

**SUBMISSION TO THE
PRODUCTIVITY COMMISSION INQUIRY
INTO THE IMPACT OF
COMPETITION POLICY REFORMS ON
RURAL AND REGIONAL AUSTRALIA**

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Canberra**

I submit that it is now an urgent necessity for the parties to National Competition Policy to review its *operation* and its *terms*.

A review of the *operation* and the *terms* of NCP after five years - *by the parties to the policy* - is a *requirement* of the 1995 agreements.

Point 15 of the Competition Principles Agreement signed by the States, the Territories, and the Commonwealth in Canberra on April 15 1995 states that: "Once this Agreement has operated for five years *the Parties* will review its operation and terms."

Point 10 of the Competition Policy Agreements is in the same terms.

Point 11 of the Competition Policy Agreements also requires that the Parties review the *need* for, and the *operation of*, the National Competition Council after it has been in existence for five years.

And I would heartily endorse that particular requirement as a *major* issue for discussion by COAG, notwithstanding the fact that the Council was not established until November 1995.

An *immediate* review by the parties on the operation and the terms of NCP would therefore be only slightly ahead of the timetable originally set by the Council of Australian Governments, and whole a review of the role of the NCC would be somewhat earlier than was originally intended, I think it would be commonsensical to deal with that issue simultaneously.

I think that the very comprehensive report, and submissions, that will emanate from these proceedings, on the evidence of the draft report, would be an admirable starting point for such a review, and demonstrates the need for it.

You have found considerable ill-feeling towards NCP in regional and rural Australia.

You have found that the impact of NCP to date has been *uneven*.

You have found that the early *benefits* are more readily discernible in the cities.

You have found that the early *costs* are more readily discernible in the bush.

You have found that there has been *uneven* performance in implementation.

You have suggested governments reconsider aspects of the water regime.

You have urged government to reconsider some aspects of adjustment assistance.

Any one of these factors, standing alone, is ample justification for bringing forward the planned review.

Supporters of all aspects, and current implementation, of NCP should welcome the opportunity to re-establish its credentials as a set of policies with clear and identifiable long term benefits for the country.

Opponents, or *critics*, of NCP would achieve the opportunity to put their case directly to those who have the responsibility for its implementation, which is the *parties* to the agreements.

I submit that one other group should be added to the COAG parties for the purposes of the five year review, and that is Local Government.

Local Government is subject to NCP but had limited opportunity for input in its development.

It should have an integral role in the review process.

Mr Chairman, I would also make a number of broad comments on your report, and on NCP.

The first is to agree unreservedly with your observation of the obvious: *That the NCP buck stops with government.*

NCP is a policy of Australian governments.

The Commonwealth, the State, and the Territory governments, *not* the National Competition Council, *not* the National Productivity Commission, *not* the A - triple C, are the architects and the implementors of NCP.

It is high time all parties to the agreement were up-front in accepting that responsibility.

You obviously agree.

Your report makes the same point - repeatedly.

The best way for the parties to *demonstrate acceptance* of that responsibility is, I believe, to advance the review of the operation, and the terms, of NCP by the *parties* to the agreement - which are the *governments* of Australia with, as I say, the important addition of Local Government to full partnership in the review process.

An important element of that review, as identified in the Competition Policy Agreements should be in relation to the continued role of unelected bodies, and particularly the National Competition Council.

There is no doubt, in my direct experience, that at times the Council has sought to overstep its advisory role.

The Commission may be interested to know that this is not only a Queensland phenomenon. The Premier of South Australia sought to have the role of NCC dealt with at the Premiers Conference last year, but the timing was then deemed inappropriate by the Prime Minister.

I would add that is not to imply criticism of the Prime Minister's decision not to consider that issue at the time, but, as I say, to emphasise that it not only the National Party, or the Government, in Queensland that favours an *urgent* - an *immediate* - review of the role of the NCC in NCP.

The second commentary on your draft report I would make is to offer a significant qualification of your view that many other matters, beyond NCP, are having a negative impact on the regions and the bush - and that NCP has therefore become a "scapegoat."

There is no doubt that income and costs and quality of life for many rural and regional Australians have been under pressure since certainly as long ago as the immediate post-war period when there was a major re-alignment in markets on which rural and regional Australia and at the time, the *nation*, heavily relied.

These pressures accelerated with Britain's entry into the European market, generating a new level of competition for a range of our commodities.

From then on the list of factors, beyond the influence of municipal governments, which have had a major negative impact on the regions and the bush, has grown rapidly - as you have identified.

One significant factor which you have not specifically identified in your thorough treatment of these factors is the oil crisis on the 1970's which obviously led to one of the biggest one-off increases in costs for all Australians, but particularly for regional and rural Australians.

The point at which I lose your interpretation, is in relation to the labelling of NCP as a "scapegoat" via your parallel effort to corral NCP issues into the narrow confines of the issues specifically addressed in the 1995 agreements.

The NCC, in its January 1999 report on NCP impacts, itself indicates that the NCP approach of 1995 puts, and I quote, "a national umbrella over a number of reforms which governments were already in the process of developing or implementing."

The NCC identifies that some of these policies date to the mid-eighties.

Your own report makes similar observations in relation to the national financial sector reforms, among others, from that era, as being elements of *NCP like* responses that governments were making at that time.

There is clearly a continuity between those policies and the formal agreements on NCP which I think very legitimately and understandably blurs boundaries between policies that commenced in the mid-eighties, and which were brought under an umbrella in the mid-nineties, in the minds of many Australians - particularly in rural and regional Australia.

So I think there is *no mystery at all* in the fact that a great many Australians, when they think NCP, think of this whole basket of issues that have been in development as government policy since at least that mid-eighties era.

I would suggest there is considerable truth in this comprehension.

It may be quite defensible in the bureaucratic, or the academic sense, to draw a line under 1995 and say *that* was the beginning of NCP - but in political terms, and in terms of the evidence in your own draft report, and in the report of the NCC, it is simply not the case.

It is also a *political* nonsense to continue to seek to ram NCP down the throats of those many people, particularly in rural and regional Australia, who are so very clearly - based on your own draft report, and on the evidence of many of the submissions to you - so comprehensively concerned.

Certainly governments have to have the courage of their convictions - of their policies.

But they also have a responsibility to listen to the governed.

I suggest it is the *parties to the agreement*, not this Commission, which should be hearing and considering those issues *at first hand*.

A third observation on your report concerns the issue of compensation - or of adjustment payments for those people adversely affected by NCP.

You make the point that there is some need for further consideration of this issue by Government, and I agree.

I disagree, however, with your view that existing social welfare systems provide adequate parameters.

There's no doubt we are entering some uncharted waters in this regard, and I think we have to be prepared to consider the questions with considerable sympathy, and in their historical context.

For example, the Commission recently heard, at Albury, from a range of irrigation interests in the Murray/Darling system.

There are people in that region, as you know, who are having a very difficult time establishing reliable data on the availability of water in the medium to longer term: Allocations are constantly changing as, under the NCP umbrella, the New South Wales government juggles the interests of irrigators, and local government, and the environment.

This is not only impacting very adversely on the ability of farmers to plan, it is playing havoc with pricing mechanisms.

As you are aware, the concerns about generally and constantly declining and changing water allocations in the region have attracted submissions concerning compensation for the loss of what has, in practice, been a property right.

The value of farms in that region - and I would suggest to the Commission in similar circumstances - right across Australia - has been weighted in relation to what has, for a very considerable period, been reliable access to particular quantities of water.

The relationship between access to water and the value of an irrigated farm is obvious - and what was argued before you in Albury was that compensation was appropriate where water rights were arbitrarily reduced.

An additional factor in those submissions, I would suggest, concerns the history of that region - and indeed of the country as a whole.

And I think this is an absolutely central point:

What is being contemplated, and implemented, in relation to water and a whole range of other service issues right around this country under NCP, is a *dramatic* and, in historical terms, a *rapid* reversal of policies that have been in place in this country for many decades.

Communities were born, and have been built, and have implicitly relied, on those policies.

Industries were born, and built, on those policies.

Cross-subsidisation, or straight subsidisation, of a whole *range* of services in fact underpinned the development of inland Australia.

And the return, to Australia, on that investment over a very long period of our history, *was our national development*.

It was said that for much of this era we lived off the sheeps back.

In reality we lived off the farmers backs.

And we lived off those relatively few backs very well.

Our living standards through much of that era were among the highest in the world.

In modern terms our economics might not have been particularly *rational*.

And they are certainly a long way from being *politically correct*.

So I say to the Commission that it is one thing to now recognise that many of the policies that generated that wealth, and that heritage, that history, are no longer sustainable.

It is another entirely to say to those people, and the descendants of those people, that they are now economically redundant and are to be simply swept out of the way.

An Australia with a sustainable 4 or 5 per cent growth rate at great social and human and community cost to rural and regional Australia may be an admirable outcome for some.

But it is not a way of dealing with the issue that I want to have anything more to do with.

I would emphasise to the Commission that those comments are directed at politicians, not at the Commission, or the Competition Council, or the A triple-C.

It is governments which have to take stock of the process to date, and to determine that what is needed is a more humane approach.

The best way of describing what I believe is the central necessity - if this process is to be ongoing - is the way it was put to you by Richard Armstrong of the Queensland Farmers Federation in Toowoomba last week when he spoke of what he called the need for a *partnership*.

I think that's an admirable way of putting it.

Governments have to recognise that, in many instances, there is the very strong potential, if not inevitability, of significant dislocation in rural and regional areas as a result of NCP.

Some of it may be unavoidable in delivering wider benefits.

But the *people* of rural and regional Australia deserve far better from government than they have so far received.

Impacts of change need to be determined, and taken *much more* into account, *before* implementation, *during* implementation, and *after* implementation.

And it is that issue which should be at the core of the five year review of NCP by the parties to the agreement, which I submit to this Commission it should recommend be brought forward by COAG immediately your final report is delivered to the Commonwealth Treasurer in August.
