little opportunity for the detailed information, and involvement in social planning, commitments and social order. The information system to the public is dominated by a media system that has the capability to "filter" information to the public. The dramatic speed of "cut and paste" and when deemed a requirement by the media, repetitive news reporting and (to quote Michael Caine) "with a frenzy of negativism" the media consolidation of power, far greater than ever before, does influence public attitudes and beliefs and political objectives.

Australia could note the EEC approach to this as a problem where a special ⁹Council committee prepares the regulatory requirement for "pluralism" of information to the public. Australia is behind world trends in using interactive free and PayTV public broadcasting for "Open Learning". This is in spite of the fact that, by mid 90's, Telstra (Telecom Australia) was internationally respected as a leader in telecommunication infrastructure build and operation. The privilege given to one company by Government to use the Telstra infrastructure for an antiquated analogue proprietary system was the catalyst for Telstra continual decline in efficient marketing of services. It was the catalyst and the tool for one Cartel to monopolise the PayTV market in Australia.

Summary

Today, a most critical issue for Australia, and most cities around the world, is water. The CSIRO have talented and experienced engineers that have worked and supported industries and enterprises, who in some cases have already moved off shore due to lack of promotion and support in Australia. The policy of trading water rights (water is a natural monopoly) will be an attractive concept for monopolists.

⁹ See EEC "Digital IP" legislation that prohibits such behaviour.

A federal Government plan to implement a program to eliminate water restriction to each home, and to each farm by years X has far more “leadership” appeal than the political media announcement of an allocation of \$500 mill, to increase the flow of water in the Murray.

Over 85% of the earth’s surface is covered in water. We have engineers available in Australia who have ways to exploit the available water for Australian needs. The CSIRO, probably the most substantial contributor to solving Australian water problems, did not get a mention during the recent announcements re water policies. The water issue alone is one worth the Governments’ efforts to nominate one “Open Learning” interactive TV channel for the sole purpose of the subject of water. CSIRO, Universities and private entrepreneurs will be highly motivated to achieve the objectives. Such a program could establish Australia as a world-respected leader of water technology for home, agriculture and industry.

Increasing competition for the supply of water to the communities by duplicating infrastructures will only divide the resources and double the demand for funds and result in duplicated waste. A Government financed program to expand the existing capabilities of water distribution utilities and infrastructures would be the most economic and efficient method. Competition from subcontractors and suppliers will be intense and will contribute to boost the economy, wealth, social convenience and self-respect for future Australians.

Examples of USA Federal Government initiative and leadership towards economic and efficiency improvements in competitive markets are of interest. One, the building of a railway system from coast to coast across USA. Two, the Hoover Dam to supply electricity and water to the south and west States of USA. And three, “We will land a man on the moon and bring him back safely to earth within the next decade”, were all statements of leadership that motivated major advancements in the economy of USA, from a lagging position to a world leader.

These major programs were financed by the Federal Government and engineered by its agencies and its agencies’ subcontractors. The efficiency and economic improvements that followed these programs exceeded world class benchmarking in many commercial and industrial enterprises. They were the catalysts that motivated USA towards earning 40% of the total world trade.

¹⁰The infrastructure efficiency problems that have become a financial burden in USA today are a result of their more recent privatisation of natural monopolies and consequential monopolistic management.

This philosophy could be applied to Australia.

Competitive Policy Trends

Trends Towards Monopolistic Ideals	Trends Towards Capitalistic Ideals	Trends Towards Communistic Ideals
Business assets controlled by legally privileged individuals	Multi competitive business assets privately owned and	Businesses assets owned and controlled by the State

¹⁰ . Could this policy change and deterioration in the management of infrastructures in the USA be publicly acceptable due to ideas and attitudes promoted by television?

or groups Formulate alliances or cartels	controlled	
Closed access to influence or manipulate Government policies and programs Access to information kept as confidential to the public Survives by using legal process beyond Government's affordable capabilities When available, uses proprietary devices to lock out competitors and lock in suppliers	Power by Democratic Governments with open missions, planning and well informed markets Strict and clear policies that operate to efficiently and effectively to support and protect free markets and fair trade Government facilities for engineering, industrial, agricultural and commercial research, education and direction and support to industry and commerce	Power by dictatorship Business information held as confidential Planning by closed committees Discipline of workforce and programs by militant methods. Research and engineering strictly directed from central committees
Individual innovation and opportunities subdued	Individual innovation and opportunities stimulated	Individual innovation and opportunities lost
Customers and suppliers abused	Government (or their agencies) own and control Monopolies.	Policies favour the select few
Supply and/or distribution channels economically constrained or monopolised	Consumers and suppliers benefit from efficient and open channels to markets	Markets and suppliers become inefficient and misdirected
Product, services, price and choice constraints, abusive policies such as bundling	Multiple options and choice	Product, service and choice restricted, prices controlled
The Rich get Richer at costs to suppliers, shareholder, retailers and consumers	Competitive equalisation for the distribution of wealth.	The Rich get Richer at costs to Consumers and Markets or by corruptive practices