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**SUBMISSION TO: *PRODUCTIVITY COMMISSION INTO THE IMPACT OF COMPETITION
POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA***

SUBMISSION BY: Australian Beef Association.

The Australian Beef Association (ABA), welcomes the opportunity to submit to the Productivity Commission Inquiry into the Impact of Competition Policy Reforms on Rural & Regional Australia.

While this is a very broad scope for a single Inquiry to be able to research thoroughly, it is none the less an extremely sound topic. Any failings recognised by this inquiry must be addressed by both Government and the general public in an effort to quell the critical problems facing Rural and Regional Australia.

There is no doubt at all that competition is usually healthy, however competition must be monitored against the obvious incline of the larger business', whatever their charter, to continue growing unchecked until such time as they are large enough to completely eliminate, through whatever means, their competition. Such growth by larger, more predatory companies creates an atmosphere through which the big get bigger, and the smaller simply cannot become established, leading to oligopolies, themselves leading towards monopolies.

The Australian Beef Association has particular interests, not just in the obvious disastrous effects of rural decline but also in the Beef Industry in Australia as a whole.

Rural decline is an ongoing crisis which has complex answers, the intricacies of which are only partly addressed by the National Competition Policy(NCP) and by this Inquiry. However, in areas where it can address these problems, this Inquiry must.

Decentralization

In the United States, anti trust laws help sustain competition. Similar laws could only benefit Australia.

Furthermore, in the USA, the average farm receives 65 to 70% of its income from off farm income. The majority of this comes from city based work, the rest is government subsidy. The US has 145 inland cities the size of Wagga Wagga or larger and their farmers can find jobs in these cities. Australia has 6 inland cities of comparable size. The average Australian farmer has 10% off farm income. With limited ability to earn off farm income, due in a large part to declining rural communities, his natural reaction is to strive to achieve more from his land, in a fruitless attempt to be viable. The profitability of the farm sector is seriously effected, which can lead to land degradation as well as breakdowns in the family unit. These are serious problems, not just for rural and regional Australia, also for the Nation as a whole.

We draw your attention to the Booze Allen Hamilton report (25th March 1993) which, in its Recommendations states... *'The major opportunities lie in the areas of facility rationalisation and specialisation - as well as a fundamental renegotiation of industrial agreements (likely in the form of enterprise agreements) to remove the barriers.'*Some of these changes have been implemented in some processing plants, but once again the larger processing plants are able to enforce changes through sheer muscle power, while the smaller processing works are less likely to risk industrial dispute. Therefore the smaller works may not be able to address the changes so badly sort, themselves falling out of the marketplace by not being cost effectively able to rationalise or specialise. This scenario again results in the larger processors being able to expand, both in purchasing and retailing power, thus gradually eliminating the smaller processors and leading eventually to an even more unbalanced level playing field.

In 50 BC in Rome, Pliny the Elder said "we must, whatever happens, safeguard the family farm"

One area of concern is the complete privatisation of Telstra.

The population density of rural Australia is less than that of urban Australia.

This basic fact is crucial in market force equations. These same market forces determine that shareholders invest in a company for profit reasons. Approximately eighty percent of Australia's population live within one hundred kilometers of the coast. There is more opportunity for profit in urban areas than in remote areas. It follows that shareholders will expect the companies they invest in to procure the best return for their investment possible, and because of the population density differences there will be less investment in regional areas leading to lesser services. This continues on to a reduced quality of life in turn leading to less people seeking to stay or move to rural and regional Australia.

Another area of concern is road maintenance.

Prior to the adoption by Government of the National Competition Policy, much road work development and maintenance was performed by local councils. These councils employed local people who lived with their families in the local area. By providing local employment, not only was the basic human right of working to sustain a family upheld, these local families had children who went to school, thus providing employment for teachers, and there were other associated flow-on benefits of having a sustained family integrating with the local community. Now, because of the need to adopt competition, much of the upkeep of roads is done by out of town contractors, many of whom will live on site, have little interaction with the local community, stores and supplies may be purchased in bulk outside of the local community and shipped in via another out of town contractor. Money earned by individual contractors in this fashion is not usually spent in the local community.

A classic case of big business not supporting the local area is illustrated by the 'Fly in Fly out' attitude of some mining companies, where employees are flown into a remote area for a period then flown out again for leave purposes. In these instances there is very little interaction with the local community, although it must be said that many mining companies choose to support the local community, which in effect makes them stronger.

In Conclusion.

We have raised here a number of areas of concern. While it is good to ask the questions it is effective to supply some answers.

We cannot stop progress, much of it we should accept, however not everything new is good, and those cancerous changes which are detrimental for Rural and Regional Australia's health must be identified and removed at the earliest opportunity.

As a rule of thumb, competition is usually healthy, however there is a place for government intervention in services, companies and structures which are in danger of discriminating against sectors of Australia because of profitability and/or density of Australia's population.

The answers to the whole questions this inquiry is trying to address are complex, and include cultural, market, climatic and other conditions. Effectively, this inquiry can address well, one single answer to rural Australia's concerns, and this by ensuring that competition does not extend to a point where oligopolies or monopolies have a stranglehold over small rural communities. This is achieved by ensuring that Government must be prepared to intervene, possibly by legislation, to ensure that large companies control not more than a certain percentage of the available market share.