

National Competition Policy

Presentation to the
Productivity Commission Hearing
Toowoomba

12th July 1999

by
Regional Women's Alliance

Regional Women's Alliance Inc.

*formed in 1996 as an advocate for
all members of rural and remote communities*

... bringing city



and country together ...

Regional Women's Alliance is a leading lobby group which represents 250 wool and beef producing families in the pastoral areas of far Western Queensland.

We currently have member appointments in the following Boards:-

- Telstra Networking the Nation
- Qld Governments Rural Womens Advisory Council
- Breast Cancer Committee
- Capelec Electricity Board (abolished 1st July 1999).

We appoint Mrs Anne Lloyd as representing RWA at the Toowoomba Productivity Commission Hearing.

Our membership fully and unequivocally supports the Watering Australia Foundation to call upon our elected governments to regain the charter for which they were elected in the National Interest of the development of Australia.


Historically, no nation has survived with the economic mix Australia now maintains - 20% productive enterprise (a declining figure) and 80% service industries.


The rational economics, user pays, cost recovery syndrome, supported by the NCP, who advocate these policies, bear no responsibility if their theories fail. Indeed "competition" appears to deliver corporate monopolistic control. As evidenced in the recent Dairy deregulation - producer receives less, consumer pays more - corporation benefit.

The control of our nations water (the basic element of life) and other natural resources should never be ceded to an unanswerable body closely aligned to the academic and corporate sectors, to absolve governments from their responsibilities.

We are pleased to support The Hon Ernie Bridge jointly, supporting the submissions of the Albury/Wodonga Inquiry in the interests of the development of rural and regional Australia.

Yours faithfully,


J McGeorge
Regional Women's Alliance - Wool Spokesman


Mrs A Ballinger
President
"Stockholm"
Muttaborra

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The membership of Regional Womens Alliance is expanding, as the frustration of rural women gathers momentum to voice their reaction to the decline of commodity prices and the constraints placed on regional and remote Australia, by theorists, as they view the growing inequities of income and wealth distribution.

Regional Womens Alliance think the National Interest is not served by any further decline of the 3.3% of Australia's population now living in rural Australia, and that development must occur to increase that percentage not decimate it.

We are proud of our country - We sing

"Advance Australia Fair" with honour and meaning
Let us not hobble it with NCP.

Regional Women's Alliance Patrons

Mr Ernie Bridge OAM JP MLA

Archbishop Peter Hollingsworth

Professor Geoffrey Blainey

Lee Bird

Reverend Fred McKay AO CMG OBE

Nancy Bird Walton AO OBE

Morris West

NATIONAL COMPETITION POLICY



*A fiendishly complicated
and
unworkable mechanism*

**Presentation to the
Productivity Commission Hearing
Albury/Wodonga
1st July, 1999**

by

**Hon Ernie Bridge OAM JP MLA
President
Watering Australia Foundation**

Introduction

The impact of competition policy on rural and regional Australia was referred to the Productivity Commission in August last year against a backdrop of grassroots mobilisation and political upheaval in the bush.

The performance of One Nation in the Queensland election in June rocked the political establishment but a significant factor in channelling rural frustration into constructive policy directions is the continuing programme of the Watering Australia Foundation.

The Foundation's activities across the New South Wales valleys, in Central and Western Queensland and in the Kimberley drive an agenda for national development. The blueprint for a strong Australian inland was outlined at the Spirit of Australia Conference organised by the Foundation at Dubbo in July.

This vision of a confident and outward-looking Australia requires investment in infrastructure for the long-term. This in turn requires a political environment that is not so totally bogged down in the ideology of economic rationalism and lost in the jigsaw of competition policy.

Despite the blandishments of the National Competition Council and the Productivity Commission in its recent Draft Report, there are serious question marks about the entire direction of policy for Australia under the current regime that is largely pushed by Quangos and unelected officials.

The attempts of the National Competition Council and the Productivity Commission to quarantine National Competition Policy from the public's understanding of the overall framework of economic rationalism are too cute by half.

The fact of the matter is that the National Competition Council has been given enormous power over the lives of Australians. **This is a fiendishly complicated and ultimately unworkable mechanism** and the people are waking up to it.

In November the Queensland Parliament on both sides of the House supported a motion by then One Nation and now Independent Member, Dr John Kingston, condemning National Competition Policy.

In March of this year in the West Australian Parliament I gave Notice of a Motion calling on the State Government to cease its participation in the National Competition Policy and related agreements.

In April in the Queensland Parliament One Nation leader Bill Nelson introduced a Bill to take that State out of the National Competition Policy.

Economic Rationalism

In his speech to the Queensland Parliament on 11th November Dr Kingston described National Competition Policy as "the domestic extension of economic rationalism."

In *Economic Rationalism in Canberra*, sociologist Michael Pusey writes: "Economic rationalism asks for nothing less than a clear-cut reduction of the public sphere to the private sphere and a parallel reduction of public policy to business policy."

In correspondence with Graeme Samuel, President of the National Competition Council, I wrote that I had no doubt "that the accelerated destruction of the bush we are now witnessing can be traced to the implementation by government of policies based on the ideology of economic rationalism.

"The National Competition Council is a major part of the machinery of that policy. Your organisation is the cutting edge of the ideology

"The structure which you appear to play a key role just rules out those traditional factors of statecraft, common sense, leadership and vision. Government in your world becomes a slide-rule mechanism of mathematical formulae checked off against a list of user-pays and cost-recovery.

"Your processes are too dangerous. What if your ideology is wrong. What if your policies are wrong? What if your formula is wrong?"

The Council and the Productivity Commission in its Draft Report are at pains to downgrade the links between the ideology of economic rationalism and competition policy.

The Draft Report spells out a list of measures not required by National Competition Policy – asset-sales and privatisation, compulsory competitive tendering, contracting out, financial market deregulation, industrial relations reform, cutting the size of the public sector, local government amalgamation, reductions in welfare and social services, removing community service obligations.

It is a useful list because it summarises many of the processes and consequences of economic rationalism.

However the arguments trying to sanitise National Competition Policy and separate it from its governing ideology of economic rationalism are entirely unconvincing.

An examination of correspondence from Professor Samuel, the publications of the National Competition Council and the 400 pages of the Productivity Commission's Draft Report merely confirm the above view.

National Competition Policy is the machinery of economic rationalism.

The Productivity Commission

The Productivity Commission has a long relationship with Australian primary and secondary industry under its earlier titles as the Tariff Board, the Industry Assistance Commission (IAC) and the Industry Commission.

In *Industry Assistance, the Inside Story*, influential IAC Director G.A. (Alf) Rattigan describes some of the key issues facing this organisation within the context of Australia's overall economic performance.

He quotes Tariff Board member Herbert Brookes, writing in 1926: "Although we are a fact-finding and non-partisan body, our facts are sought with the object of improving the protectionist system our country has adopted and not with the object of improving it out of existence."

Speaking of his work in the mid-60's, Rattigan wrote: "The work of the Board was resulting in a creeping increase in the level of tariff protection. In addition to this increase through the Board's work, new manufacturing activities were receiving high levels of protection without any public inquiry through highly protected catch-all tariff items and the operation of the Customs by-law system."

His comment on the 1970's rings in our ears today: "There was still little action to develop comprehensive measures to assist workers faced with hardship by structural change in industry. My proposal for a public inquiry into the matter by the IAC was not taken up by the Government.

"Consequently there seemed no likelihood of the Government attempting to ensure that the accelerating change in the economic and social environment benefited – not harmed – the Australian community."

The Watering Australia Foundation has general and particular concerns about National Competition Policy and its framework of economic rationalism.

The general concerns relate to Australia's national sovereignty and security. The particular concerns relate to the people of the bush and the future of the family farm.

The Foundation is committed to driving an agenda for the provision of infrastructure and services to inland people that will enable people to stay on their farms because that is the basis of viable inland communities.

The paraphernalia of National Competition Policy is dead weight dragging down that agenda. In our view the naming of the Productivity Commission is ironic.

In harnessing the resources of its waters, lands and the talents of its people, Australia has not scratched the surface of its potential productivity.

National Competition Policy – Who benefits?

There is a refreshing honesty in the Productivity Commission's Draft Report on the Impact of Competition Policy.

"To date," says the report, "many of these reforms have produced greater benefits for large rather than small businesses and for business users rather than residential customers. *Benefits are expected to spread to smaller users over time.*"

The Australian public has heard that one before. The last time it was about an instrument of deliverance called the J Curve. It is like the mythical pot of gold at the end of the rainbow. Just be patient folks, it will come good in the long run. Unfortunately, as Keynes noted famously, in the long run we are all dead.

The Draft Report also mentions the doubts expressed by members of the public about the sustainability of reduced costs. The man in the street is likely to have a sceptical view based on the old saying: "If they miss you on the swings, they'll get you on the roundabouts.

To the layman, the Goods and Services Tax is being introduced to raise extra revenue for a government that keeps selling off its income streams such as the Commonwealth Bank and Telecom.

The combination of economic rationalism and National Competition Policy that is reclassifying water from a resource to a commodity and an industry has deadly ramifications for Australia's future security.

In the Sydney Morning Herald of 19th March, KPMG corporate finance specialist in agribusiness, Grant Kirby, was quoted on the emergence of non-rural owners of water assets.

Farmers' access to water for irrigation would be secured under lease as part of a developing trend to get capital intensive assets off balance sheets, Mr Kirby said.

Water was no different from any other farm asset. As part of the on-going drive to improve the performance of capital assets *it was inevitable that there would be speculation on the future value of water for capital gain.*

Bankers Trust Vice President of Agribusiness David Fraser confirmed that the increasing value of water was being recognised as it became "an asset class that is receiving increasing investor interest, with its scarcity increasing its attributes for some investors."

Who are the beneficiaries of these trends? It is the people whom economists call the rentier class, whose relationship to productivity is indirect or parasitic.

Water is a resource that makes industry possible, along with the sun and the land and the energy of people.

The speculation mentioned above is no more inevitable than the implementation of National Competition Policy and economic rationalism. These are matters of policy to be determined by governments answerable to their people.

As the late B.A. Santamaria wrote in the Weekend Australian of 21st June 1997: "The Trouble with (Prime Minister) Howard's 'settings' – and they would be Labor's were it in office – is that they are made in the interests of the wrong people. Not ordinary Australians but the foreign investors. That is the heart of the matter."

They Tell Such Whoppers!

The National Competition Council and the Productivity Commission are trying to break the first and last rule of philosophy. They want to have their cake and eat it. On the one hand, the Productivity Commission in its Draft Report is playing down the influence of National Competition Policy, saying that it has only been going a few years and it is being used as a scapegoat for other problems in the bush.

On the other hand the National Competition Council is making claims for its work that border on delusions of grandeur. It is also sticking its beak into every nook and cranny of Australia from the running of railroads in the Pilbara to the numbers and salaries of specialist physicians.

In its January publication, *Some Impacts on Society and the Economy*, The National Competition Council notes that "gas prices in Western Australia fell 50 per cent for major industrial users after the deregulation of the Pilbara market in 1995."

The West Australian policies on natural gas, one of the State's abundant resources, were made by the Government of the day acting through its Department of Resources and the Parliament. They had nothing to do with the National Competition Council.

The same document says: "Water reforms – perhaps the most far-reaching in the NCP framework – embody a comprehensive package of measures aimed at reaping benefits from economic, social and environmental perspectives.

"The establishment of appropriate drinking water quality standards, water quality monitoring and catchment management policies are other important elements of the package. The recent crises over water quality in Sydney and Adelaide have highlighted the importance of these issues."

In other words, the economists of the National Competition Council are saying that they are better qualified to monitor public health standards than the doctors and scientists who have done the job over the years in our health departments and water boards where they are accountable to a **Minister** who is accountable through the **Parliament** to the **people**.

The result of this transference of power from the Parliament to the market is likely to be exactly the opposite of that envisaged by the National Competition Council.

According to the Productivity Commission's Draft Report, "improvements in the performance of government business enterprises and in the provision of infrastructure are important objectives of National Competition Policy.

"Past studies of government businesses identified clearly that they typically suffered from poor management, excessive capital investment and over-manning, which add considerably to costs"

Maybe so, in some cases. Anybody can cut costs by sacking people but there is a lot at stake when providing basic services such as electricity, water supply, health care, transport and education. It is a matter of life and death.

One of the most spectacular examples of what happens when the "reformers" tackle the so-called excessive investment of public enterprises is the black-out of Auckland.

One of the Pacific's great cities was without electricity not just for hours, not for days but for weeks. Another major break-down caused by the same ideology struck the city of Buenos Aires in Argentina earlier this year. Reports indicated a lack of experienced staff, who had been retrenched following the break-up of the electricity commission into a number of private consortia. A similar policy has been followed in the State of Victoria but was rejected in New South Wales at the last State election.

Grassroots concerns are now surfacing in Western Australia about the mechanical condition of Perth's bus fleet and the working hours and health of drivers following break-up of the government-run metropolitan bus service into three privately owned companies.

For economists and bureaucrats to say that this is nothing to do with National Competition Policy is a nonsense and a cop-out. This is the bread and butter of competition policy. This is the ugly face of economic rationalism.

Human beings don't necessarily fit into the models built for them by economic rationalists.

The January publication of the National Competition Council rises to its most delusional heights when discussing its role in the 'Asian crisis.'

"NCP *should* improve the productivity and flexibility of our economy as a whole and thereby reduce our vulnerability to adverse changes in the world environment, such as those currently being experienced in Asia," states the NCC document.

"To the extent that NCP can help fire-proof us from external shocks, it can help to reduce the impact of overseas recessions on the domestic jobs market.

"While the full effects of the Asian crisis are yet to work through, Australia's relatively stable performance in the face of the crisis may be partly attributable to the increased flexibility in the economy resulting from reforms such as NCP."

The polite response to this claim in the bush is that pigs might fly, given sufficient wingspan.

The West Australian Government, gearing up for the effects of the Asian crisis, has recently introduced a Keynesian budget to stimulate activity in the year ahead. The State's Treasury appears not to share the National Competition Council's confidence in its magic powers to insulate Australia from the world economy.

Too Much Power

One of the most shocking aspects of the National Competition Council's work is its assumption of an absolute power amounting to divine right. Our society upholds a principle known as the assumption of innocence. The accused person is assumed to be innocent until proven guilty.

Not so under the rule of the National Competition Policy which now governs Australia. There is a complete reversal of the assumption of innocence into an assumption of guilt.

The accused person (company, shire) targeted by the National Competition Council has to prove why he should not be subjected to competition. It is not up to the NCC to prove the case.

The position is spelled out brutally by Professor Samuel, quoted in the Productivity Commission's Draft Report: "It goes (the competition goes ahead) unless it can be robustly demonstrated that the benefits of the restriction outweigh the costs and that the objective cannot be achieved in other ways."

That is easy for a bureaucrat in a well-resourced Quango to say but for a small country Shire on the receiving end of the edict it may well be a death sentence.

This position is worse than I appreciated when writing to Professor Samuel in the letter of 5th March quoted earlier when I said: "There is a rigidity in your thinking, in your policies and in your structures. There is no reference to the grassroots which is the core of a nation's people."

"People fear such rigidity today just as they have over the centuries when contemplating the powers of the Grand Inquisitor or the holders of Marxist-Leninist wisdom in the Politburos of Russia and China."

The Productivity Commission in its Draft Report obviously has some reservations about the National Competition Council's role as judge, jury and hangman and recommends some diminution of the Council's role.

However the Productivity Commission does not appear to question the essentially religious nature of the Council's activities based on the sacred cow of competition as its icon of economic rationalism.

As the Commission notes, the NCC is not mucking around. It fined the New South Wales Government \$ 10 million for failing to justify its decision not to implement some aspects of the review of rice regulations.

The National Competition Council has just lost a nine month battle with Hamersley Iron over the use of a Pilbara Railway. The company fought the NCC in the Federal Court.

As a major iron ore producer, Hamersley had the financial stamina to mount a nine month legal battle. It is reasonable to assume, however that the Shire Councils of inland Australia do not have such resources.

Many of them are struggling to survive. Having to deal with yet another Quango dispensing economic rationalism is likely for some to be the straw that breaks the camel's back.

Public Interest, National Development and the Limits of Ideology

As noted above, National Competition Policy places the onus on those seeking to retain the status quo against incoming competition to prove the wider community benefit. The NCC people assume that they are the good guys and their targets are the baddies.

The impact of this policy in the bush was spelled out simply by One Nation member Bill Nelson during the November debate in the Queensland Parliament. In small towns, said Mr Nelson, local government is often the main employer.

The problem has been picked up by the Productivity Commission in the Draft Report where it tries to develop the cursory thinking of the National Competition Council on wider community benefit and the public interest.

In so doing, the Productivity Commission makes these issues as clear as mud.

The Commission ends up suggesting that local government officials and others in the firing line should be given coaching in how to deal with the National Competition Council. Perhaps they should go back to school and get a degree in the subject.

For goodness sake! What are these Quangos trying to do to the people of the bush? Drive them to their graves?

The hopeless confusion on this issue demonstrated in the Productivity Commission's Draft Report tells us that apples and oranges don't mix.

In other words, we are looking at a failure of ideology.

The reason the Productivity Commission and the National Competition Council have not been able to define community benefit and public interest in the language and formulae of economic rationalism is because it is simply not possible.

There are more things in heaven and earth, Horatio, than are dreamt of in your philosophy.

For the same reason, the Productivity Commission has failed to adequately address the curtailment of national development projects under the rules of National Competition Policy in full cost recovery and user-pays.

The Commission acknowledges that this is a concern of people in the bush but its comments on regional development amount to noting that Australia is in the same policy mode as other OECD countries – namely doing nothing.

That doesn't mean (a) that these nations are pursuing the right policy or (b) that the largely undeveloped and unpopulated island nation continent of Australia is the same sort of place as other OECD countries.

In the parliamentary debate mentioned above, Queensland Opposition Leader and former Premier Rob Borbidge said: "Thank heavens the National Competition Council was not around when we built the Snowy Mountains Scheme because it would never have been built.

"Thank heavens the National Competition Council had not been invented when we put in the railway lines to coalmines to generate the export income that has made sure that this State, under Labor Governments and conservative Governments has consistently outpaced other States around Australia in terms of economic growth."

I took a West Australian perspective on this issue when writing to Professor Samuel, referring to the Comprehensive Water Supply that had its origins in the famous Kalgoorlie Pipeline and construction of Mundaring Weir.

"The investment has paid for itself a thousand times over the past century," I wrote. "Indeed the scheme has underpinned the State's economic survival in that time. It was hard enough to get going a century ago but I hate to think what would have happened to the project if it had faced today's COAG Quango tangle."

An Unworkable Mess

The National Competition Policy is a quagmire of half-baked notions, wishful thinking, great expectations and unproved theories.

It is an effort to take a great swag of decision-making processes out of the democratic public arena of State, Commonwealth and Local Government jurisdiction and subject them to a contrived market environment.

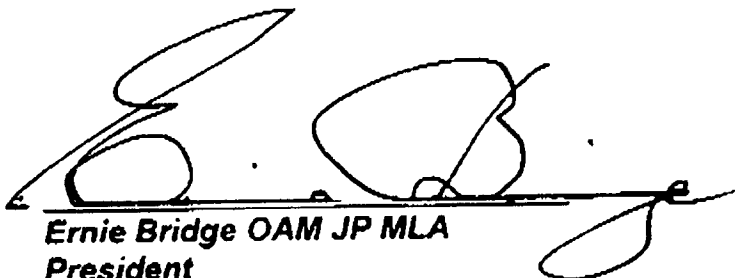
The prospects of this regime for complexity are literally endless. That is the clearest message to emerge from the document known as the Productivity Commission's Draft Report on the Impact of Competition Policy Reforms on Rural and Regional Australia.

What is unworkable today will get more unworkable tomorrow.

Some time soon Australia's Federal, State and Local Governments are going to have to pick up the ball and run with it.

They are going to have to get back to the business of governing the country. It is not a job that can be handed over to unelected groups of academic economists.

The best advice for the Productivity Commission is to quietly put the National Competition Council to bed. Restructure it, preferably out of existence.



Ernie Bridge OAM JP MLA
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Watering Australia Foundation