

**PRODUCTIVITY COMMISSION INQUIRY**

**COMPETITION POLICY**

**NATIONAL PARTY OF AUSTRALIA  
WOMEN'S FEDERAL COUNCIL  
SUBMISSION**

November 1998

## **WHO WE ARE**

National Party women form the largest single body of women in politics in Australia. The National Party has some 50,000 women members. All members of the National Party belong to their own branches and their own State organisations. Women's Federal Council is made up of two delegates from each of the affiliated states and the Northern Territory. The Council elects a President, who is its delegate to all major committees and conferences of the Federal Party.

Our membership spreads from the cities out to the most remote parts of Australia. We can lay claim to having the most decentralised membership of any political organisation. Our members come from all walks of life and include many professional women, small business operators, and primary producers. National Party women are characteristically involved in community service within their local and regional communities. They form an articulate and informed voice for rural and regional Australians in particular. The NPA provides regular forums, conducted democratically, at which our members debate policy issues and bring matters to the attention of local, state and federal representatives and policy committees.

## **GENERAL COMMENTS**

National Party women have been amongst the earliest to voice concerns over the implications of competition policy reform. Since the Hilmer Report itself, our forums, from branch meetings through to state and federal conferences, have expressed dismay at the discriminatory way in which these reforms would negatively affect regional areas.

Our members were concerned at the way in which a single set of principles would be applied generically throughout the country and economy without taking into account the differences which exist between rural and city economic frameworks and between small and large market players.

We support increased efficiency and greater competition, but seriously question whether the legislative review processes could accomplish this by eradicating some regulation which serves to keep smaller competitors in the market. Without that regulation, the smaller enterprises cannot survive. It is our contention that Australia needs those smaller enterprises. We need their families, their employment, their contribution to the local economy. In short, our smaller enterprises constitute an enormous public benefit, which does not seem to be valued at its proper worth in the competition policy process.

As active members of our local community, we have despaired at times of the removal of services and businesses in small towns. We know at first hand what it is like to see the court house go, or the railway station, or the policeman, or the doctor. And, when one of these goes, it undermines the population base required to support other services such as schools and medical services.

Our towns are held together by the local grocer, newsagent, pharmacist, hotel and so on. Many of these enterprises perform a variety of additional services. In addition, the local council or shire workforce is usually the largest single employer. If competition policy were carried out to the letter, all these entities would be under threat. The newsagent, pharmacy and hotel would all see their custom going to giant retail complexes in large regional cities, which have the capital required to squeeze smaller competitors out of business. Once these

small independent businesses lose their only profitable lines as well as regular custom, there is nothing to keep them alive in our small towns. If our local shires were compelled to tender out, their work would be picked up by large city outfits who would fly in, do the job and then fly out again, with no permanent employment commitment to the region. The towns themselves then slowly die. Inland Australia empties out.

In the case of primary producers, legislators seem to have forgotten that we are price takers in markets dominated by two or three large buyers. Unless producers can access some form of organised marketing, the buyers will pick us off one by one and push prices down below the cost of production, entrenching rural poverty and leading to further exits from the land. We contend that producers must have some countervailing market power to ensure healthy competition in a market. It is not healthy to have two buyers beating the farmers' price down to poverty levels. Few Australians would deny the importance of a healthy rural sector to the national economy, particularly in the exports and foreign exchange earnings arenas - but also for social, heritage, cultural, security and justice reasons.

Several of these areas will be discussed in greater detail in following sections.

Generally, National Party women are greatly concerned at the flawed assumptions underlying competition policy in its present form. There appears no mechanism to effectively take into consideration different market structures across industries and different economic frameworks across settlements of different sizes. Neither is there room within the processes for a full expression and consideration of 'public benefit'.

We are also concerned about the top heavy structure of the reform process. We have received considerable grass roots feedback critical of the role of the National Competition Council. Our members feel that the Council is too far removed from the coalface of issues on which it pronounces.

Rural and regional areas feel disenfranchised by the whole competition policy process.

The legislative review process has been so extensive and pervasive that very few regional Australians remain untouched by it.

This process has created a climate of apprehension and instability regarding future livelihood and future community.

Following years of drought and low commodity prices in many areas, it is not surprising that the competition reforms attract widespread criticism from rural and regional areas. Every industry, from wheat to sugar to barley to rice and every retail enterprise, from newsagents to pharmacies to taxidriviers and every profession - from podiatrists to lawyers, have had to wait to hear their future decided by people a long, long way away from their own day-to-day experience.

The much heralded benefits are not easily perceivable. The disadvantages are readily apparent.

## **TRADING HOURS**

Members from several states viewed with concern the National Competition Council's criticism of trading hours as anti-competitive. The NCC's warnings to states on this and other issues were seen as interfering and comparable to financial blackmail. There is strong feeling

that the NCC should not be able to wave the stick at states for doing what the NCC thinks is improper under competition policy principles. Trading hours has always been a state issue and should remain totally within the state Parliament's province. Deregulation of trading hours in Victoria led to an immediate fall in the independent retail market share of some 5% in six months. The winners were the retail giants, while the losers were once again the smaller family oriented stores. Our members are also witness to the fall away of retail commerce in small towns following trading hours deregulation which sent customers to the bigger urban centres and away from their local community. In both instances, it is the smaller traders who lose - not from any inefficiency but because it is impossible to match the capital, advertising and pricecutting wars engaged in by the mega-retailers.

The end result is less competition as the small stores close. Once they have gone, our members report that prices go back up.

COSBOA research says that there is also a net job loss because smaller enterprises employ more people per turnover than the big stores. Moreover, the kind of employment offered by the larger stores when they take over (part-time, casual and often junior) is also inferior to that offered by small business where a variety of business management skills are acquired as is the incentive to own your own business one day to support yourself and your family.

One member has reported that the local large retailer has just informed its schoolchildren casual employees that under the new shelf stacking policy, all such work must be done outside shopping hours with likely shifts between 11pm and 2 or 3 in the morning. This is a callous form of economic blackmail on children still at school. This retailer's only nearby competitor has just closed its doors.

It is difficult to see how it could be argued that employing schoolchildren to pack shelves at 2 in the morning is proof that deregulation is working.

Open slather trading hours has many harmful effects on small business, consumers and employees.

## **MARKET DOMINANCE**

Deregulation will only increase the already too powerful market share of the major retailers. National Party women frequently raise this issue at conferences and other forums. We are extremely concerned that the market share of the major retailers acts as a major public cost to the nation. Eighty-six cents in every dollar spent on groceries in Queensland goes to Coles/Myer, Woolworths and Franklins. Competition has shrunk with the independent market share falling every year.

Competition policy principles would have deregulation finish off the job completely, allowing large retailers into the only profitable lines which enable newsagents, pharmacists and hoteliers to remain viable.

No other comparable country has such high levels of market concentration. Competition policy would entrench that trend, encouraging the flow of market share to the large corporations. Our members want to see an Australia where there is real and healthy competition amongst retailers. They do not want Coles Myer and Woolworths to have complete control over price, store location, product range, quality and so on.

As many of our members have a primary industry background, they do not want to see the retailers who are their buyers become so powerful that the farmer cannot get a fair price for his product. If there are only two or three buyers in the market and the farmer has no organised marketing system, then the retailers will be able to drive down the price and insist on all sorts of discounts. There is plenty of evidence in the fresh fruit market of the major retailers insisting on specific packaging and product characteristics before they will take the produce - to be born at the farmer's cost.

## **NEWSAGENTS**

National Party women were most concerned to read of the recent Competition Tribunal's ruling which removes the longstanding exemption given to newsagents to operate particular territories. Word from the grassroots is that local newsagents are fuming from this attack on their livelihoods. Most are local family operations who have funded their sizeable investments in these businesses from life savings, superannuation and often mortgages on their homes.

Once their ability to run profitable lines is damaged (in line with the Tribunal's ruling), then there is no purpose to staying in their business and running unprofitable lines and delivering newspapers.

Once again, the effect will be to hand over market share on a platter to the large retail chains.

Once again, it is small rural towns who will feel this the most.

Newsagents often run a variety of services including postal from their rural outlets. The loss of an enterprise such as this hurts small towns disproportionately. A Coles Myer outlet in the large town a couple of hours drive away, may benefit due to extra turnover, but the small town loses an anchor business, employment, local investment and not the least, morale. 'Another hit', the country people say, bewildered at the pervasive impact of deregulation on their lives.

Competition policy processes do not appear to be capable of recognising and assigning value to non-dollar benefits which nevertheless have a macro-economic effect on the viability of small business and small towns.

## **PHARMACIES**

Like newsagents and hotels, the local pharmacy is a key small town business providing a raft of services. Such businesses are also going to play important roles in the delivery of more services in the future, such as those envisioned by the Rural Telecentres program, which aims to restore electronic services, like banking and Medicare Easyclaim to country Australia. They form the commercial bedrock of rural towns.

Pharmacies have also been threatened by the legislative review process of competition policy.

While governments have so far been able to protect them from total deregulation, the newsagency decision and the need for continual review puts these businesses in a less stable condition than previously - despite years of rationalisation.

Country people would view with extreme disfavour any attempts to deregulate ownership where that would result in the large retailers being able to enter previously pharmacy only lines - as has happened in the United States, to the resultant demise of the corner pharmacy.

We value greatly the quality of service and advice rendered by local, community minded pharmacists and would never want to see those invaluable assets forced into retail wars with the giants which they could not hope to win.

We do not want an Australia where Woolworths advertises itself as 'The Fresh Pills People.'

In rural areas, there is often a shortage of qualified medical personnel and the local pharmacist plays a major role in community health. A recent national study by the Pharmacy Guild of Australia found that Australia needs another 400 pharmacists, mostly in regional areas. The Rural Pharmacists Australia group commented rightly that 'some regional communities are crying out for assistance to retain their local pharmacist.'

The bush needs more, not less, pharmacists. Deregulation would result in a significant public cost to rural health.

Once again, competition policy processes, if allowed full reign, would actually lead to decreased competition as the local pharmacy was forced out of the market by the large retailers. We are also concerned that there would be another public cost in terms of less accountability for professional ethics.

If businesses like pharmacies and newsagents suddenly lose their value because of a competition body ruling - who will pay them compensation for their lost investments?

## **HOTELS**

Hoteliers are also valuable community members in rural towns. In Queensland, their main source of profit is their liquor outlets. Without that, hoteliers would have to close their doors. If Coles and Woolworths were allowed into this market in Queensland, then once again, local bush pubs would see their profitable lines being taken up by major retailers.

The hoteliers would go the same way as the independent grocers, butchers and bakers - straight into the hands of the retail oligopoly.

Once the local hotelier was forced out of business, then consumer prices would increase and the product range and other purchase variables would be dictated by the retailer.

## **SERVICE STATIONS**

The proposed restructuring of the petroleum industry has caused some concern amongst our members. The suggested decrease in service station outlets from 7,000 to 4,000 will mean that many small independently owned stations will disappear, surrendering their market share to the large retail outlets like Woolworths or large 'One Stop Shop' fuel outlets.

Many of these service station operators are families who have invested much time, energy and money to their local community.

Once again, it is felt that the small operators are being edged out without due attention to the public benefit of a stable local economic base for smaller communities, nor consideration of

the domino effect of dismantling step by step those shop fronts which together make a community or neighbourhood work.

## **PRIMARY PRODUCTS**

Reference has been made of the need for farmers and graziers to exercise a countervailing power against the enormous market power held by their buyers. This is necessary to set a fair price.

Terms of trade continue to slide for primary producers and this is not helped by the concentration of buyer market power in a few hands.

The rationalisation of abattoirs has disconcerted many of our members as it shows a dangerous trend to consolidating market power even further in a couple of hands - and most of that foreign-owned.

The sugar and wheat industries have had to fight hard to retain their single desk export powers. It appears very strange to National Party women that domestic competition policy tried to restrict our ability to compete with foreign subsidised industry. These exports are crucial to the national economy and the economic sustainability of inland Australia. Our members cite immense frustration that decisionmakers far away do not appear to realise the market structures in which our producers operate.

Whether it's rice or barley, eggs, milk or exotic fruit, we assert the right of our producers to some mechanism which prevents large buyers from running roughshod over producers and squeezing down their profit margins to unsustainable levels.

The argument that consumers benefit is a hollow one, as proven by the partial deregulation of milk and eggs in NSW where farmers received lower prices while the retailer did not pass the lower prices on to the consumer but pocketed the extra profit.

## **CONCLUSION**

National Party women do not profess to be experts on the finer points of competition policy legislation. But we are experts on our local communities and in touch with collectively some million Australians outside the major cities.

It is our responsibility to report that competition policy is perceived to be an agent of community decline in regional and rural Australia.

The apprehension with which each legislative review is greeted has a debilitating effect on already low morale.

Competition policy is not seen as having delivered any major benefits. It is seen as a threat - to businesses, to properties, to livelihoods, to the overall economic base of communities.

The very fact that under Competition policy, groups have to appear before unsympathetic review panels, justify themselves and their businesses, try to establish an unwieldy public benefit and be checked over by the alien National Competition Council before final judgment is pronounced upon them - gets the backs up of even the most fairminded and efficiency conscious citizens.

Competition policy for most is a misnomer - in so many cases it will lead to less competition if changes are not made to:- its processes; the need for coalface expertise on the operation of different market structures and economic structures between rural and city areas; its public image and the inadequate public benefit test.

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