

**Submitted to the Productivity  
Commission inquiry into the Impact  
of Competition Policy Reforms on  
Rural and Regional Australia,**

9/11/98

The Secretary,  
Senate Select Committee on the Socio Economic  
Consequences of the National Competition Policy  
S.G. 60 Parliament House  
CANBERRA ACT 6000

Overview

The National Competition Policy their reviews and the charter have gone beyond original areas as defined which now affects the established rural sectors marketing bodies.

The established Policy of the Farmers Union, Primary Industry Association now the West Australian Farmers Federation developed marketing policy over the last 40 years of "Grower Control; orderly Marketing" which has benefited Agriculture to obtain best prices, Quality standards and established world markets.

The Australian Wheat Board, West Australian Meat Marketing Corporation, Grain Pool of W.A. are examples who collectively market our produce, farmers generally view any Government actions with Multi National Vested interests; to deregulate and destroy our established and efficient marketing authorities as a threat to rural Australia its social welfare, and viability.

Rural poverty and environmental damage will result. If it works well why change in a very competitive world market?

Establishment of Marketing Policy "Grower Control orderly marketing" farmers are aware and support clearing sales and the like by auction whereby 300 potential buyers bid against one another for stock or machinery resulting in the highest bidder (the highest price is obtained fairly and justifiably.

In the event of 300 farmers selling and one buyer the lowest price is established due to no competition tenders etc.

Australian farmers are justified in demanding "Grower Control" of their industry employing the best personnel.

It is impractical for so many sellers to compete with one another. The benefits of collectively selling as a single marketer were recognised very early in history.

Quality control segregation's to meet customer needs resulting in higher prices.

Levies deducted from proceeds for Research and Development assured growers of best outcomes; all possible by collective selling, promotion and gaining the best returns on a very competitive world market.

Of interest other countries namely Canada has adopted one marketing authority to sell grain for export.

Import Tariffs Quotas are imposed on many Australian Exports.

Why should Australian farmers deregulate and privatise when other countries still have subsidies and protection?

The Wool Industries individual selling to auction. The reduction in buyers handling larger buying contracts is an example of no Grower control and no orderly marketing, bringing about the downfall of the wool industry when Australia's economy "Rode on the Sheep's back".

Foreign ownership and Control National importance and concern is the take-over of Australian companies by large Multi Nationals. Refer Appendix 1.

The main focus to encourage foreign investment in Australia was welcome.

Take over bids eventuated without any controls (unlike Japanese industry) that got investment but ensured control.

The main driving force for Australia to "de-regulate" Privatisation and promotion of the National Competition Policy are the Multi Nationals supported by the Federal government who makes an annual payment to W.A. of \$1.7 Billion should they comply with a satisfactory level of privatisation and deregulation.

International treaties signed by former Government initiated moves for Australian deregulation and privatization.

\$16 Billion has been mentioned to support States who qualify over an unknown period of time.

1. The Federal and State Government's are beneficiaries under de-regulation and privatisation.
  - a. To obtain a major cash-out to assist in budgeting on asset sales.
  - b. Relief from Government responsibilities and obligations to the Australian citizens in Transport, Telstra, Western Power, Banking, Insurance etc. Now owned by Commercial Enterprises and profit motivated companies mainly large Multi Nationals.
2. The example of the deregulated Banking system creating competition initially today a lot of that competition has been corrected by Banks merging together (as in many other industries)
3. Redundancies and unemployment of Australian workers with more dependence on Social Welfare Health and education as a result of take-over by Multi Nationals motivated by profit is evident and increasing.
4. Of particular concern to Australian Primary Producers is the tendering world wide to supply stock for Foreign owned Australian food chain stores, bypassing Australian producers (Orange juice, Brazil, Pork, Canada) whose quality standards may be inferior to Australia's.
5. Australian Government Policy of privatisation and deregulation is providing the wherewithal for foreign companies to make profit currently estimated at over \$100 Billion annually. The majority of these companies are avoiding their taxes, it has been stated. Products pass through re-sellers who are foreign owned super markets retail stores etc. Substantial margins on these products are bypassed by government Tax Departments.

#### Conclusion

The Senate Select Committee on the socio-economic consequences of the National Competition Policies is welcomed and encouragement given to address some major issues facing Australia, its people and its future generation.

Copy of only source of foreign ownership available (5 years old) attached Ap 1

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D.J.McDonald  
 Farm Business Management  
 W.A.F.F.  
 4th August 1998.

## SECTOR

## LEVEL OF FOREIGN OWNERSHIP

AP1

**Processed Food** 93%  
This is accurately ascertained by the products being displayed on supermarket shelves. The industry considers this segment of the Australian economy is worth \$30 billion pa.

**Motor Vehicles** 100%  
This is evident from the vehicles on the road. The ABS includes spare parts manufactured in Australia in this figure - purely to reduce the 100%. We place these items under manufacturing.

**Chemicals** 98%  
While there are small Australian converters of chemicals, they should not be considered, as they would not have the turnover to qualify for the corporate sector.

**Pharmaceuticals** 100%  
Because of the nature of this business, it is difficult for Australians to enter this industry, but there are companies operating in the conversion sector of this industry.

**Mining and Minerals** 97%  
This is the largest segment of the total corporate sector. While many small Australian companies are endeavouring to gain a hold in this area, their holdings are very small. NB High levels of foreign-owned Australian gold figures were prevented from being published by the ABS in 1987.

**Electrical** 98%  
There is a degree of assembly carried out by Australian companies, and some origination in the more specialised area. The runs are short and make little effect on the total market.

**Banking** 86%  
Austand has stated for some years now that our banks, posing as Australian banks, in fact have majority shareholding overseas. The small local investors on the stock exchange, create the belief that Australians run these banks. The recent highly published Westpac meeting showed clearly that the foreign nominee shareholders were totally in control. Also the Commonwealth Bank disclosure of foreign ownership proves the point yet again.

**Confection/Bev** 84%  
We break this segment away from the processed food area because it is a major item, and its distribution pattern is different. It's common knowledge that Australian has lost control of this lucrative market, and in the confectionary area Schweppes-Cadburys and Nestles really own it outright.

**Manufacturing** 37%  
While Australia has a poor holding in this segment the huge diversification makes it difficult to ascertain, and our foreign ownership figure here is considered to be conservative.

**Insurance** 82%  
The Insurance Council of Australia has a direct link back to the UK where the basic finance comes from. Therefore the major profit goes there also. Our insurance companies are really like the banks, retailers of foreign monies.

**Building Materials** 88%  
In the last 25 years, accelerating into the 80's foreign companies have entered this field because of its potential and profitability - all which must be classified as foreign. Confusion can occur where Australian-owned companies have large investments in conversion processes.

**Hotels (major)** 75%  
This figure does not include brewery owned hotels which are numerous.

**Oil and Gas** 92%  
We have not benefited greatly from our oil discoveries basically because we were told by the powerful oil groups that we neither had the finance or the "know how". This was accepted willingly by our Treasurer. Some state operations have benefited and it was thought by the general public that BHP would be our saviour. But BHP is mainly foreign owned.

## SUMMARY:

These figures do not cover primary industry or public utilities. This picture shows why Australia is, in effect, providing the wherewithal for foreign companies to make profit, currently estimated at \$100 billion annually. The Federal Attorney General has stated that the majority of these companies are avoiding their taxes - and yet seem unprepared to place a tax on the profit of these organisations are taking out of the country. To add to our problems, almost without exception these products pass through re-sellers who are foreign-owned (supermarkets-large retail stores and specialised re-sellers). Thus the substantial margins on these products are not being retained. Even our service industries where we have a chance of making substantial profits, are being by-passed by Government. For example Australian legal firms-accounting organisations, and advertising agencies. This is aggravated further by foreign legal and accounting organisations being given the task to investigate sensitive domestic situations in Australia, by-passing the perfectly capable Australian owned services.

AUSTAND: For detailed information: PO Box 1A, CPO Melbourne, Victoria 3000.

AUSTAND set about compiling foreign-ownership research when the Treasury discontinued publication of figures. AUSTAND's figures are the only comprehensive ones available in Australia.

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**FARM BUSINESS MANAGEMENT REPORT TO GENERAL EXECUTIVE MEETING  
HELD TUESDAY 18th & WEDNESDAY 19th AUGUST 1998  
David McDonald**

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**OVERVIEW**

The National Competition Policy their reviews and the charter have gone beyond original areas as defined which now affects the established rural sectors marketing bodies.

The established Policy of the Farmers Union, Primary Industry Association now the Western Australian Farmers Federation developed marketing policy over the last 40 years of "*grower control; orderly marketing*" which has benefited Agriculture to obtain best prices, Quality standards and established world markets.

The Australian Wheat Board, Western Australian Meat Marketing Corporation, Grain Pool of WA are examples who collectively market our produce, farmers generally view any Government actions with Multi National vested interests; to deregulate and destroy our established and efficient marketing authorities as a threat to rural Australia its social welfare, and viability.

Rural poverty and environmental damage will result. If it works well why change in a very competitive world market?

**ESTABLISHMENT OF MARKETING POLICY**

"*Grower control; orderly marketing*" farmers are aware and support clearing sales and the like by auction whereby 300 potential buyers bid against one another for stock or machinery resulting in the highest bidder the highest price is obtained fairly and justifiably.

In the event of 300 farmers selling and one buyer the lowest price is established due to no competition tenders etc.

Australian farmers are justified in demanding "*grower control*" of their industry employing the best personnel.

It is impractical for so many sellers to compete with one another. The benefits of collectively selling as a single marketer were recognised very early in history.

Quality control segregation's to meet customer needs resulting in higher prices.

Levies deducted from proceeds for Research and Development assured growers of best outcomes; all possible by collective selling, promoting and gaining the best returns on a very competitive world market.

Of interest other countries namely Canada has adopted one marketing authority to sell grain for export.

**DRAFT**

Every farmer needs to examine their cash flow to determine the correct choice of return period and accounting type. For example, a farmer (using a 6 month return period) who sells wool in June and wheat in December and is paid 1 month after the sales would suffer a cash flow disadvantage if they used accrual accounting, but a cash flow advantage if they used cash accounting. An accountant should be able to help make the best choice.

**My annual turnover is less than the \$50,000 threshold, should I register.**

Businesses with a turnover of less than \$50,000 per year will have a choice of registering for GST. If they do not register, they will be *exempt*; not having to charge GST on outputs, but having to pay GST on inputs. These farmers will have to make a judgement as whether the compliance costs of paying GST will be more or less than the amount of input tax they pay.

A factor influencing the decision will be whether they mainly sell to consumers, or to intermediaries. If most sales are to consumers, there may be little incentive to register, as the price charged could be set at market prices, which will include GST. On the other hand, if most sales are to intermediaries, they will only be paid the GST-exclusive price. This would put the exempt small business at a cost disadvantage.

Another factor would be whether the business is expanding. If the small business is expanding, and purchasing capital inputs, it may be desirable to register in order to get a refund of GST paid on capital inputs.

**What happens to my Sales Tax Exemption?**

The Wholesale Sales Tax will be abolished, and your exemption will be cancelled. Most farmers will be required to register as a GST payer.

**I have income tax losses; can I offset GST payments against these?**

GST and income tax are separate types of tax. You cannot offset GST against income tax losses.

**Will I have to pay the road user charge for diesel used on the farm?**

The road user charge only applies to diesel used on the road. Diesel used on the farm will be exempt from the charge. A scheme similar to the current diesel fuel rebate scheme will be put in place to rebate the road-user charge. NFF will continue to advocate a return to a full exemption for all fuel used on the farm.

Import tariffs quotas are imposed on many Australian Exports.

Why should Australian farmers deregulate and privatise when other countries still have subsidies and protection?

The Wool industries individual selling to auction. The reduction in buyers handling larger buying contracts is an example of no "*grower control and no orderly marketing*", brining about the downfall of the wool industry when Australia's economy "rode on the sheep's back".

## **FOREIGN OWNERSHIP AND CONTROL**

National importance and concern is the take-over of Australian companies by large Multi Nationals. Refer **Appendix 1** attached.

The main focus to encourage foreign investment in Australia was welcome.

Take-over bids eventuate without any controls (unlike Japanese industry) that got investment but ensured control.

The main driving force for Australia to "deregulate", privatise and promotion of the National Competition Policy are the Multi Nationals supported by the Federal government who makes an annual payment to WA of \$1.7 Billion should they comply with a satisfactory level of privatisation and deregulation.

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2. The example of the deregulated banking system creating competition initially today a lot of that competition has been corrected by banks merging together (as in many other industries).

3. Redundancies and unemployment of Australian workers with more dependence on Social Welfare, health and education as a result of take-over by Multi Nationals motivated by profit is evident and increasing.
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## **CONCLUSION**

The Senate Select Committee on the socioeconomic consequences of the National Competition Policies is welcomed and encouragement given to address some major issues facing Australia, its people and its future generation.

Copy of only source of foreign ownership available (5 years ago) attached Appendix 1.

<b>APPENDIX 1.</b>
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<b>SECTOR</b>	<b>LEVEL OF FOREIGN OWNERSHIP</b>
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<b>Processed Food</b>	<b>95%</b>
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This is accurately ascertained by the products being displayed on supermarket shelves. The industry considers this segment of the Australian economy is worth \$30 Billion per annum.

<b>Motor Vehicles</b>	<b>100%</b>
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<b>Chemicals</b>	<b>98%</b>
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**DAVID McDONALD**

**Farm Business Management Portfolio**