



FOR ALL

08/11/98

The Productivity Commissioner,
c/o Productivity Commission,
Level 28, 35 Collins St.,
MELBOURNE,
Vic. 3000

Dear Sir or Madam,

Our association was formed with aims and objectives detailed as attached.

We have concerns relative to the effects of the National Competition Policy (NCP) on consumers generally and upon Australia as a whole.

In this respect we put forward a submission to the Senate Select Committee on the Socio-Economic Consequences of the NCP in early October. Our submission was acknowledged by Dr. Pippa Carron, Secretary, on 12/10/98.

Dr. Carron explained that all submissions become Committee property and that we are not at liberty to make any wider distribution, prior to publication by the Committee.

We consider, however, that the overall topic, and our submission, would be of interest to you. You may, by application, be able to have sight of material submitted, or you may have put forward a submission yourself.

We consider that the Productivity Commission should have concerns as to the Socio-Economic aspects of the NCP. We'd be pleased to receive from you any public documentation outlining the function of your office and the disciplines currently under consideration.

Yours faithfully,

Alan Randle
Secretary

P.O. BOX 90 Clayfield 4011 BRISBANE QUEENSLAND AUSTRALIA
Facsimile : (07) 3262 8902

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AIMS AND OBJECTIVES OF AUSTRALIAN JUSTICE AND REFORM INC.

- To provide an umbrella organisation for consumer vigilante (watchdog) groups and individuals and to enable such groups and individuals to communicate more effectively with State and Federal Governments, members of the legal profession and quasi-judicial bodies on matters of Civil Justice significance.
- To provide a focus for community action and initiatives in order to seek improvement in the delivery of justice, protection of consumer rights and enforcement of responsibility.
- To seek greater accountability from the legal profession, particularly in relation to disciplinary procedures.
- To encourage a change of culture within the legal profession through an acceptance of dispute resolution which is less adversarial and where costs, delay and the public interest are relevant considerations.
- To monitor public and private decisions which have a potential impact on consumer rights and to contribute to the development and review of Civil Justice Legislative Reform.
- To encourage the establishment of interlinking networks for mutual benefit.
- To seek a Bill of Rights recognising consumer rights and freedom of speech.
- To seek reform of the defamation laws which in practice have the main effect of hindering free speech, which promote silence and which protect powerful people from scrutiny.
- To promote uniform national defamation laws.

Submission to the Select Committee on the Socio-Economic Consequences
of
The National Competition Policy
From Australian Justice for All. An Incorporated Body under the name of
Australian Justice and Reform (AJAR)

It should be stressed from the outset that this submission is from the community perspective only. It is in broad overview terms and does not contain statistical analysis.

(a) The Socio-Economic consequences of National Competition Policy and its associated agreements and pricing policies (e.g. COAG and Water Resources Policy 1994) as part of public sector reform surely cannot be viewed in isolation from other areas of micro-economic reform. The effects of meltdown in the Asia-Pacific Region and the flow-on to our domestic economy needs to be considered in this Inquiry.

To more fully understand and therefore factor in the outcomes of the Inquiry we need to define the meaning of the word "competition". The Webster Dictionary has it as "the act of competing; mutual contest or striving for the same object; rivalry; a trial of skill proposed as a test of superiority or comparative fitness". A "competitor" is defined as "a rival for sales of the same or similar merchandise". This meaning is hardly conducive to increased employment opportunities and has created a feeling of insecurity amongst the workforce. Rivalry in the public sector surely is the very antithesis of essential service delivery even though it is recognised there is scope for efficiency gains. Rivalry should be viewed as a cultural change in work ethos rather than the implementation of a financial dimension to force change.

It is also noted that the object of the Competition Policy Reform Act 1995 is:-

Section 3 "the object of this Act is to enhance the welfare of Australians through the promotion of competition and fair trading and provision for consumer protection".

To fully assess the socio-economic consequences of NCP it is strongly recommended that the Select Committee review the original objectives of the terms of reference for Industry Commission Assessment of Benefits of Hilmer and Related Reforms and the subsequent objectives and principles of various agreements between Commonwealth and States. This would have to include full cost pricing impacts, in order to assess whether the implementation of the principles of NCP has achieved the desired outcomes, as part of the original process, in the delivery of reforms for a fair and just society with increased standards of living!

Open and competitive markets may not always be consistent with public interest and benefit. It is observed that governments have moved swiftly to embrace reforms: perhaps too swiftly. Clearly governments have seen financial benefits and such benefits now have to be weighed against the costs to the community in the form of rising unemployment and its effect upon those people less able to adjust and adapt both socially and financially to fast paced competitive

reform. In certain circumstances such reforms can lead to less productivity and declining standards of living and income.

All these aspects need to be weighed and viewed against the effective benefits because when NCP was first drawn up, Australia was looking forward to an era of moderate growth based on key forces such as:-

- the *macro-economy* which was assumed in a relatively benign world economy with the structure of Australia's economy evolving in a manner consistent with foreign debt stabilisation
- *micro-economic reform* .. considerable micro-economic reform was assumed to occur during the current decade, with important implications for productivity and product innovation
- *population growth*.. assumed to be slow with the population ageing to a modest extent
- *increase in part time work*
- *high youth unemployment*.. varying from region to region depending on demographics.

We believe the above scenarios were reasonable expectations when NCP reforms were devised. Outcomes were by no means guaranteed, and yet the inequality in the system appears to have been ignored. The industries in which people worked in 1991 were affected by a range of economic factors. At that time the current account pressures were expected to necessitate a shift of resources to export and import competing industries: obviously to create "a level playing field".

In 1991, in terms of output the industries that were expected to grow the fastest were mining, building and construction, transport and manufacturing (the latter now under threat from external forces of *free trade*). In our headlong rush to embrace competition (the level playing field) no thought seems to have been given to the inequalities in the system, thereby giving an aura of respectability to a concept.

The very nature of the meaning of *competition* encourages a sense of contest and rivalry; a test of superiority. We can only wonder at the concept of a competition policy put on paper and legislated in the face of reality and vagaries of globalisation. Australia's obsession to be part of Asia, the so-called benefits of trade liberalisation coupled with the rush to embrace free trade gave rise to a "not to be missed" opportunity for multi-national companies to seize upon the "level playing field" to become more efficient and to down-size, whilst at the same time making *profit* the overriding goal. All this competition induced skimping came about at the expense of the worker and was an assault on the public interest. The result? Retrenched unskilled workers unable to adapt and not trained to move between industries.

The NCP gave no thought or regard to a retrenched and ageing population unable to shift knowledge to another industry. Thus many became long term unemployed.

The trend to part-time work will increase, mostly as a result of increased female participation.

Unfortunately when NCP was devised, one could not have foreseen the Asian meltdown and its impact on the very industries that were part of the micro-economic reform. A report just released also highlights the fact that Australians are working longer hours for less pay with a resultant decrease in productivity; productivity which was a key goal identified as part of micro-economic reform which leads to improved quality of life.

In 1991 it was suggested that micro-economic reform could lead to substantial retrenchments in electricity, water and gas, transportation and communication fields and parts of manufacturing. But was any thought given before the implementation of NCP as to how the retrenched could be retrained and redeployed? Were they seen to be expendable as part of the "wider benefits" of governments hell bent on perceived financial benefits of NCP, multi-national corporate profits and the macro world economy?

Micro-economic reform, in promoting the more efficient use of resources, provides scope for a significant increase in economic growth. But because of the meltdown in Asia, and recently elsewhere, it will lead to a further burden on the social welfare system due to the inability of the unemployed to adapt.

The user-pays system in local government came about as a result of the commercialisation of public utilities and has been an added burden for business, the socially disadvantaged and in particular large families in areas of high unemployment and low levels of income. Water in particular is a necessity of life and in some extreme cases could be said to be priced out of reach with ensuing consequences of hardship; hardly equitable in an ever dwindling job market and a population with ever increasing leisure time. The impact of water pricing policies on small business also needs to be measured against ability to absorb higher costs, otherwise layoffs and costs are passed on to the consumer thus leading to occurrence of higher prices.

In the case of essential public utilities balance should be brought into the equation; provision of essentials and necessities of life *should not* be corporatised and or privatised. Public utilities should remain under Australian control. Profit priorities with resultant loss of amenity, as exemplified by the Sydney water fiasco, are not acceptable. The added spectre of public liability claims over third party access is seen as contrary to the public benefit.

(b) The success, or otherwise, of NCP can be measured by the socio-economic consequences on unskilled urban fringe dwellers (many of whom are on lower than average incomes compared to skilled urban fringe dwellers) and in particular on regional and rural Australia.

Even though it has been recognised that the drift from rural areas has been going on for many years, it has been accelerated by the need for reforms. The effect of NCP in for example rail closures, and closure of other service providing businesses, shows the cost of efficiency is resulting in down-sizing and profit delivery; hastening in a new rural and ever increasing number of regional poor who are increasingly exposed to falls in income and standard of living. Broken families, rising delinquency, substance abuse, youth suicides, violence against immigrants and

increasing popularity of extremist political groups are the human costs of economic reforms. The roll on effect in reduced economic activity in rural centres is very destabilising.

The prosperity of a nation can be measured by the well-being and health of its people. The trough in rural and regional Australia is accentuated by extreme climate variations. The tyranny of distance in sparsely populated areas superadds to feelings of isolation, compounds feelings of misery and insecurity and makes for more and more reliance on social welfare. An ever increasing burden on a tax system propped up (in the medium to long term) by an ageing population.

The declining fortunes of lower socio-economic urban fringe dwellers and rural and regional communities will surely divide and destabilise the nation. There will be no revitalisation in consumer confidence through increased competition.

It would also appear that the implementation of NCP failed to take account of the poor savings record of Australians and how unprepared the work force and communities were for the more severe effects of competition. The trait of "she'll be right mate" ever increased along with reliance on social welfare benefits. There was no focus on savings and innovation through investment.

(c) The definition of "public interest" needs to take on a broader meaning within economic and social impacts; the widening gap between rich and poor; the isolation of rural communities; how living standards and cost benefits equate to competition and how far they can fall without increased productivity. The attitude of Australians living in the "lucky country" and the "she'll be right mate" catchcry must not be underestimated when reviewing adjustments to reforms as part of the NCP. It may need to be recognised that some form of cross subsidisation is needed to balance and cushion the growing long term underclass who are being sacrificed on the altar of the National Competition Policy.

It should also be recognised that the role of government has traditionally been to support the citizenry; in particular those less able and or willing to support and nurture themselves. The role of government should be about looking after the interests of a nation as a whole not implementing policies that have the capacity to divide and fragment. The role is about being united and strong; recognising when change is needed but clearly enunciating its benefits. This has not happened. What has happened is that there is confusion and anger about the objectives and consequences of NCP.

Communication is now of paramount importance. It is noted (for the sake of equity and fairness) that no Senator from Queensland is presently listed to take part in this Senate Inquiry Committee even though Queensland as a major export earner (in coal for example) has keenly felt the effects of NCP. We respectfully ask that this oversight be rectified.

We recommend the following implementations.

Recommendation 1

To assess the socio-economic consequences of NCP it is strongly recommended that the Senate Select Committee review the following:

- the original objectives of the terms of reference for Industry Commission Assessment of Benefits of Hilmer and Related Reforms
- the object of the Competition Policy Reform Act 1995, No. 88 of 1995 - Division 1 - Section 3
- the subsequent objectives and principles of various Agreements between Commonwealth and States, including Full Cost Pricing Impacts as part of the COAG Water Agreement 1994 in order to assess whether the implementation of the above principles of NCP has achieved the desired outcomes as part of the original process in the delivery of reforms for an equitable society with increased standards of living.

Recommendation 2

We recommend that should there be any future corporatisation and or privatisation for the essential public utilities such as electricity, gas and water, there will remain a 51% Australian ownership and control to enable delivery of a safe reliable and cost-effective service to consumers.

Recommendation 3

We recommend that improved and effective communication be an outcome of NCP with Federal, State and Local Governments clearly enunciating any perceived benefits of NCP policies and how such policies are best serving the public interest.

Recommendation 4

We recommend that strategies are implemented to retrain and redeploy those retrenched as part of the NCP process, based on the suggestion in 1991 that micro-economic reform could lead to substantial retrenchments in the fields of electricity, water and gas, transportation and communications.

Recommendation 5

Even though it may not be within the terms of this Inquiry, we recommend that a **savings strategy** is implemented for all Australians.

Recommendation 6.

We recommend that the definition of public interest should encompass economic and social impacts and that the role of government should be about looking after the interests of a nation as a whole whilst maintaining equity.

Recommendation 7.

We recommend that it should also be noted by this Inquiry and that the Inquiry should be aware that competitive reforms when applied to the professions, to lawyers for example, can give rise to inappropriate practices in such activity as financial servicing. Firm criteria and guidelines should be set by this Committee when reassessing this issue.

Recommendation 8.

We recommend that a Senator from Queensland be a member of the Senate Select Committee on the socio-economic consequences of NCP.

Recommendation 9.

We recommend that whoever is in Government after 3rd October 1998 that this Senate Select Committee on the socio-economic consequences of NCP be re-established at the commencement of the new Parliament.

Recommendation 10.

We recommend that as part of this process that public forums be held in rural, regional and urban areas throughout Australia.

(Source material - *Australia's Workforce in the Year 2001 - June 1991 - Deet.*)