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25 February 1999

Dear Mr. Cosgrove,

You may recall that after receiving a copy of the the Commission's initial circular relating to the current inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia I wrote to the Commission on 15 September 1998. I advised, as Co - Convenor of the Balanced State Development Working Group that we intended making a submission and that I would be interested in taking part in an informal discussion in either Eden/Merimbula, Cooma/Berridale or Khancoban/Tumbarumba.

In a subsequent telephone conversation with one of the Commission's Officer's who is assisting the Inquiry I asked that a copy of the Issues paper be sent to my colleague Mr. R.D. Sommerville and indicated that he would be interested in attending an informal discussion in Blayney/Orange. I also advised that in my view there were a number of issues of coverage, definition and procedure that I would prefer to have clarified at one of the Commissions 'informal discussions' before developing our submission.

Subsequently I was advised that the Commission intended to hold a sequence of meetings in Orbost, Eden or Merimbula and Nowra and that a date in November or early December was being explored. In welcoming that advice I pointed out that from middle December for at least 2 months experienced people in Tourism and Hospitality would be fully occupied dealing with the seasonal influx of summer holiday visitors. Subsequently the proposed date slipped to January and then February.

Since the proposed February date was one when I already had a firm commitment in Sydney you suggested that we should have a separate meeting at your Belconnen Office to address the issues of coverage, definition and procedure which I needed to clarify before B.S.D.W.G. drafted its submission. I found our January meeting extremely helpful and

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as you suggested we have now covered in greater detail than initially envisaged issues which you indicated might be of particular interest to the Inquiry. At your request also the submission has been typed.

It seemed most logical to format the submission in a manner which followed the sequence adopted in the Issues Paper. As a result the structure of the submission is:

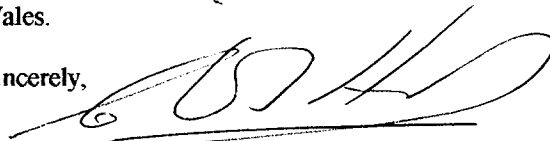
- Issue 1: Defining rural and regional Australia.
- Issue 2: What is national competition policy.
- Issue 3: National Competition Policy-related infrastructure reforms.
- Issue 4: Impact of National Competition Policy on Business and Industry in South East New South Wales
- Issue 5: The application of Best Practice principles to Commonwealth NCP regulatory and policy review bodies

When I wrote to you on 11 February we had not completed the development of our arguments on issue 5 and simply provided a list of key topics. These have now been taken much further and form the basis for what we believe is a balanced discussion of that issue.

Please let me know if you need clarification or further development of any of the points covered in the present text. In view of your advice that the Commission still intends to publish its initial conclusions before the end of March we will respond as quickly as possible. We hope that there will be opportunities to participate in formal hearings or informal discussions before the Commission settles its final report.

Mr. Sommerville has asked me to mention that he is still available to participate in any discussions you decide to hold in Blayney/Orange or any other location in the Central Western Region of New South Wales.

Yours Sincerely,



C. C. Halton

Commissioner John Cosgrove
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

BALANCED STATE DEVELOPMENT WORKING GROUP

Submission to the Productivity Commission Inquiry into:

Impact of Competition Policy Reforms on Rural and Regional

Australia

HILMER

'The Committee has been impressed with the level of support for a national competition policy from governments and the business and wider community.....

Economic efficiency plays a vital role in enhancing community welfare because it increases the productive base of the economy, providing higher returns to producers in aggregate, and higher real wages. Economic efficiency also helps ensure that consumers are offered, over time, new and better products and existing products at lower cost.' (1)

'COMPETITION PRINCIPLES
AGREEMENT

WHEREAS the Council of Australian Governments at its meeting in Hobart on 25 February 1994 agreed to the principles of competition policy articulated in the report of the National Competition Policy Review.

AND WHEREAS the Parties intend to achieve and maintain consistent and complementary competition laws and policies which will apply to all businesses in Australia regardless of ownership.' (2)

'CULTIVATING COMPETITION

4.70 In commenting on the different impact of competition reform in the city versus rural areas the ACCC stated "...sometimes these reforms actually bring down prices for everyone but they just bring them down much more for people in cities than rural areas. The people in rural areas are not always worse off, it is just that they do not gain as much as others do from some of the reforms.....".....' (3)

Issue 1: Defining rural and regional Australia.

My own interest in attempting to establish a meaningful explanation of the concept of regional, rural and remote areas in a country with a large land mass and a federal system of government originates from my work in Canada initially with the Canadian Transport Commission and subsequently with Transport Canada.

When I moved to Australia in 1973 I learnt that the Australian Government wished to address similar issues with respect to the further development of transport policy in two diverse areas. The first was Airport Local Ownership the second Road Transport Infrastructure. The second envisaged Federal Government financial support for the construction and maintenance of various categories of roads from interstate highways and arterial roads to others such as developmental and tourist roads. Airport Local Ownership related to the Commonwealth's continuing responsibility for the Ownership and Maintenance of a network of more than 200 aerodromes which served rural and remote communities with limited, or no, access by land transport to larger centres.

As a result of my Canadian experience I consulted Prof Borrie from the A.N.U. Dept. of Demography and amongst other sources he referred me to Prof. Linge's work on criteria for Urban Localities (populations up to say 1,000) and Urban Centres (populations up to 20 or 25,000). Subsequently I encouraged the then Bureau of Transport Economics to explore the relevance of these concepts to a wide range of transport issues and subsequently (as the B.T.C.E.) to Communications and Broadcasting. More recently I am aware of work by the then Departments of Human Services and Health and Primary Industries and Energy which led to a classification of each State and Territory into metropolitan areas, rural zones and remote zones. The definition of metropolitan areas is different to that adopted by the Commission in its Issues Paper as it includes all centres with a population of more than 100,000.

In its own work the B.S.D.W.G. has found it more useful to adopt a categorisation based on a range of socio/economic characteristics which distinguish a 'self contained' community whose citizens expect only occasional visits to a Capital City from a community whose citizens expect to make regular (more than 1 per month) to the nearest 'self contained' community. This categorization is outlined in attachment A.

More recently the same issue has been addressed by the Government in the draft of the Telstra Transition to full Private Ownership Bill 1998. It is quite clear that the Government believes that there are essential differences between Regional, Rural and Remote areas of Australia. Analysis of the Bill is

outlined in attachment B.

B.S.D.W.G. does not accept the suggestion made on page 5 of the discussion paper that rural and regional Australia should 'include all areas other than the large metropolitan centres'.

The Working Group believes that Broken Hill (pop. 24,000), Cairns(68,000), Kalgoorlie (26,000) and Whyella (25,000) all have most if not all of the characteristics outlined in attachment A.

Examples of towns and urban area which do not have a majority of the characteristics outlined in attachment A would include:

Benalla,Orbost, Swan Hill, Yarrawonga, Renmark, Talembend, Halls Creek, Meekathara, Tennant Creek, Kingaroy, Mareeba, Proserpine, Blayney, Leeton, Moruya, Tumut, Bicheno, Georgetown, and Penquin.

Consideration of the Impact of Competition Policy Reform on such towns and urban areas would provide a more realistic response to the Terms of Reference provided by the Treasurer.

Attachment A

SOME SOCIO-ECONOMIC CHARACTERISTICS
LARGE NON-METROPOLITAN URBAN AREAS

1 Emergency Services:

Ambulances, Fire Engines at several locations. At least one 24hr 7day
Hospital Casualty Dept.

2 Health:

Hospitals with wide range of services. At least one with several
Resident Specialists and visiting Specialists.
Choice of Doctors, Dentists, Opticians and Chemists.

3 Education and Skills Formation:

Choice of Secondary Schools with reasonable facilities within the
urban area for Gifted and Handicapped Children.
At least one TAFE College offering a broad range of subjects to
a minimum of Associate Diploma level and appropriate arrangements
with a wide range of public and private business and industry within
the College's catchment area.

4 Government Services:

Offices of at least 4 State/Territory Departments and Agencies such
as Aged Care, Agriculture, Community Services, Forestry, Health,
Mining, R.T.A., State Development.
The Office of at least 1 Member of State Parliament or Territory
Assembly.
Commonwealth representation through some or all of Australia Post
Centre Link, Medicare, Telstra Switching Centre.
The Office of the Local Member of the House of Representatives
and/or a Senator.

5 Law and Order:

At least one 24hr. 7day Police Station. At least one Local Magistrate's Court.

6 Financial Services:

Branch Services at more than one location by at least 2 of the national bank groups and at least 3 Regional Banks/Credit Unions. Firms of Solicitors and Accountants. Local representatives of Financial Planners and Investment Advisors.

7 Transport Services:

Day/Night Freight Services to State/Territory Capital City by Road and/or Rail.

At least 2 Daily Scheduled return Air Services to/from State/Territory Capital City using Twin Engined Aircraft or equivalent service by train.

Some Daily Scheduled return services by Bus/Train/Aircraft from/to other Centres in same and/or adjoining State/Territory.

Attachment B

TELSTRA TRANSITION TO FULL PRIVATE OWNERSHIP BILL 1998

USE OF EXPRESSIONS REGIONAL, RURAL, AND REMOTE

Schedule 1, 8BUA requires at least 2 Directors to have 'knowledge of,needs of regional areas'

Schedule 2, 59 deals with Internet access to 'people in rural and regional areas'

Schedule 2, 46(1) refers to a 'Rural Transaction Centres Reserve'.

Schedule 2, 54(2)(a) refers to people in 'remote island communities'

whilst Schedule 2,58(8) provides examples of remote or isolated communities.

It seems clear that in drafting the Bill the use of 'Regional', 'Rural' and 'Remote' is deliberate and selective.

It follows that 'knowledge ofneeds of rural and remote areas' would not satisfy the selection criteria for the 2 Directors to meet the requirements of Schedule 1, 8BUA.

When the Government announced the appointment of two additional Directors it implicitly rejected the argument that 1 existing Director who lives some 20km outside a Large Non-Metropolitan Urban Area met the requirements of Schedule 1,8BUA. Conversely the appointment of a Director from Swan Hill seems to support the argument that that town is part of Regional Australia.

Issue 3. National Competition Policy-related infrastructure reforms.

At page 10 the Issues Paper refers to earlier commitments by the Council of Australian Government for specific reforms affecting electricity, gas, water and road transport 'infrastructure'. The following text on pages 10, 11 and 12 makes it clear that with respect to electricity, gas and water the reforms relate to generation/collection and storage, transmission and distribution. Conversely the text on page 12 also makes it clear that 'road transport' is concerned with vehicles and drivers and is not considering roads, bridges, tunnels, freight yards and car parks which most Transport Economists, including a distinguished former Secretary to the Department of Finance, would regard as essential elements of Road Transport Infrastructure.

The Federal Court's decision *RAC v NSW Minerals Council*, 9 October 1998 appears to support that view. The court held that the owner or provider of the rail network or permanent way who does not also provide the means of carrying or transporting the coal does not provide the service of 'carrying coal by rail' that owner or provider only provides the service of use of the permanent way.

At pages 12 and 13 under the heading Reform of government monopolies changes to Telstra and Australia Post are considered because of their particular relevance to people in country Australia. Access to major city airports and particularly to monopoly Capital City Airports are also of considerable concern to people in areas where the only alternative to 1 hour in a small twin engined aircraft is 8 hours in a car.

Since a number of these issues can most easily be addressed by commenting on National Performance Monitoring of Government Trading Enterprises the remainder of this section deals in turn with National Performance Monitoring, the pricing of water in New South Wales and pricing issues with respect to Road Transport Infrastructure.

NATIONAL PERFORMANCE MONITORING OF GOVERNMENT TRADING ENTERPRISES

In 1998 the Productivity Commission published the last in a series of reports initiated by the Steering Committee on National Performance Monitoring of Government Trading Enterprises.

In his Foreword the Chairman concludes that 'The data and the indicators used in this report, constitute a valuable resource for policy makers and administrators'. Unfortunately the Chairman does not make it clear that the 'data and indicators' are primarily derived from Metropolitan and Large Non Metropolitan Areas have limited relevance for National

and State/Territory wide policy and administrative issues. They are of even less relevance to the Commission's Inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia.

For example on page xxiv under the heading 'The distribution of benefits from improved outcomes' the report concludes:

In electricity and water, business consumers have generally benefited even more than household consumers through the restructuring of tariffs. Independent price regulators and governments have sought to redress previously existing cross-subsidies by reducing prices for business at a faster rate than those for household consumers.

The report provides no examples of these 'previously existing cross-subsidies'. In Regional and Rural Areas it has previously been acknowledged that in the Murray Darling Basin Water Prices for Household Consumers have cross subsidised Business Users, that both domestic and business water consumers serviced by the Sydney Water Corporation are cross-subsidised by external water catchments such as the Shoalhaven and that consumers along the Snowy River Catchment in Victoria and NSW have cross subsidised consumers in the Murray Darling Basin. If the Productivity Commission takes the view that some or all of these examples are more appropriately described as Community Service Obligations then it is disappointing that all the examples provided at page 163 related to the provision of water services to country areas.

It may therefore assist the Commission to have access to some quantitative data relating to a flat in Ultimo part of the City of Sydney (U) a house in Hughes within the A.C.T.(H) and a house in Merimbula part Bega Valley Shire (M). The data relates to the 6 calendar years 1993 to 1998 and in each case is in then year dollars related to 1993 as the reference year.

Electricity U 100, 96, 90, 134, 125, 126. H 100, 104, 106, 72, 98, 101. M 100, 91, 140, 110, 123, 125.

Water & Sewerage U 100, 79, 80, 81, 75, 65. H 100, 97, 93, 91, 97, 110. M 100, 111, 96, 106, 112, 112

It appears to support the Productivity Commission's view with respect to prices in the A.C.T. suggests a major difference between movement in Electricity prices between the A.C.T. and N.S.W. and appears to support the view that changes in Water & Sewerage prices in N.S.W. have been to the benefit of Metropolitan areas and the disbenefit of Regional areas.

S.E.N.S.W. has very limited access to Government owned land transport common carrier services. Countrylink contracts a private bus operator to provide a connecting bus service to the passenger train service from Canberra to Sydney Central. There are limited parcels facilities on the service. VicRail provides a limited bus service along the Princess Highway from Sale to Batemans Bay. There is no comparable service by Countrylink to Sydney. I.P.A.R.T.

all aspects of National Competition Policy. Issues Papers on Pricing Principles for Local Water Authorities and Pricing of Bulk Water Services were published in 1995. In 1994/95 the Sydney Water Board was replaced by Sydney Water Corporation, Gosford City Council and Wyong Shire Council but no change was made to the arrangements whereby the Sydney Water Board had free access to prime water from catchments outside its area of operations which it then stored in those catchments before transporting it via canal and pipeline for filtration and consumption within its area of operation. Attachments 3.2 and 3.3 are scale maps of Sydney Water's area of operations and of Monitoring sites for catchment and stream inflow in the Shoalhaven catchment well to the south of its area of operations.

I.P.A.R.T. pricing decisions require Sydney Water to price average the cost of water it collects from all its available catchments irrespective of whether those catchments are within or without its area of operations. In the case of water collected outside its area of operations the pricing decisions do not recognise any need to reimburse the local shire for increased costs associated with the use of alternative water sources or for the reduced ability to use water supply for the economic and social development of the shire.

I.P.A.R.T. pricing decisions elsewhere in the State require each Shire to price water from each catchment separately. Bega Valley Shire has 3 catchments. The Towamba River Catchment which includes Merimbula is shown on the scale maps at attachments 3.4 and 3.5. Although the Towamba Catchment does not discharge a water C.S.O. to Sydney it does discharge a C.S.O. to electricity users in other parts of N.S.W. as restrictions with regard to the release of water are imposed to meet the generating profile required from Brown Mountain Hydro.

A far more extreme example of an unrecognised C.S.O. provided by a Rural Community to other interest groups relates to the post world war 2 decision to divert most of the catchment of the Snowy River so that it could be used as Head Water for Snowy Hydro and then, after further storage as water available for consumption in the Murray Darling Basin by N.S.W., Victorian and South Australian consumers. Responsibility for determining minimum Riparian water flows below Jindabyne to meet the needs of Snowy River communities in N.S.W. and Victoria was accepted by the N.S.W Government through its Minister to Water Resources.

As the then Commissioner of the S.M.H.E.A. I decided to undertake a more extensive review of the condition of the river from Jindabyne through Dalgety to Orbost. Although the most serious damage appeared to have occurred within the Snowy River Shire there were obvious problems along the catchment and in 1992 I recommended to the Commonwealth Minister for Resources that he propose to his N.S.W. colleague that a review be undertaken. The

started a review of Countrylink some 2 years ago . A significant number of C.S.O. issues can be expected to be raised in that review which have not attracted the interest of the Productivity Commission including the varied treatment of pensioner travel concessions even within the County of Cumberland.

There are a number of points which need to be raised with respect to the Commonwealth's Business Enterprises Australia Post, Sydney Airports Corporation and Telstra. Since the report emphasises the concept of competitive neutrality it seems reasonable to draw attention to the reluctance of any Telstra's competitors to offer services in S.E.N.S.W. although it was widely acknowledged that the commitment to close the Analogue Mobile Phone network was at their request. Since very few Australians use their mobile phone from home the reference on page 302 to 'over 90% of the population having access to Telstra's mobile phone network' is quite misleading. A far more meaningful measure is to use the traffic count available from State/Territory Road Authorities superimposed on the coverage maps from the A.C.A. Similarly the reference on the same page to improvements to the billing system is related to decisions in the late 1980s to proceed as quickly as possible to install digital switches in the remaining Exchanges. A visit by the Inquiry to an Exchange in a Regional Centre and to one in the A.C.T. would give an overall impression of the lack of interest by other Telecommunication Carriers and the more limited investment approach taken by Telstra's Board in Regional (and Rural) Centres. Conversely few Australian Citizens who live in Regional and Rural Areas would disagree with the Commission's conclusions on Australia Post.

Finally the publically stated views by the S.A.C.'s C.E.O. have made it clear that he attaches little importance to the continued access by Intra State Commuter Operators to Sydney Kingsford Smith Airport. Although this may have been an acceptable view in his previous post at Manchester where Leeds/Bradford and Birmingham have excellent train and road connections to Manchester it is not acceptable as an interpretation of 'competitive neutrality' in N.S.W.

It is difficult to comment on the changes to service levels which are also of interest to the Inquiry. Quantitatively I recall a failure of an electricity substation in Merimbula which was returned to service by Illawara Electricity in 30 mins. and a less serious failure of a substation in Merimbula which was returned to service by Great Southern Energy in just over 1 hour. A critique of Telstra's recent performance as provided in the attached letter by my co-convenor of the B.S.D.W.G. (Attachment 3.1)

PRICING OF WATER IN NEW SOUTH WALES

I.P.A.R.T. (formerly G.P.T.) issued its first discussion paper on issues related to regulation of the N.S.W. water industry in May 1993. As an Agency of the N.S.W. Parliament the Tribunal is required to take into consideration

Commonwealth Minister accepted that advice and wrote to his colleague. The report of the Webster Inquiry was released in 1998.

On page 3 of the Commission's Issues Paper it is correctly pointed out 'that economic and social circumstancesreflect a complex interaction of many factors, some extending back for decades'. What appears to be of major concern to Australians who live outside large Urban Areas is that in the early implementation of National Competition Policy both economic analysts and regulators appear to have devoted time and energy to unscrambling distortions in Urban Area (pricing of water for domestic and business use in Sydney is an excellent example) and indentifying C.S.O.'s to Communities outside Urban Area (such as South Australian Water Corporation supplying water to country towns at Adelaide prices) but have largely overlooked similar issues in Non Urban Areas. In the case of water this appears to be in breach of the COAG water reform framework.

It may be of course that the economic analysts and regulators neither live nor work in Regional or Rural areas and are simply not aware of these issues.

PRICING ISSUES WITH RESPECT TO ROAD TRANSPORT INFRASTRUCTURE

During the 1990's a number of initiatives by Australian Parliaments including National Competition Policy have increased the pressure on Commonwealth, State and Territory Transport Authorities to achieve full cost recovery for infrastructure provided to support Inter and Intra State passenger, freight and raw materials movements by air, rail and sea. There has been similar pressure to achieve full cost recovery for services provided in and from Australia to support International movements by air and sea.

Using shipping as an example these services include shore based terminal facilities for handling passengers, freight and bulk cargo, navigational facilities to assist vessels manouvering within the port, pilot services, navigational aids to assist during movements within the Australian Economic Zone, activities to deal with oil spills and accidents and where appropriate recovery services.

By contrast there has been no attempt to introduce cost recovery with respect to road transport infrastructure nor has B.S.D.W.G. been able to indentify any reports by either the National Competition Commission or the Productivity Commission to draw attention to apparent breach of N.C.P.

Road Transport Infrastructure includes roads, bridges, tunnels and the furniture such as traffic lights, traffic signs and road side barriers as well as publicly funded car parks, lay bys and freight terminals. Since the late 1960's transport economists have argued that the cost of using the road infrastructure also includes traffic police , ambulance and fire services attending the scene of accidents. and pollution by noise and exhaust emissions.

Some State Governments have facilitated the development of a limited number of Toll Roads for the use of cars, coaches and freight vehicles. The level of charges imposed on those roads provides some measure of the level of subsidy by Australians to Road Transport.

In 1994/5 (?) the then BTCE undertook a preliminary study of the economic and social cost to the community of all forms of Road Transport using roads in Metropolitan and Non Metropolitan areas. As I recall the paper it concluded that the subsidy per head of population in Metropolitan areas was more than twice the subsidy in other areas.

The lack of a cost recovery strategy works to the competitive disadvantage of other modes and leads to excessive use of roads. Although Metropolitan residents insist on curfews at Airports and take measures to discourage heavy freight movements at night they appear to be totally unconcerned by the economic and social disbenefits on Regional and Rural towns on main routes to and from Cities which are expected to endure a steady stream of Trucks in late evening/early morning or in the middle of the night.

None of the above should be interpreted as a criticism of the work which is being undertaken on vehicle standards and driver but it does highlight concern that concentrating all effort on those issues is certainly not in the interest of citizens who live in Regional and Rural Australia.

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3 December 1997

The Hon John Anderson MP
Minister for Primary Industries and Energy
Parliament House
Canberra ACT 2600

COPY

Dear Minister

I refer to your letter of 27 October 1997 in which you detailed the Government's record of achievement for the benefit of our vital rural industries.

Whilst I am encouraged by the matters included within your letter and its related brochure under the heading of *Agriculture - Advancing Australia*, there are two particular matters I'd like to raise with you at this time.

The first relates to the Natural Heritage Trust - I am delighted to see that over the next six years more than \$1 billion will be spent in rural areas through programmes such as Landcare, Bushcare, Rivercare and Murray Darling 2001. The objective of helping to put the use of our natural resources on a sustainable basis and the allocation of funds in this way is of great national importance.

One of the problems (and I acknowledge the need for it) of *AustIndustry* has been a far too rigid reliance on scientific validation of projects such as the Natural Farming Sequence (NFS) project where the landowner/researcher involved is Peter Andrews whose property is in the Bylong Valley. The NFS project sought to scientifically investigate natural phenomena and involves a paradigm shift to conventional land management technology. Although, because of its limited scope, NFS did not necessarily achieve all of its objectives, it did result in two important discoveries relating to integrated catchment planning and flood plain management in Australia.

One of the consequences of the NFS which can be achieved by further study is the restoration of landscapes degraded by soil and water erosion where, in particular, the land Landcare and Rivercare projects mentioned in your letter would be direct beneficiaries.

Because of its relevance to this aspect of the Government's objectives as noted above, I thought it both desirable and appropriate to bring the NPS project to your attention as I believe that further development of NPS and its general application to the objectives of the Natural Heritage Trust would certainly help to expedite those objectives.

Any assistance in providing further support would, accordingly be greatly appreciated.

The other subject I did wish to raise was the reference in the penultimate paragraph of your letter of 27 October 1997 to the \$250 million Regional Telecommunications Infrastructure Fund to improve telecommunications services in rural and regional areas. Prompt application of the available funds would be important and absolutely necessary in providing better communication services to rural Australia.

I need only quote the fact that the telephone service within the area of Blayney in which my property is situated, and in surrounding areas, is steadily declining. Regrettably, one now gets used to the announcement by a Telstra recorded message that "all available lines to the area concerned are fully occupied". In fact, it would be an unusual occurrence to get through under an hour or so on any evening when I seek to 'phone from the Sydney area to my farming operation. Whilst I realise that this particular programme would fall within the portfolio of your colleague, The Minister for Communications, I believe that it is such an important part of the Government's overall rural programme that your colleague, the aforesaid responsible Minister, should be requested to investigate this important application of your Government's objectives.

I might add that, as a previous Chairman of Telecom (1975-1980) and of the Overseas Telecommunications Commission (1975-1987), I would not be making this suggestion without a genuine concern to ensure that services to rural Australia are improved and not degraded as I fear is happening at the moment.

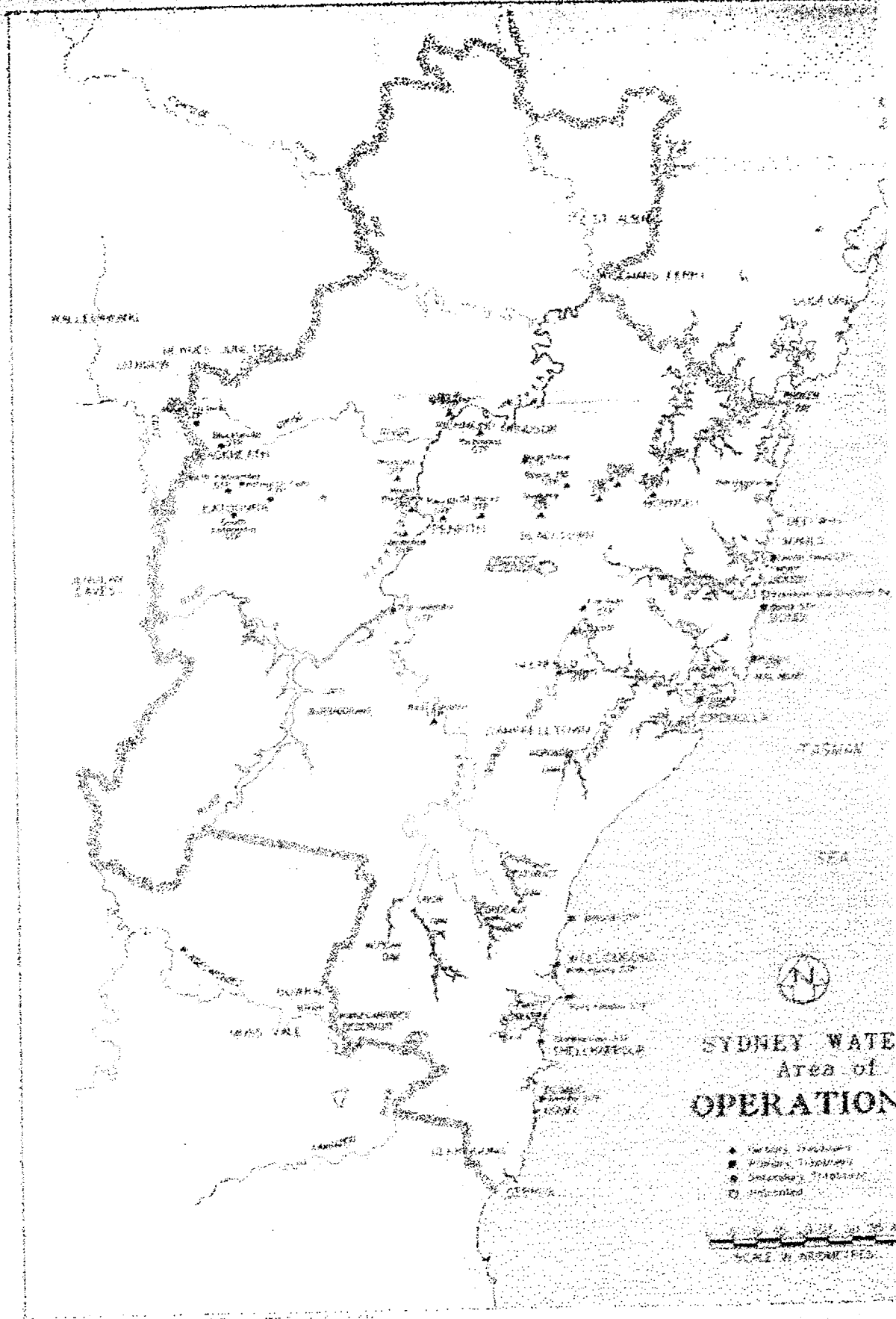
Yours faithfully

Robert D Somerville

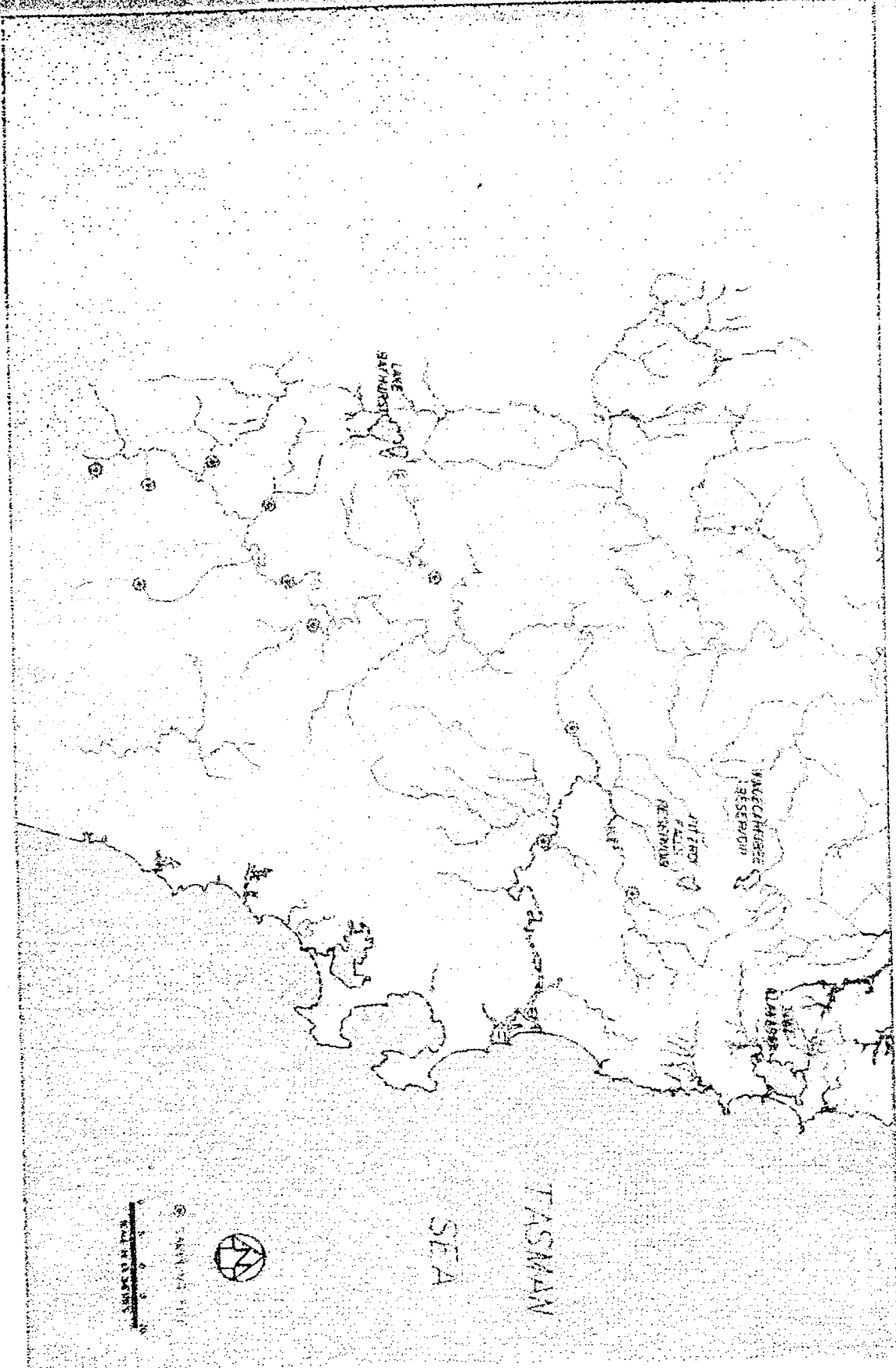
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Map 1

Sydney Water's area of operations

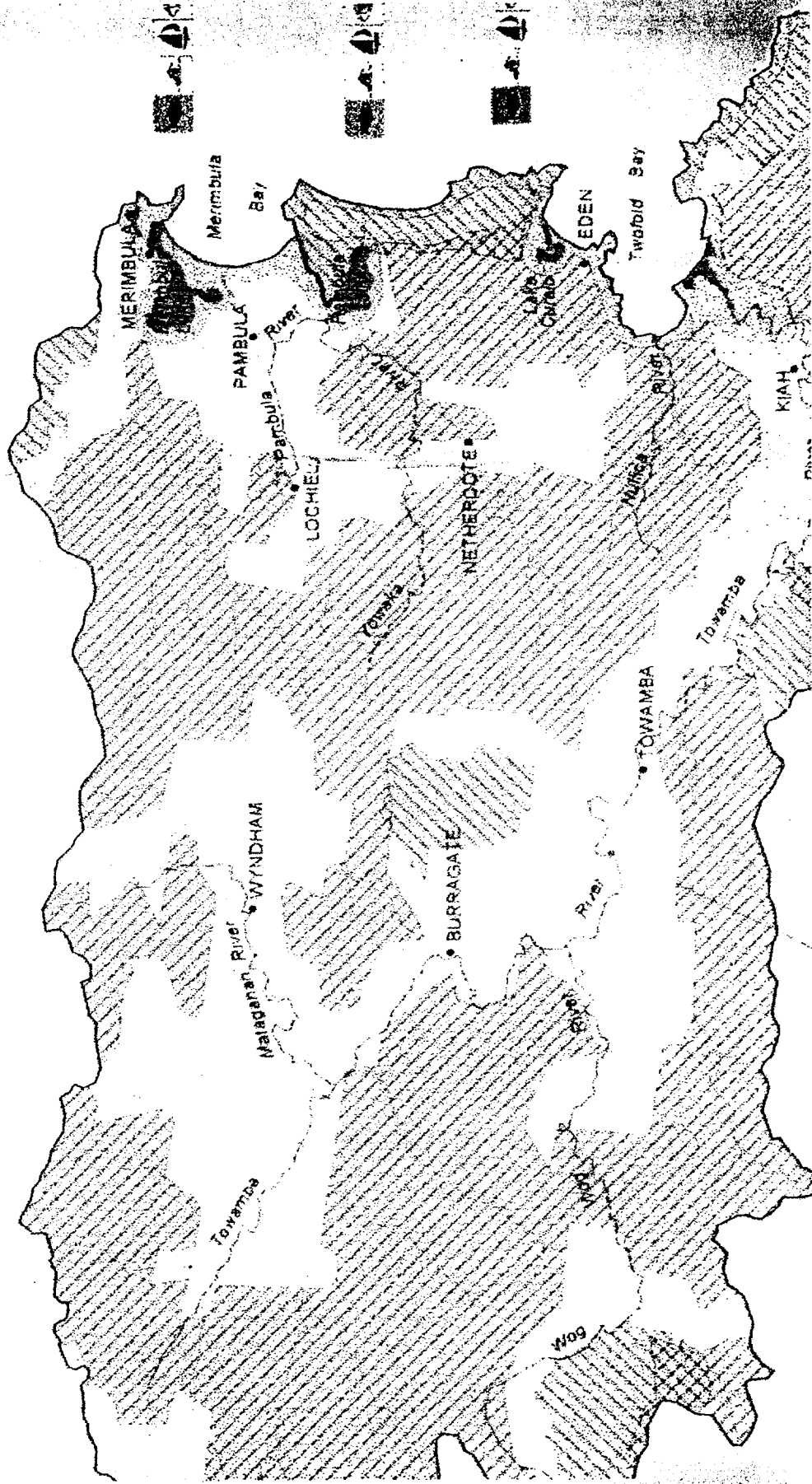
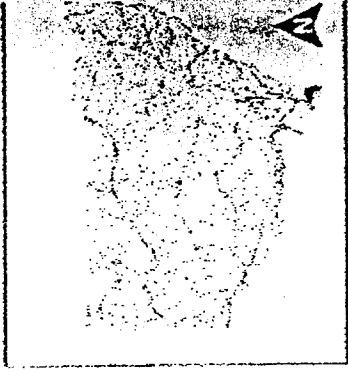


Map 3 Monitoring sites for catchment and stream inflow in the Shoalhaven catchment



Towamba River Catchment

Catchment Regions and Water Quality Assessed
Against Potential Environmental Values



Issue 4: Impact of National Competition Policy on Business and Industry in South East New South Wales

In addition to a number of Industries based on the region's Dairy resources, Forest products and Tourism are important contributors to the Region. A significant number of people working in Tourism and Hospitality move between the Coast in the summer and the Mountains in the winter, as a result there is probably more awareness of benefits which are available in one area but not the other than would normally be the case. The comments based on this section are based on personal experience in the region and observations based on other peoples comments.

In edition 12 of NCC Update one of the 'early outcomes from competition reform' is claimed to be that 'Electricity bills have fallen about 23 to 30 percent on averagefor those Victorian and NSW businesses covered by the national competitive market.....' and an "example of 'flow-on' benefits" is the assertion that 'More generally, lower prices flowing from NCP and will increase household spending power, which in turn will increase effective demand for goods and services across the economy.' It is disappointing that the NCC uses expressions such as 'across the economy' rather than across Australia. Of course if the NCC does not believe that there will be a positive impact throughout Australia it (and/or the PC) should say so.

By the end of 1998 I had not identified any elements of business and industry in S.E.N.S.W. which appeared to have benefited from NCP and there were examples of disbenefits occurring.

In 1998 the farm gate price of NSW milk was reduced by 3.5c/litre for a significant number of Dairy Farms this would lead to a reduction in net income of at least \$15,000 p.a. In a number of cases this equates to the wage of a farm worker and consistent with assurances given by the Commonwealth when Heads of Government reached agreement on NCP that when application of NCP would lead to retrenchments and redundancies the Office of Labour Market Adjustment would work with the affected industries to ensure that appropriate programmes to support displaced workers I thought it reasonable to assume that those arrangements would be activated. The local Centre Link Office had not heard of OLMA or of any programmes to assist in the reemployment, skilling or reskilling of displaced farm workers.. The Regional Office of DETYA advised that OLMA was abolished in 1996. The Commission may wish to inquire whether there are any arrangements presently in place to meet the commitments previously given.

Although the transport of processed milk from rural areas to Metropolitan areas appears to be

achieved without major differences in the retail price of milk the same is not true of Petrol when the product has to moved from a refinery in or near a Metropolitan area to a Regional or Rural centre. In September 1995 the Commission of inquiry into retail petrol prices in rural New South Wales presented its report to the Premier.

In section 2.1.4. in discussing freight charges the report advises that Deliveries within the 'Metropolitan Zone (which appears to be arbitrary) is free of freight. Charges for rural areas differ according to location and distance from depots based on a 'taxi fare' system. Accordingly some adjacent towns have significantly different freights.

The report chose not to discuss how this treatment, which used to be known to transport regulators as 'the captive consumer case' could be reconciled with NCP.

Similarly a speech given by an ACCC Commissioner to NSW Farmers on 5 March 1998 contained the following paragraph on third line forcing with respect to petrol prices:

So-called 'third-line forcing' is also illegal - even if it doesn't substantially lessen competition. What is third line forcing? It's where you supply a product but require the recipient buys something from some other person. This conduct is, however, 'notifiable' to the ACCC, and if the benefit to the public is greater than the anti-competitive effect we will give protection from prosecution. A classic example of third line forcing is the eruption of 'shopper dockets' linked to petrol stations - usually you have to buy \$30 of supermarket goods to get a reduction per litre on petrol from a particular, third party supplier. The ACCC is quite happy with such arrangements - the consumer gets cheaper petrol and the supermarket and the service station gets increased trade. I am also pleased to see that such arrangements are making their way out into the rural and regional areas where petrol prices have been historically high - and not always through the Woolworths Petrol Plus chain.

What the speech did not mention was that ACCC approves the use of shopper dockets in Cooma if they are purchased 140 kms in the A.C.T. but does not require the retailer to provide shopper dockets in Merimbula which is also 140 kms from Cooma. Residents in Bega Valley Shire find that difficult to reconcile with the stated objectives of NCP.

Finally the report of the inquiry into retail petrol prices asserts at 2.3.1. that in 'in many country centres customers are able to secure "under the canopy" discounts. Over the last 3 years I have sought such a discount on over 150 occasions, I am still waiting for my first offer.

The price of petrol is extremely important to business and industry in the South East of N.S.W. as well as to private citizens because of the absence of rail services and the very limited availability of 'common carrier' freight services by air and coach. The coach service provided on behalf of Countrylink operates daily services between Eden and Canberra via Merimbula, Bega and Cooma, the commuter (FAR 23) air service operates regularly between Merimbula and Sydney (KSA) via Muruya. There are also more limited air and coach services to Melbourne.

For Business people needing to visit clients in N.S.W. or Victoria outside Sydney and Melbourne or to visit the A.C.T. there is no alternative to the private car. The same applies to Business people, professional advisers and consultants who need to visit clients in the region.

Since domestic tourism is so important to the South East Region in both summer and winter and relies on the same common carrier services the community is extremely concerned about any possible threat to the continued availability of these services.

As part of its response to its NCP obligations the N.S.W. Government has asked IPART to undertake two reviews which have the potential to impact on the availability of these services. The decision to undertake these reviews and aspects of the way the Tribunal has and is undertaking them is of concern to Business Industry and the citizens of the region.

An Interim Report Review of pricing principles for Country Link was published in February 1997. The tone of the report has been interpreted as hostile to the nature and scope of Country Link rail and coach services and from the perspective of a former Regulator the report seems to give little weight to issues which cannot be assessed in hard economic terms. Similarly there are a number of assertions such as the one in 2.4.2 as part of a section dealing with travel options that 'Hire (car) rates vary from

\$50-100 perday depending on car size,hire period and discount availability.' At the time of the report the cheapest Sydney-Merimbula one way was \$385 or &415 for drivers under 25. The cheapest Merimbula Sydney was \$330 or \$360 for a driver under 25. Only one car rental company offered the flexibility of a pick up in Eden, Bega, Pambulaa,Tathra etc. Along with a number of other issues was addressed in a letter to the Tribunal in May 1997. The letter was acknowledged but the so far as I am aware the factual error has not been corrected.

Since the Interim Report there have been no further meetings or any advice as to how the Tribunal intends to proceed. Inevitably people who need to visit relatives, consult financial and other advisors or keep appointments at hospitals in Sydney or Canberra are concerned as to the eventual outcome.

Similar concerns have been raised by the IPART Review of Regulation and Licensing of Air Service Operators in New South Wales. After the release of a discussson paper and holding a series of public meetings the Tribunal released an Interim Report also in Februry 1997 which, amongst matters, made it quite clear that the Tribunal had little or no interest in Clause 1(3) of the Competition Principles Agreement and in particular did not intend to consider issues relating to the safety or comfort of passengers., In April 1997 I forwarded my comments on its interim report to the Tribunal.

The comments I made under the heading General in those comments reflect directly on the issues which the Commission has been asked to address . They were:

'GENERAL

The general thrust of the Tribunal's interim report gives undue emphasis to:

"The onus of proof is on regulation. If it were shown that the benefits associated with regulation clearly outweighed the costs imposed the Tribunal would recommend that regulation be maintained". (page ii)

without at any stage attempting to quantify any of the benefits and failing to include any of the data which quantifies some of the costs.

The second reading speech by the Assistant Treasurer assures the Parliament. (and provides legal guidance to ACCC, NCC and related bodies such IPART)

"The package gives appropriate recognition, not only to competition and efficiency considerations, but to all the other policy objectives ... such as ecologically sustainable development, social welfare and equity considerations, community service obligations and the interests of consumers.

"The package gives clear recognition to these other objectives ...

Similarly in August 1996, Mr Willett advised that 'The Council intends to publish a discussion paper entitled "Considering the Public Interest under the National Competition Policy" later this year' .

The evidence presented to support the assertion that 'deregulation promotes competition and produces consumer benefits' relates exclusively to interstate HCRPT (airline) scheduled services.

There is no route on which after deregulation an intrastate LCRPT(commuter) scheduled service has been replaced by a HCRPT (airline) scheduled service. There is ample evidence that after deregulation, a number of intrastate LCRPT (commuter) scheduled services have been replaced by alternative services, including greater risk and lower consumer standards (eg. no toilet) :

- thus 2 pilot, cabin crew, toilet (A)
- to 2 pilot, no cabin crew, toilet (B)
- to 2 pilot, no cabin crew, no toilet (C)
- to 1 pilot, no cabin crew, no toilet (D)

There is also well established data on the frequency and cost of accidents and fatal accidents which the Tribunal has chosen not to use:

Accidents per 100,000 hours flown, 10 years average -

H.C.R.P.T.	0.1	
L.C.R.P.T.	3	equates to (A) + (B) + (C) + (D) similar to (D)

Charter	9	similar to (D)
Fatal accidents per 100,000 hours flown, 10 years average		
H.C.R.P.T.	0	
L.C.R.P.T.	0.14	equates to (A) + (B) + (C) + (D) similar to (D)
Charter	0.81	similar to (D)

Thus any action by regulation or lack of regulation which reduces aircraft size from HCRPT to LCRPT or within LCRPT from (A) to (B) or (C) or (D) increases risk to the individual passenger.

There is also well researched data developed by the (now) BTCE on the costs of transport accidents in general and aviation accidents in particular:

The cost of the 320 aviation accidents in Australia in 1993 was	\$80m
The cost of the 36 fatal aviation accidents in Australia in 1993 was	\$55m
The average cost of a fatal accident was	\$1.5m
The average cost of a non-fatal accident was	\$70k

Prior to the 1987 Trade Practices Commission's decision with respect to East West Airlines and contemporary decision by the ATC, there were regular scheduled HCRPT services from KSA to more than 12 regional centres including:

Albury, Casino, Broken Hill, Coffs Harbour, Coorna, Coonabarabran,
Dubbo, Griffith, Merimbula, Morce, Port Macquarie, Wagga.

There were also a somewhat smaller number of routes offering LCRPT services. For ready reference, attached are copies of all the Airline (HCRPT) and Commuter (LCRPT) routes and service providers as at 30.6.81.

There are no Airline (HCRPT) services provided on intrastate services in NSW. The Tribunal has the resources to calculate the cost to the community of the increased level of risk to passengers but has chosen not to do so. The Tribunal also has the resources

to estimate the notional benefit to the community (as opposed to the passenger) of

deregulation, its interim report does not satisfy the basic requirements of the

Competition Reform Legislation.

The assertion in the report that on average 65% of all intrastate traffic originates from

Sydney or 'more distant points' is used to support the thesis that rural NSW and, in

particular, 'local councils' have exercised undue influence. The assertion is based on

unsubstantiated data in the Eastern Australia Airlines submission.

Sadly, the only published data of real people flying in NSW is to be found in Coroner's

Reports and reports of Royal Commissions into Aircraft accidents. The three which

are usually referred to relate to Advance Airlines, Monarch Airlines and Seaview Air.

The first two were accidents on LCRPT services from KSA, the third a charter service from Williamstown.

All the passengers killed in the Advance and Monarch crashes lived in rural NSW and

were returning home after visits to Sydney. The Seaview passengers were either

returning to Lord Howe Island or intending to holiday there. None of the passengers

killed in those three accidents originated from Sydney or 'more distant points'. Local

councils would be negligent in their responsibilities to NSW citizens if they did not

make their views known

Finally, LCRPT operators can describe themselves as Airlines because the State

permits them to do so. In the 1970s the Commonwealth Regulatory Authority was

advised that it had no jurisdiction to require the Trade Name 'Airline' to only/be used

by an operator with an HCRPT licence. The State, which has the jurisdiction, has

declined to do so. Similarly, the codeshare disclosure 'code of conduct' signed by the

Director of AFTA, and the COO, CEO of Ansett and Qantas respectively is a voluntary undertaking which cannot be legally enforced. The NSW Government could, through its regulatory authority, enforce the undertaking (which is not being observed) and extend it to all intrastate LCRPT and charter operations in NSW.

Consequently, the only realistic option for meeting the Tribunal's Terms of Reference and observing the Competition Principles Agreement is to :

deregulate those routes operated by licensed HCRPT (Airline)

companies;

continue to regulate those routes where no HCRPT service is available

and a LCRPT (commuter) option is available.

This option was developed in my submissions of 9 September and 30 December 1996.

It is not discussed in the Interim Report nor was it considered in the Tribunal's public hearings.

In its final report the Tribunal maintained its general position on Clause 1(3) but made it perfectly clear that it regarded air safety as exclusively a matter for the Commonwealth and not one which should enter into the deliberations of a State Tribunal. In the view of B.S.D.W.G. this attitude appears to be completely at odds with the intent of First Ministers and all Australian Parliaments.

After receiving the Tribunal's Final Report the Premier referred it to a State Parliamentary Committee, the Committee recently released an interim report. People who live in Regional and Rural N.S.W. remain concerned as to the eventual outcome of this practical example of how the NCP have been applied by a State Regulatory Body.

Although the Inquiries and Reviews used in this section to illustrate some of the (unintended) effects of the application of NCP to business, industry and communities in Regional and Rural Australia have had to refer to the work and practices of State regulatory bodies B.S.D.W.G. recognises that similar issues can and have occurred at the Commonwealth level. Since it is widely regarded as having, where possible, observed the

principles of what is now called NCP an investigation and decision by the then Trade Practises Commission can be used to illustrate the point.

Before the introduction of ANR 203 which provided an exemption to the need to hold an airline licence the two major interstate Airline Operators were A.N.A. and T.A.A. T.A.A.'s legislation precluded intrastate operations other than those incidental to interstate operations.

Intrastate Airline Operators in N.S.W. were East West Airlines and Butler Aviation. By the end of the 1960's A.N.A. merged with Ansett and eventually became Ansett Airlines of Australia. Butler Aviation was then taken over by Ansett and became Ansett Airlines of N.S.W. It continued as an intrastate H.C.R.P.T. operator subject to economic regulation by the N.S.W. Air Transport Act 1964 and was run as a seperate company within the Ansett Group, for example there was no career path from AANSW to AAA, if you were a pilot or flight engineer with AANSW you could not transfer to AAA without resigning and joining AAA with no seniority.

In the 1980's East West Airlines was the subject of 3 sequential takeovers at the end of which it was wholly owned by Ansett Transport Industries but run by a Board seperate to that responsible for AAA and AANSW. The TPC decided to hold an inquiry into the takeover and then ruled that EWA should shed most of the routes within N.S.W. in 1987/88 and should also divest its interest in the LCRPT operator Eastern Airlines.

The TPC did not require that H.C.R.P.T. operations on EWA's intrastate routes be transferred to another operator certificated to operate H.C.R.P.T. aircraft. The TPC took the view that Australia was an informed Air Transport Market and that passengers understood why H.C.R.P.T. aircraft had at least two technical flight crew, cabin staff and toilets and would demand that level of service.

Within a short period H.C.R.P.T. F27 were withdrawn from such routes as Sydney - Moruya - Merimbula and Melbourne - Cooma - Merimbula - Melbourne and there was no Air Transport operator providing H.C.R.P.T. services in N.S.W. other than those provided as part of an Inter-State or State Territory Service.

All the fatalities which have occurred on R.P.T. services in N.S.W. have involved L.C.R.P.T. aircraft. None of the fatalities have involved people who lived in Sydney or Canberra, they were all people who lived in Regional or Rural Australia.

Issue 5 The application of Best Practice Principles to Commonwealth NCP Regulatory and Policy Review Bodies.

Although the Terms of Reference for the Inquiry require the Commission to specifically report on:

(b) the economic and social impacts on regional and rural Australia.....of the changes to.....regulation flowing from the reforms.....

the Issues Paper appears to take a very narrow view of what is intended by 'changes to regulation'. On the other hand the Hilmer Report makes it clear that the members of the National Competition Policy Review were of the view that in addition to significant changes to Commonwealth, State and Territory legislation and procedures it would be necessary to take an integrated, economy-wide view of NCP. It also advocated economy-wide administration rather than industry specific administration and argued that persons drawn from Industry, Commerce, Economics, Law and Administration should be appointed to both full and part time appointments with the NCC and the ACC. At page xxxvi Hilmer makes it clear that in many cases it expected the NCC to 'contract out' analytical work to other bodies, such as the Industry (Productivity) Commission, ABARE or State or private bodies.

Although the then Government did not accept some of Hilmer's detailed proposals, for example the ACC became the Australian Competition and Consumer Commission with a greater emphasis on socio economic considerations, the enabling legislation which passed through the Commonwealth and State Parliaments was clearly supportive of the overall thrust of the Hilmer Report.

Against that background it is also clear that the, now, Productivity Commission must be regarded as the key Policy Review body complementing the work of the NCC and ACCC. Over the last 10 years a considerable body of very useful work has been undertaken which applies World Best Practice to Government Business Enterprises, Government Services (Hospitals, C.E.S. etc.) and a wide range of other activities undertaken by Commonwealth, State, Territory and Local Government. Although the Industry/Productivity Commission has played a leadership role in this work it does not appear to have been applied to Regulatory and Policy Review Agencies.

The following comments on Canada, U.K. and U.S.A. are based on contacts members of the B.S.D.W.G. have had with Agencies in those Countries over a number of years:

Canada insists on a spread of appointments from British Columbia to Newfoundland

- Halifax and Edmonton would not trust Toronto

:but Calgary does not trust Edmonton and Kingston does not trust Toronto

:and nobody trusts 'Ottawa'

-appointees are not simply drawn from Provincial Capital Cities

:have a wide range of initial qualifications, greater interest in 'on the job' experience

:Ministers and Deputy Ministers (Departmental Secretaries) consult widely

- Agencies have Central Offices in Ottawa/Hull

U.K. treats Scotland somewhat differently to England and Wales, usually through a Deputy Director General

-not all Directors General are based in London

:Electricity and Water are both in Birmingham

:wide range of experience and culture, initial Directors General of

Telecommunications, Electricity and Water (and Sewerage) were respectively

an 'academic economist' a Professor of Commerce at a 'Red Brick University'

and the Head of Statistics at the U.K. Treasury

:all regarded consultations as very important

+spent a lot of time on their bicycles

:all placed great emphasis on independence from both the political and public service sides of Government.

U.S.A. works in a different political environment

:President's Party has a simple majority on each Commission, 3/2 or 5/4 etc

+approval hearings before an appointment is confirmed are taken very

seriously, leads to Commissioners with a wide range of backgrounds from

a variety of States but heavily weighted towards the legal profession

+in a number of areas such as telecommunications regulatory body has capacity to appoint career specialist judges who deal with complex issues such as the Bell case. They seem to know 'their' industry in great detail and have practical knowledge across all States.

:Commissions have been known to recommend that they should be disbanded

-C.A.B. is a good example

In BSDWG 's opinion aspects of 'best practice' which are identified in this overview include:

Statutory Office Holders should provide a wide range of skills and backgrounds relevant to the work of the Agency

The 'mix' of statutory appointments to a particular Agency should demonstrate knowledge and/or experience covering Metropolitan, Regional and Rural Areas in States and Territories.

That knowledge and/or experience should cover social and economic issues

Whenever possible NCP Regulatory and Policy Review Agencies should hold public hearings/round table discussions in areas likely to be affected by a Regulatory Decision and/or Policy Review Outcome.

The approach which the Productivity(Industry) Commission has adopted to apply World Best Practice is well established and can be used to consider how well Commonwealth NCP Regulatory and Policy Review Bodies perform.

Dealing with the 4th # first the NCC Annual Report records that that Commission held 10 meetings in Melbourne, 1 in Adelaide and 2 by teleconference during 1997/98. The PC is undertaking an extensive series of round table discussions in Regional and Rural Centres as part of the present inquiry but those discussions have been very poorly promoted in the Regional Media who appear not to be aware of the existence of the Treasurer's Reference to the Commission. In N.S.W. a similar comment could be made about references from the Premier to IPART and BSDWG can only identify 2 visits by IPART and its predecessor the Government Pricing Tribunal to S.E.N.S.W. covering Goulburn to Tumut, Khancoban, Eden and Wollongong. One was to Jindabyne to speak to the then Local Government

Electricity Authorities the other was to Bega as part of the Water Pricing Reference.

In dealing with other References the PC appears to have concentrated on hearings in State Capitals. Like the NCC the ACCC circulates a regular newsletter, the Commissioners make occasional speeches to Conferences and Seminars usually in Cities but as with the PC and NCC it is difficult to access ACCC information. For Regional and Rural Citizens who either cannot afford or are intimidated by the Internet, neither 1800 nor 1300 Telephone/Fax numbers are provided.

In summary all 3 Agencies need to make more effort to meet the practice standard outlined in # 4.

Turning to the practice standards outlined in # 1, 2 and 3 the NCC, ACCC and PC annual reports for 1997/98 provide information on academic qualifications, relevant professional experience and details as to where the qualifications and experience were obtained. Since each annual report provides site specific information on various overseas postings it seems reasonable to assume that the information provided on qualifications and experience obtained in Australia is to a similar level of detail.

BSDWG has analysed the information presented in the 3 annual reports and Attachment C provides the results of that analysis. When a full or part time appointee claims experience in more than one area, for example as a Company Director after initial and post graduate qualifications in Pharmacy then both are acknowledged. Similarly an attempt is made to acknowledge the reality that relevant experience in Australia may have been obtained at more than location.

With respect to practice standard # 1 the present membership of the NCC appears to provide a mixture of skills along the lines proposed by Hilmer. The full time members of the ACCC provide a mixture of skills slightly skewed towards Law and Economics but this trend is emphasised when the skills provided by the part time and ex officio members is also considered, Industry 3, Commerce 2, Economics 9, Law 11 and Administration 2. In the case of the PC there appears to be little or no skill base in Administration, Law or Commerce and the skills provided by the full and part time Commissioners are Industry 2, Economics 7.

In summary the present mix of skills represented among the full and part time members of the ACCC and the PC do not appear to meet the practice standard outlined in # 1.

Practice standards # 2 and # 3 are most conveniently considered together. The 7 part time members of the NCC are drawn from NSW 3, Queensland 1, Western Australia 1, South Australia 1 and

A.C.T. 1 which suggests a bias towards the Eastern Australia which can be adjusted. However all members are resident of the relevant State or Territory Capital..

Since all 5 full time members of the PC and 5 of the 6 full time members of the ACCC appear to reside in the A.C.T. , the 6th member of the ACCC resides in Melbourne, the analysis was undertaken twice the second time using the last place of residence before taking up the full time appointment.

On the first analysis the present part and full time members of the ACCC and the PC are residents of NSW 5, Victoria 2, Queensland 2, Western Australia 1, South Australia 2 and Tasmania 1, there is no representation from the Northern Territory. but 14 members are residents of the A.C.T. On the second analysis the number resident in NSW increases to 7, in Victoria to 9, while the number resident in the A.C.T. reduces to 9. In both cases the A.C.T. appears to be over represented and Queensland, Western Australia Tasmania and the Northern Territory under represented.

Since all State based members reside in the Capital City and there is no reference to knowledge and/or experience outside Metropolitan areas the ACCC and the PC both fail to meet the practice standards outlined in # 2 and # 3. BSDWG noted that two part time members of the ACCC were previously resident in Newcastle and Wollongong.

One way of ensuring that practice standards # 2 and # 3 are met would be to amend the enabling Legislation of the NCC, ACCC and PC to require that at least 3 Commissioners of each Agency have current knowledge and/or experience of a wide range of Regional and Rural Issues and that that knowledge and/or experience must not be restricted to the Eastern States.

Attachment C PRESENT COMPOSITION OF KEY COMMONWEALTH NCP
REGULATORY AND POLICY REVIEW BODIES

1. National Competition Council June 1998

Hilmer Recommendation Page 319:

The Council would comprise a full-time chairperson and up to four members (some of whom may be part-time) who would be selected for their knowledge of, or experience in, industry, commerce, economics, law or administration. Appointing members of high calibre and independence would clearly be the top priority.

NCC Annual Report Page 306:

5 Councillors including the President are all part time

4 are described as Company Directors including 3 who are also described as Consultants

2 have Legal Qualifications, 1 graduated as an Engineer and is also a MBA, 1 has a PhD in Economics and a Dip Ed and 1 has a BA Hons.

At present 1 is a resident of Melbourne, 2 Sydney, 1 Perth and 1 Brisbane. None appear to have lived/worked outside a Capital City other than when undertaking Post Graduate studies at James Cook, Harvard and Stanford Universities.

2 Australian Competition and Consumer Commission June 1998

Hilmer Recommendation (for ACC) Page 339:

The Commission comprise a Chairperson and such number of other members as are from time to time appointed with knowledge of, or experience in, industry, commerce, economics, law or administration appointed by the Commonwealth Government in consultation with State and Territory Governments.

ACCC Annual Report Page xiii:

The Commission comprises six full-time Commissioners including a Chairperson and a Deputy Chairperson and seven part-time Associate Commissioners. There are also seven ex-officio members.

Prior to becoming full time statutory office holders 2 held University appointments, 1 was

employed by a large multinational public company developing and producing hardware and software for the data processing industry and had worked for that company in Japan, U.K. and U.S.A. as well as Australia, 2 were members of the Commonwealth Public Service and 1 was employed by a Commonwealth Telecommunications Statutory Authority. 1 is a resident of Melbourne and 5 appear to be resident in the A.C.T.

One Commissioner has degrees in Law and Economics, 3 have Legal Qualifications, 1 is an Economist and 1 obtained an MBA after initially qualifying as a Mathematician. Before taking up these positions it seems clear that one or more Commissioner had worked in Cambridge(U.K.) Perth and Sydney and had studied at Duke, Queensland and Stanford Universities.

Less detailed information is provided with respect to the (permanent) part time Commissioners. It seems clear that 1 has degrees in Economics and Law, 2 are Economists, 3 have Legal Qualifications, 2 are Company Directors and 1 has initial and post graduate qualifications in Pharmacy. They are residents of Sydney, Brisbane, Adelaide and the A.C.T., 1 was previously a resident of Newcastle.

The ACCC decision making structure at page 241 and the organisational chart opposite page 1 suggests equal status for the Ex officio members. 3 have Legal Qualifications, 3 are Economists and 1 initially graduated with a B.Eng(Mining) and has post graduate qualifications in business administration and resource economics. They are residents of Sydney, Melbourne, Brisbane, Hobart and the A.C.T., 1 was previously a resident of Wollongong.

3 Productivity Commission at 30 June 1998.

Although the structure and qualifications of the (then) Industry Commission are not discussed explicitly in the Hilmer Report the thrust of the report suggests that it was assuming a similar approach to that which it proposed for the ACC.

PC Annual Report Page 41:

There are 5 Full Time Commissioners and 2 (permanent) Part Time Commissioners.

Of the 5 Full Time Commissioners 4 have Economics Qualifications, 1 has Forestry and Economics Qualifications. Before taking up their full time appointments 2 held academic appointments (1 is

5-9

Other Cities (NSW)

I E

Other Cities

Towns etc

Column a indicates the present location of Full Time Commissioners. Column b indicates the location of their previous residence in Australia.

Columns c and d relate to Permanent Part Time Commissioners and Ex Officio Members