

# REGIONAL DEVELOPMENT COUNCIL

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The Commissioners  
Impact of Competition Reforms Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616



## RESPONSE TO DRAFT REPORT

The Regional Development Council has made a submission (number 33) to the Productivity Commission's inquiry into the impacts of competition policy reforms on rural and regional Australia.

On page 324 of the draft report regional development policies are described as 'in and out of fashion' and spasmodic. This is not the case in Western Australia and the Council is surprised that such a sweeping and broad statement should be made without reference in the report to the Western Australian model for Regional Development. This omission highlights one of the shortcomings of the draft report. The report fails to give the same weight to the objectives and policies supporting regional development as it gives to competition policy reforms. The description of 'spasmodic' is more accurate when applied to the Commonwealth's regional development policies and programs. It is important to take into account the sustained commitment made to regional development in Western Australia. In this sense, the report reads as an apology for National Competition Policy.

For example, Chapter 10 entitled Impacts of National Competition Policy is but 35 out of a 350 page report. The results presented are high level and the Council believes based on very questionable modelling assumptions (see later). Scattered throughout the report are case studies or instances where reforms in particular areas may have detrimental impacts on regional areas. However, no attempt has been made to include or summarise these impacts in Chapter 10.

The overall effect is that the draft report down plays the severity or possible magnitude of the impacts of reform on regional communities. The discussion in Chapter 10 does not take into account that the direct and flow-on impacts of reform on regional communities may be much greater (and possibly in the opposite direction) than those felt in urban areas. This consideration does not appear to have been incorporated into the Productivity Commission's modelling reported in Chapter 10. The draft report fails to comprehend the critical mass required to maintain small but important rural communities and



the social and economic costs associated with dislocation and destruction of these communities.

There is no acceptance in the report that regional development is a desirable or achievable policy objective. Chapter 13 raises the issue of whether measures taken are effective without offering any assessment. The relationship between specific regional development initiatives and National Competition Policy is not examined to any depth.

None of the Regional Development Commissions in Western Australia is advocating that Community Service Obligations should not be transparent. What is of concern is the blithe assumption that centrally funded CSOs will produce the desired result. That assumption ignores the reality of the vulnerability of CSOs needed for many regional services. What may be a matter of detached decision making for metropolitan-based bureaucrats is a matter of immediate and great impact on regional households and firms. The draft report discussion of CSO funding does not adequately take into account that this risk is borne almost wholly by regional residents and businesses.

In addition the report indicates that, despite visiting many regional centres while preparing the report, the authors have not comprehended the extent to which NCP and the related reforms have effected or threaten to impact upon regional towns and communities. At a time of increased budget stringency, where local government is struggling to maintain community services, service delivery agencies have taken on a philosophy that concentrates on financial outcomes rather than service outcomes, often to the detriment of regional residents and businesses.

There are a number of points in chapter 5 that the Council believes need correcting.

- As far as the Regional Development Council is aware, the State has not sold one of its power stations. There were plans to sell one coal-fired power station at Bunbury in the South West as a going concern but that failed to happen. The station is now in the process of being closed down.
- Access to gas in Mandurah was and is in no way an outcome of or conditional on reform in the gas industry as suggested in the draft report. Mandurah's access to the Dampier to Bunbury pipeline was planned for many years. In the energy sector there has been a tendency for advocates of NCP to attribute reforms set in train before the implementation of NCP reforms. The Commission appears to have fallen into this error with respect to gas reforms in Western Australia. This in itself is interesting as a great deal of the draft report is taken up with separating the adverse impacts of reforms as contracting out and rationalisation of services from competition policy. It appears that the Commission has not put the same rigour into the analysis of the upside of reforms as it has into the downside.

- The supply of gas to the town of Kalgoorlie is not a direct outcome of competition reform as suggested on p124. Reform of the gas sector and renegotiation of gas pricing proceeded independently of the Competition Principles Agreement. When challenged at the hearing for the Senate Inquiry into National Competition the Chamber of Commerce and Industry Western Australia (the apparent source of this information) admitted that the link between developments in the Western Australian gas market (including the Dampier-Goldfields pipeline) and competition policy reform was not as strong as claimed (ie weak).
- There was no reticulated gas market in Kalgoorlie before the installation of the pipeline. The suggestion that reticulated gas has been available for sometime is incorrect and the claim that gas prices have fallen by 50 per cent is spurious.

This again is an instance where the supporters of national competition policy fail to apply the rigour they claim is lacking in those who express concern over the likely impacts or are unconvinced of the alleged benefits of competition policy.

Finally, please note that Whyalla (P7) is in South Australia not Western Australia.

Yours sincerely



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**CHAIRMAN**  
**REGIONAL DEVELOPMENT COUNCIL**

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