

QUEENSLAND FARMERS' FEDERATION

Comment on Draft Report “Impact of Competition Policy Reforms on Rural and Regional Australia”.

OVERVIEW

The Queensland Farmers Federation considers that this draft report has provided a valuable service to the many stakeholders of rural and regional Australia. It has done this by documenting the many and diverse views which were put forward during the course of the Inquiry, by assembling a wide range of relevant social and economic information and by presenting many insights, conclusions and findings relating to the impacts of NCP and other factors on communities in country Australia.

In an important respect, however, QFF believes that this draft report falls well short of what is necessary if the problems affecting rural Australia are to be adequately addressed. In our view the recommendations do not do justice to the widespread concerns reported in the draft and the serious situation that exists in many parts of the country.

The thrust of QFF's comments will be to identify issues in the report where rural industries, primary producers and other stakeholders have identified adverse impacts and where the Productivity Commission may have come to a conclusion or presented a finding on the issue, but where no recommendation has been made. In such situations we will formulate some additional recommendations for consideration.

In addition to this QFF will provide brief comment on the recommendations which already form part of the draft report.

QFF accepts that in responding to the draft report in the manner outlined, it has been assumed that it was within the PC's prerogative to report on a wide range of issues affecting rural Australia that go beyond the impact of National Competition Policy alone.

EXISTING RECOMMENDATIONS

Recom. 1

This recommendation is supported. However, given that it would be preferable if all governments could agree on consistency in the information provided on NCP, it may be worth including in the recommendation, a proposal that this topic be discussed at COAG. It may be possible for one set of information products to be agreed upon which suits all jurisdictions. It is also likely that there will be other issues and topics which COAG will want to discuss as a result of the Inquiry.

Recom. 2

This recommendation is supported. Again however it would be preferable, as suggested in the recommendation, if all governments could agree on a common set of guidelines. COAG would provide a forum for such an agreement.

Recom. 3

This recommendation is supported however it is suggested that it should also say something about the distribution of costs and benefits. This could be achieved by adding words along the following lines to the end of the recommendation "----- and provide information on the likely distribution of costs and benefits".

Recom. 4

This recommendation is supported.

Recom. 5

This recommendation is supported.

Recom. 6

This recommendation is supported in amended form. QFF considers that where NCP reforms are regionally concentrated in a way which impacts adversely on rural and regional communities, they should be given the option to implement changes over an extended period.

It is argued in the report that existing procedures can accommodate extensions of implementation periods. Whilst this may be so, rural industries in Queensland are not convinced that this is easy to achieve and would prefer that an option for extension be readily available where rural communities are adversely impacted.

Recom. (un-numbered)

This recommendation is supported in amended form - see subsequent discussion.

Recom. 7

This recommendation is supported in substantially amended form. The COAG timetable failed to adequately assess the task involved in undertaking water allocation and management planning in Queensland catchments at sufficient detail to allow definition of tradeable water entitlements and environmental allocations. Added to this are the difficulties faced in ensuring that communities have adequate understanding of the task so that they can have effective input to the planning process. This is discussed in more detail in a subsequent section.

Recom. 8

This recommendation is not supported in its current form. QFF considers that this recommendation falls well short of what is required given the strength of the concerns expressed by rural and regional industries and communities. This is discussed in more detail in a following section.

Recom. 9

This recommendation is not supported. Again QFF believes that this recommendation is quite inadequate given the state of decline in many communities in country Australia.

REASONS WHY STRONGER RECOMMENDATIONS ARE CALLED FOR

The Commission raises expectations in the draft report (p.2) when it says that whilst the terms of reference do not require it to consider how best to promote rural and regional Australia, the draft report deals with this issue because it was raised by many participants.

This preparedness to “cast the net wider” than a strict interpretation of the Terms of Reference is reinforced (p.6) by the Commission’s following statement.

“Too strict an interpretation of NCP could lead to many of the concerns expressed by people in country communities being overlooked. Consequently the Commission has looked at the broader context in which concerns about NCP have been raised. The terms of reference, the Commission’s guidelines and its open public inquiry processes encourage such an interpretation”.

In addition to these comments by the Commission, the draft report faithfully reported many comments by people making submissions which indicated their strength of feeling on the current situation in country Australia. Perhaps the most powerful of these comments is the following (p.10).

“A significant proportion of country people feel that they have been abandoned by governments. Many hold the view that the Commonwealth Government has no commitment to country Australia and that State and Territory Governments are catering to the interests of the major urban populations”.

A similar comment is reported (p.309) in the discussion of the role which governments can play in the development of rural communities.

“Many believe that ----- the ‘strong rural obligation’ felt on occasion by Commonwealth and State Government to reduce regional disparities, no longer exists”.

A lack of vision for country Australia was also identified in the report as a significant issue for many people living in rural and regional communities (p.13).

“A common plea by people in country Australia is for governments to have a vision for Australia into the next century”.

Furthermore country Australians are looking for action from Governments to address their concerns as indicated in the following comment (p.13) in the draft report.

“----- many people in country Australia are calling for integrated ‘regional development policies’”.

Given the Commission’s intention to embrace concerns about country Australia that extend beyond a narrow interpretation of the Terms of Reference and given the depth of the concerns expressed by many contributing to the Inquiry, QFF believes that the recommendations contained in the draft report fall well short of what is required for governments to act more decisively than they have in the past.

SUGGESTED MODIFIED AND ADDITIONAL RECOMMENDATIONS

Water

It has taken the Queensland Government over three years to release the first draft WAMP for the Fitzroy Basin. It is conservatively estimated that it will take at least another year to finalise the Fitzroy WAMP and complete the subsequent operational planning stage to allow existing entitlements to be translated to defined entitlements which can be traded. While it may be feasible for the Queensland Government to reduce the time taken to prepare the draft WAMPs for other catchments, it is considered that there will need to be more time devoted to consultation if stakeholders are to understand and develop commitment to the plans.

This assessment of time frames assumes that there is no complication to the WAMP process such as the need to address access to overland flow or underground water. These assessments could add at least another 12 months to the above schedule.

While an extension of time is necessary in Queensland to implement these reforms, the Commission makes no recommendations in regard to compensation or adjustment assistance for the impact of water reforms. The only comment made is that ‘negative impacts on some regional communities are not a reason to impede trade in water by continuing to link water rights to land title’.

Rural communities in Queensland now expect that the implementation of tradeable water entitlements and environmental allocations will be very protracted with significant and growing uncertainty regarding impact on farming enterprises. There is an urgent need for governments to consider implementing programs of assistance to help rural industry to adjust to the impact of this reform process.

QFF accordingly proposes that recommendation 7 be replaced by the following.

- i. The Commonwealth Government make a formal extension of time of at least five years for the implementation of comprehensive water allocation and management planning to establish tradeable water entitlements and environmental allocations.**
- ii. The Commonwealth Government give detailed consideration to the need for compensation or adjustment assistance for the impact of rural water reforms.**

Greater emphasis should also be placed on accounting for long term social and economic benefits of water schemes. While the NCC may be concerned that 'any inappropriate application of the social benefit concept could weaken the discipline imposed by investment appraisal reforms', rural communities believe that strict application of investment appraisal methodology for water will stop further development in rural communities and exacerbate widespread rural decline.

Accordingly QFF proposes that the "un-numbered" recommendation on page 135 be replaced by the following.

The Government prepare guidelines for investment appraisal of rural infrastructure that addresses a suitable methodology for accounting for long term social and economic benefits of infrastructure provision in rural areas.

Adjustment assistance

The Commission (p.93) acknowledges that reforms have been poorly managed by governments, that they have failed to adequately address social dis-location and that the provision of adjustment assistance is a legitimate concern.

The report also indicates (p.334) that both NCC and AFFA have concerns on this issue. The NCC have stated that "----- a key need is for governments to address mechanisms for dealing with the social effects of change". AFFA have said that the application of the public benefit test has not given sufficient recognition to adjustment costs and flow on impacts.

The Commission further acknowledges (p.336) that the best rationale for adjustment assistance is "market failure" in that transitional losses are likely to be larger and longer than they would be without assistance. Additional comments (P.339) concede that a regionally specific approach may be called for where the adjustment is large and happens quickly.

Whilst the Commission has clearly established that many economic forces have impacted more severely on country Australia than NCP, they do acknowledge that NCP may be the "last straw" (p.343).

"----- for some small communities struggling to survive, NCP changes could be tantamount to 'the straw that breaks the camel's back'".

Against this background QFF would like to see recommendation 8 in the draft report replaced by a much stronger recommendation along the following lines.

In rural & regional areas where the implementation of NCP reforms is likely to exacerbate existing decline, governments provide new initiatives designed to deliver additional assistance which is tailored to meet the needs of the communities affected.

A Commitment by Governments

QFF believes that it is not sufficient for the draft report to merely acknowledge the concerns of rural communities relating to the sense of abandonment by governments and their plea for a vision that gives them some confidence for the future. QFF applauds the Commission for documenting some of the social

manifestations of the sense of hopelessness felt by people living in small rural communities. QFF was alarmed at the increase in suicide rates over the period 1963 to 1994 for young adult males (table 2.9). It should provide a clear “wake-up” call to governments that the needs of these communities have been ignored for too long and that positive action is urgently required.

It is accordingly proposed that the following additional recommendation be included in the final report.

The Commonwealth Government in cooperation with State and Local Governments, the private sector and rural communities, articulate a vision for country Australia which provides reassurance that governments will intensify their efforts to assist such communities to share in the benefits being made available to urban communities.

Integrated Policies

As indicated in the report, withdrawal of government and private sector services in country areas has often run counter to the objective of other policies designed to stimulate growth and development.

The experience of QFF member organisations in dealing with specific Commonwealth Departments on a wide range of issues is that “territorial” concerns often stand in the way of achieving integrated or whole of Government responses to issues and concerns in rural communities.

QFF considers that the development of an integrated approach should be a top priority for the Commonwealth Government and accordingly proposes that the following additional recommendation be included in the final report.

The Commonwealth Government in conjunction with other levels of government and the private sector, provide a whole of government response to the decline of rural communities by designing and implementing integrated rural and regional development policies which will represent a first step in achieving a new vision for these communities.

Strategic Focus

QFF believes that the Commission has missed an opportunity to link implementation of NCP reforms with broader industry policy.

As pointed out in our original submission, the potential decline in some areas resulting from NCP reforms can be offset in the longer run if the opportunity is taken to assist affected industries to focus on a new strategic direction and to reposition themselves to meet the future challenges of growth in a more competitive environment.

QFF believes that the sugar industry were successful in doing this in the process of the NCP review of their industry. At a national level this has been done in the past for other industries when they were adversely affected by government decisions. Examples are the steel and motor vehicle industries. Both Commonwealth and State Governments have also provided assistance in situations where specific regions were hard hit due to implementation of Government policies. An example in

Queensland is the Regional Forest Agreement which is currently being negotiated and which will assist the timber industry to refocus on plantation timbers.

QFF proposes the following additional recommendation to address this issue

The Commonwealth Government provide assistance to rural industries which are impacted adversely by helping them to define a new strategic direction and to reposition their industry in a way which will maximise their ability to meet the future challenges of growth in a competitive environment.

Managing Change

As noted, the Commission has expressed the view that the process of implementing reforms has not been well managed and that the social dislocation suffered by affected communities has not been adequately addressed.

QFF considers that this issue will not be properly dealt with unless a specific recommendation is made to the Commonwealth Government. QFF takes the view that what is required is acceptance of this responsibility by a specific Commonwealth Department. The same Department would also logically be given the responsibility for ensuring that a whole of government response is achieved in implementing integrated regional development policies.

Accordingly the following additional recommendation is proposed for consideration

The Commonwealth Government nominate a Department which will be required to ensure that implementation of reforms and policies affecting rural communities is managed in a way which achieves whole of government integration and which minimises the adverse effects on individuals.

Intergovernmental Cooperation

Many of the actions which QFF believes are required if the impacts of NCP and rural decline are to be ameliorated and if rural and regional development is to be stimulated, depend on the cooperative efforts of the Commonwealth and State Governments.

For this reason QFF considers that these issues should be raised at COAG for discussion. Such a meeting would provide an opportunity for the Federal Government to agree to a broad new initiative with great consequence for Australians living outside the major centres of population.

The following new recommendation is accordingly proposed.

The Commonwealth Government convene a special meeting of COAG to seek agreement to the proposed modifications to NCP and to discuss new initiatives for rural and regional Australia which are designed to ameliorate the adverse impacts of rural decline and to stimulate rural and regional development.

SUMMARY

In summary, QFF considers that the Commission has done a very good job in giving expression to a diverse range of views and in assembling a lot of useful information on the current situation in country Australia.

In our view the contents of the report provide a loud, clear and unequivocal message that rural Australia has suffered badly over a long period of time when compared with urban areas.

QFF believes that a unique opportunity will be lost if the final report does not convey this message though to the Federal Government in the form of a stronger set of recommendations. QFF therefore asks the Commission to adopt the following additional recommendations, in addition to some strengthening of other recommendation as outlined.

- ***i* The Commonwealth Government make a formal extension of time of at least five years for the implementation of comprehensive water allocation and management planning to establish tradeable water entitlements and environmental allocations.**

- ***ii* The Commonwealth Government give detailed consideration to the need for compensation or adjustment assistance for the impact of rural water reforms.**

- **The Government prepare guidelines for investment appraisal of rural infrastructure that addresses a suitable methodology for accounting for long term social and economic benefits of infrastructure provision in rural areas.**

- **In rural & regional areas where the implementation of NCP reforms is likely to exacerbate existing decline, governments provide new initiatives designed to deliver additional assistance which is tailored to meet the needs of the communities affected.**

- **The Commonwealth Government in cooperation with State and Local Governments, the private sector and rural communities, articulate a vision for country Australia which provides reassurance that governments will intensify their efforts to assist such communities to share in the benefits being made available to urban communities.**

- **The Commonwealth Government in conjunction with other levels of government and the private sector, provide a whole of government response to the decline of rural communities by designing and implementing integrated rural and regional development policies which will represent a first step in achieving a new vision for these communities.**

- **The Commonwealth Government provide assistance to rural industries which are impacted adversely by helping them to define a new strategic direction and to reposition their industry in a way which will maximise their ability to meet the future challenges of growth in a competitive environment.**

- **The Commonwealth Government nominate a Department which will be required to ensure that implementation of reforms and policies affecting rural communities is managed in a way which achieves whole of government integration and which minimises the adverse effects on individuals.**
- **The Commonwealth Government convene a special meeting of COAG to seek agreement to the proposed modifications to NCP and to discuss new initiatives for rural and regional Australia which are designed to ameliorate the adverse impacts of rural decline and to stimulate rural and regional development.**