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Our Ref:  
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5 November, 1998

The Secretary  
Impact of Competition Policy Reform's Inquiry  
Productivity Commission  
Post Office Box 80  
BELCONNEN ACT 2616

Dear Sir,

**Re : Impact of Competition Policy Reforms on Rural and Regional  
Australia**

Reference is made to the Commission's invitation for submissions in relation to the abovementioned Inquiry and on behalf of Cabonne Council this submission is presented with a request that it be taken into consideration during the Commission's deliberations.

**Introduction**

Cabonne Council is a genuine rural based Council with a population of approximately 13,000 spread over a number of centres including Canowindra, Molong, Eugowra, Cudal, Cargo, Manildra, Cumnock and Yeoval. Council has a workforce of approximately 180 staff, with an annual budget of \$20 million.

The Cabonne Council area known as "CABONNE COUNTRY – AUSTRALIA'S FOOD BASKET", as the name implies, produces a wide range of agricultural products which apart from traditional sheep/cattle/wool areas also has extensive horticultural and wine growing areas. Council has recently been impacted upon by gold mining with the opening of the Cadia Gold Mine (the largest mine of its type in the Southern Hemisphere, which will produce some \$3 billion of gold over a twelve year period). Other mining developments are currently underway and it is expected that a further two major mines will be operational within the next five to seven years.

Cabonne Council encircles the regional centre of Orange (population 35,000) and is located some three and a half hours west of Sydney and three hours from Canberra.

### **Definition of Rural and Regional**

For the terms of this Inquiry, Council would agree with the broad definition of rural and regional Australia as contained in page 5 of the Commission's Report, although it must be emphasised that many coastal communities do not suffer the full impacts of isolation of rural communities in inland New South Wales.

### **Negative Impact of Competition and Deregulation on Rural Communities**

Cabonne Council communities, like many other rural communities in Australia, are suffering adversely from the implications of competition and deregulation and the "bottom line". The reduction in services and consequently employment in areas such as banking, railways, Government services and Hospitals on top of other factors such as globalisation, technology and commodity prices is continuing to effect many people.

National Competition Policy is based on the premise of competition which means that there will inevitably be winners and losers. There has also been inference that those that lose their jobs may be able to pick up employment elsewhere, however in rural communities this is often not the case, the \$10,000 saved on a contract may be at the expense of one or two people who will then go on to Social Security and have flow on effects to their family and the ongoing welfare of their community.

### **The Role of Government in Addition to Service Provision**

Service provision is one of the major roles for Local Government in rural areas, however Council has other roles as well such as policy, social and community responsibilities. In many instances it is not possible to clearly separate these roles and Council believes the duly elected representatives of its area should have the autonomy to determine the relativities and importance of each of these roles and not be dictated to by other levels of Government.

Councils in rural areas often perform the leadership role for the community and are increasingly being asked to carry out advocacy roles in a wide range of areas. The leadership and advocacy roles can often conflict with National Competition Policy.

This is not to say that Council should not be continuing to pursue efficiency measures, as Cabonne has done over the past ten years, however the economic bottom line should not be the only factor that Council needs to take into consideration.

## **National Competition Policy Versus “Best Value”**

Trends overseas, particularly in Britain are indicating a strong move towards “best value” which considers not only the cost of delivering a service, but other issues such as community and social aspects as well.

Compulsory Competitive Tendering, Thatcherism and User Pays have been shown to have a wide range of negative impacts in Britain.

Council would recommend that the Federal Government review its direction on National Competition Policy prior to re-committing itself to its previous direction.

## **Lack of Real Competition in Rural Areas**

Council would also bring to the Commission’s attention that in many rural areas there is a lack of real competition in a range of services. This is not necessarily the case in larger metropolitan areas where there are many service providers, however it is a genuine concern amongst rural Councils.

## **Impact of Competition Policy on Social Fabric of Rural Communities**

The impact on the social fabric of rural communities of reductions in Government services and application of pure competition principles needs to be considered. In many rural communities it is the employees of many major service providers eg. Banks, Telstra, Police, Teachers, Station Masters etc. who bring new ideas and enthusiasm to the community. This intellectual input is necessary if rural communities are to survive in the future, as there is a danger they may become stagnant and insular.

## **Federal Government Withdrawal from Regional Development**

To date, the current Federal Government has quite clearly withdrawn its commitment to Regional Development and this has had a major impact on rural communities right across Australia, particularly in two areas.

- (1) A lack of actual support to communities already suffering from the impacts of competition, deregulation and commodity prices etc.
- (2) The negative message it gave not only to rural communities but to the wider community generally.

## **Misbelief that Many Functions Provided by Local Government are “Businesses”**

There is a misbelief amongst some State and Federal Government Departments that many of the functions provided by Local Government are “businesses”. In metropolitan area functions such as Swimming Pools, Parks, Halls, Sporting facilities and Caravan Parks may indeed be businesses, but the reality is in rural areas that these type of functions are provided as a

service to the community. In Cabonne's case, Council's swimming pools have a net in excess of \$156,382 per year, Council's Parks, Reserves and sporting facilities have a net cost in excess of \$199,790 per year, Council's Halls have a net cost in excess of \$58,884 per year and Council's Caravan Parks have a net cost in excess of \$16,360 per year. In most rural communities it is only voluntary help from individuals and groups that enable many services to be provided.

### **Principles of Competition Policy as Opposed to full Implementation of National Competition Policy**

Council believes that it is not necessarily the destination but the journey that is important in applying the principles of Competition Policy.

In Cabonne's case, Council is applying the aspects of Competition Policy, for example specification and tender, without actually going to a full tender situation. In this way Council's staff are being continually requested to re-examine the way that they carry out functions through proper specification, tender preparation and evaluation, this has led to significant savings for Council.

Council believes that Local Government Authorities should be assisted in applying the principles of Competition Policy, but not be forced into a compulsory tender situation.

### **Broader Acceptance of the Importance of Public Interest**

Council believes that since the production of the Hilmer Report in 1993, Government and communities are now starting to accept that public interest has a greater role to play than the bottom line economic rationalist view which has been so prevalent in recent times. People are now looking for more autonomy at the local level and a greater say in governance. An example of this is Council's own Management Plan for 1998/99 which went through a wide public consultation and advertising phase and has included among its major priorities for the coming year as:-

- Preservation and advancement of Cabonne's communities
- Democratic representation for local communities by maintaining Local Government
- Implementation of Competition Policy and Trade Practices Act
- Continuation of Council's financial management strategy

The message has come back quite clearly from the Cabonne community that they wish to see the community preserved and advanced, but they also recognise the need for Council to continue to increase its efficiency.

## **Policy Decision Required to Ascertain the Application of National Competition Policy to Nominated Services**

Whilst Council supports the application of Competition Policy principles across the broad range of Government services, there are some services where the full implementation of National Competition Policy should be applied. Examples of the privatisation of Airports identified by the Commission may be legitimate, but in a rural town of 500 population where twenty percent of the people are either employed by the local Council or rely on the local Council for their employment, from a policy and philosophical view the question must be asked "How far do we go with National Competition Policy"?

The Victorian experience where many smaller committees have suffered because of Compulsory Competitive Tendering and Amalgamation should sound some warning bells.

## **Competition Payments to Local Government**

Local Government has been asked to meet the requirements of National Competition Policy and has set its direction in this regard with several significant milestones achieved, yet in New South Wales Councils have not received any of the \$16 billion in "Competition Payments" that is to be made available to State and Territory Governments.

Council strongly believes that the Federal Government should be identifying a proportion of funds that will flow on to Local Government for its compliance with National Competition Policy.

## **Fear that Governments May Use Competition Policy as a Way of Reducing Services in Rural Areas**

There is a genuine concern in rural areas that Governments of all persuasions may have used and will continue to use National Competition Policy as a way of reducing services in rural areas. An example of this for New South Wales will be the Railways where they have been opened up to competition, however due to Government requirements on operators, no operators have come forward, thus threatening the future of many rail lines in rural areas.

## **Market Power of Major Companies and Impact on Rural Communities**

Council has some concern about the market power of major companies and the negative impact this has on rural communities, particularly in relation to commodity prices.

Using the Woolworths/Coles example, buyers from these major companies tend to dictate price and product and their actions themselves lead to a reduction in competition as more and more smaller buyers/businesses are forced to leave the industry. Council has a classic example of this with the

closure of two Saleyards within its area where buyers from the major chains refuse to attend sales. This impacts on local Agents and local producers.

### **Electricity Privatisation**

Council acknowledges that there has been a reduction in electricity prices as a result of the imposition of National Competition Policy, however this has resulted in less staff being employed in rural areas. Apart from the economic impact on these small communities, it also effects the ability of large electricity distributors, with less staff to be able to respond to customers needs. This is an area in which Council continually receives complaints.

### **Impact of Telstra Operations**

Telstra has dramatically reduced staff right across Australia, with particular negative impacts in rural areas where there are less staff to carry out the functions that were previously attended to. Council sites the example of its Director of Engineering and Technical Services and local Emergency Management Officer who had to wait some 50 days to get the telephone connected. Clearly in this instance the lack of staff impacted upon service delivery.

### **Negative Impact of Uniform Heavy Vehicle Mass Limits**

The adoption of uniform heavy vehicle mass limits across Australia has been heralded as a success in the application of National Competition Policy, however in Council's case this has had a negative impact, as it has had for all Councils in New South Wales, as there has been no compensation to New South Wales for the additional damage that will be done to bridges. An independent study done by the New South Wales Government indicates this damage in excess of \$460 million. In Cabonne Council's case alone the cost to repair bridges is estimated at \$2 million.

### **Decrease in Local Government Staff**

In New South Wales and Victoria there have been a decrease in the number of wage and salary earners employed in Local Government from March 1995 to February 1997 of 10,900. There would be many factors that contribute to this reduction with National Competition Policy definitely being among them.

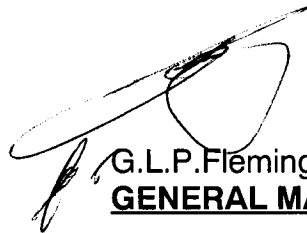
Council would argue however that the forced imposition of National Competition Policy through Competitive Tendering will have an even greater impact in the future and for this reason the application of National Competition Policy needs to be seriously reviewed prior to a re-commitment to the Government's previous direction.

## **Conclusion**

Thank you for allowing Council the opportunity to present its views to the Commission on the impact of Competition Policy Reforms in rural and regional Australia. Council would acknowledge that the decline that has occurred in recent years is not entirely due to National Competition Policy, however it is a factor and has the potential to have significant detrimental impact in the future.

Council believes that the Federal Government should review its position on National Competition Policy, particularly in light of overseas experience. The economic rationalist "bottom line" view needs to be balanced with social and community concerns and the public interest. For after all we live in a society not an economy.

Yours faithfully,



G.L.P. Fleming  
**GENERAL MANAGER**