



COOMA-MONARO SHIRE COUNCIL

81 COMMISSIONER STREET COOMA
P.O. BOX 714 COOMA N.S.W. 2630

TEL: (02) 6450 1777
FAX: (02) 6450 1799

OFFICE HOURS: Monday - Friday 8.35AM - 5.00PM

All correspondence to be addressed to the General Manager

Enquiries: Mr Neil Watt (NW:CR)

Our Ref: OR/MAN-8

Your Ref:

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Mr John Cosgrove
Presiding Commissioner
Impact of Competition Policy Reforms Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Cosgrove

IMPACT OF COMPETITION POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA

Cooma-Monaro Shire is located in the south east corner of New South Wales. The rural Local Government area has a population of approximately 10 000, of which 7 500 residents live in the major centre of Cooma. The town of Cooma is regarded as a regional service centre for the Snowy-Monaro region.

Over the past few years in particular, Cooma has experienced a number of changes to its structure, which have had an effect on the local economy. The issues raised in this submission specifically relate to matters which should be of interest to the Inquiry. The issues are:

1 Sale of Cannon's Supermarket Chain to Woolworths

In 1996, Woolworths purchased Cannon's Supermarkets, which included the Cooma store, the only competitor to the Woolworths store. Although Woolworths provide the town with two excellent supermarkets, Council is continually approached by local residents who claim they are forced to pay higher prices for groceries than residents in towns with more than one major supermarket chain. Some residents claim the difference is up to 17%. Council cannot understand how the sale of Cannon's to Woolworths was approved as it is clear a monopoly

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has been created in Cooma, Canberra South and other regional towns. Comments on this situation have been recently made to the National Association of Retail Grocers of Australia (NARGA).

2 **Restructure of the NSW Electricity Industry**

As a result of the restructure of the electricity distribution industry by the NSW Government, Cooma has lost a major employer. Monaro Electricity, which was based in Cooma with approximately one hundred employees, was amalgamated with other authorities to form Great Southern Energy. The Headquarters of the new organisation is in Queanbeyan and only twenty employees remain in Cooma. According to the Government, the basis for the restructure was to increase productivity and reduce costs. It is debatable whether electricity prices have decreased because of increases in network costs, but many residents are concerned at the reduced service and the apparent lack of maintenance on infrastructure.

Cooma also has the headquarters of the Snowy Mountains Hydro-electric Authority, which has also experienced substantial downsizing. The decision to corporatise the Authority, in a bid to make it more competitive in the electricity market, has resulted in dramatic reductions in staffing levels. These reductions have also affected local real estate prices as well as the local economy in general.

3 **Telecommunications**

Rural areas of Australia have been disadvantaged due to the lack of competition in telecommunication providers. Besides the lack of mobile phone services, having only one supplier puts rural towns at a disadvantage when compared with major urban centres. Cooma is one such town, as Telstra is the only supplier of telecommunications lines and is not prepared to provide competitive rates which encourage new enterprises to be established in the town.

4 **Local Government**

In most rural towns, the local council is a major employer. As more pressure is put on Local Government, by other levels of Government, to contract work, fewer opportunities exist to create employment. When Council puts work to contract, local contractors are usually drastically undercut by a larger metropolitan contractor who is prepared to operate on small margins to carry them over to another major contract. Council is then forced to consider the public benefit aspect of engaging local

contractors against the short term gain of a cheaper price. Usually, the price is so much cheaper it is difficult not to accept the tender. Experience has shown, in Australia and overseas, that contracting Local Government services in many instances has also resulted in a substantial reduction in quality.

The significant ramification of the principle of the National Competition Agreement to encourage Local Government to outsource services, will be to the detriment of ratepayers, community, jobs and the local economy.

The concern centres around a rural council accepting a contract to deliver a service, eg, parks mowing and maintenance. The implications are:

- transfer of a monopoly from public sector to private sector
- usually no competition;
- Council sells assets and loses skills and experience for that service;
- end of first contract - due to no, or very little, competition
- price increases and quality decreases;
- customer receives an inferior service for an increased cost.

Rural councils may need to be measured against some predetermined benchmarks.

5 Rural Industries

The Cooma-Monaro area is a major sheep and beef grazing area and has experienced one of the worst droughts in history. In addition, commodity prices have reduced significantly, partly due to increased competition from other countries. In some cases, the competition is unfair due to Government assistance provided. The low commodity prices have a dramatic effect on the economy of rural towns because many of the local industries are aligned with these rural activities.

6 Financial Services

Although Cooma has not experienced a complete reduction of banking facilities, there has been a significant reduction in services provided. One bank has closed and one other has been reduced from a full branch to an agency. Staffing levels in other existing branches have reduced markedly as banks centralise and encourage customers to use electronic means.

All the above issues have some relevance to the quest to increase the amount of competition in Australia. As can be seen by the above comments, increased competition does not always occur and this situation is quite often to the detriment of rural towns such as Cooma.

I have not included the added burden to rural towns of the State Government's centralised policies, where Government agencies have been closed and staff transferred to the metropolitan areas. Cooma has suffered the closure of the Cooma Correctional Centre, with 65 permanent employees, and other small agencies over the past two years.

There is no doubt that rural and regional Australia is at crisis point at the present time. Your Inquiry is not required to address all the issues of concern, but I believe the impact of competition policy reforms is a major issue and one which should be addressed in the very near future.

Yours sincerely



NEIL WATT
GENERAL MANAGER