

Productivity Commission Inquiry into the Impact of Competition Policy on Rural and Regional Australia

Submission from the Shire of Yarra Ranges

Introduction

The Shire of Yarra Ranges recognises that there has been some impact from the application of National Competition Policy on both the Council and the community. This submission highlights issues related to the definition of rural and in addition comments on several issues covered by your inquiry:

- Examples of the socio-economic effects of NCP on the Council or the community
- Comment on how the public benefit test has operated
- Comment on the impact of NCP on Council operations
- Comment on the impact of NCP on the community

The Shire of Yarra Ranges

The Shire of Yarra Ranges is located on metropolitan Melbourne's eastern fringe and has a population currently estimated to be 138,115 people (47,800 households), making it the sixth largest municipality in the metropolitan area and the seventh largest in the State in terms of population. One in every thirty Victorians lives in the Shire. The Shire's population is expected to remain constant over the foreseeable future, with a projected growth rate of approximately 1%.

With an area of almost 2,500 sq. kilometres, the Shire is the largest of any metropolitan or fringe council in the State. The Shire balances a mixture of urban and rural communities. Approximately 80% of the Shire's population lives in the 10% of the Shire that is classed as urban, while the remaining population is unevenly dispersed throughout the 50 plus townships, small communities and rural areas of the Shire. Population density, at 55 people per km², is significantly lower than most metropolitan fringe municipalities.

Unlike most metropolitan fringe municipalities growth opportunities are severely limited due to the protection of the significant environmental character and tourism opportunities of the area. The Shire contains the Dandenong Ranges the Yarra Ranges National Parks as well as the internationally renowned Yarra Valley wineries, significant timber milling areas and a large percentage of Melbourne's water catchment area. Local and Regional Planning Schemes recognise the significance of the environment and have clearly defined zonings and strategies that balance the necessary economic growth of the Shire with protection of the Yarra Valley and Dandenong Ranges from over development.

The Shire of Yarra Ranges can be characterised as a "young" Shire, with a higher than average proportion of our population aged between 0-17 years and a lower than average proportion of residents 60 years and over.

Rural Definitions

The Inquiry Issues Paper has sought comment on the most appropriate definitions for rural and regional Australia. The Shire is interested in this issue because of its unique mix of rural and urban areas and the lack of opportunities it faces due to its urban classification.

The definition of rural used by the Productivity Commission in its Issues Paper is, we believe, a better definition than that used by the ABS and the State Government. The definition: *“rural refers to areas outside major metropolitan centres and is typically associated with agricultural pursuits”* needs to be applied to appropriate areas regardless of municipal boundaries.

Currently all urban fringe municipalities are classed as metropolitan by both the State and Federal Government and the Australian Bureau of Statistics, mainly due to their proximity to the State Capital (in our case Melbourne), and the continual growth of their populations. As described briefly above, the Shire does not fit the standard characteristics of most fringe municipalities. Although it does have a large percentage of its population living in urban areas, it still has 20% or 45,000 people living in the 90% of the shire with rural characteristics. This provides a population density of 19.6 people per sq. km. for the rural area and 464.5 people per sq. km for the urban area.

In addition the major industries of the Shire are rural based – agriculture including viticulture and wine production, horticulture, floriculture, forestry and timber milling, and tourism (based on the rural attractions of the area). For instance it is estimated that Yarra Ranges produces approximately 75% of Victoria's strawberry production, 70% of Victoria's nursery horticulture and 32% of Victoria's floriculture. (sources ABS and various industry organisations).

Rural Definition and Competition Policy

If the Productivity Commission's definition of rural was to become the standard for all governments and agencies, this Council could compete fairly for funding and other economic incentive programs for which it is currently ineligible due to its metropolitan classification. Several Government funding schemes, particularly the Partnerships for Growth, Rural Road Funding and the Grants Commission Formula currently exclude the Shire of Yarra Ranges from accessing their funds due only to our metropolitan status, even though we fit all the funding criteria.

In relation to Competition Policy, the status or classification of a municipality is relevant when considering the economic opportunities available to a municipality, its ability to capitalise on them and the impacts of economic and competition reforms on both the municipality and the economic opportunities offered.

Currently the rural areas of the Shire are impacted negatively by both the economic and structural reforms of NCP and its metropolitan classification.

The Shire requests the Productivity Commission to consider these rural / urban definition anomalies when considering the impact of economic reform and competition policy on rural, fringe and regional areas.

The impacts from the NCP economic and structural reforms are detailed below.

Social & Economic effects of NCP

Structural Reforms

Reform of GBE's

- The reform of Government Business Enterprises (GBE's) has seen the closure or relocation of depots and offices in some towns within the Shire. To assist the local community, Council has negotiated the adoption of some of the services previously undertaken by the GBE's, in particular VicRoads, to be provided by Council staff at the regional Service Centres. This has resulted in benefits for the community but increased costs for Council.
- The reform of GBE's has also resulted in a reduced capacity to cross subsidise community service obligations. Within the Shire this is particularly noticeable in the water and sewerage industry; where the backlog of reticulated sewerage and water supply to difficult rural areas has not been allocated as a priority in the transfer of tasks to the new "smaller" competing service providers. There are no timeframes or performance indicators for the completion of this task, and the smaller customer base of the service provider limits their capacity to cross subsidise the cost. The lack of reticulated sewerage and water impacts significantly on Council's risk management, building, planning and environmental management programs.

Deregulation of Banking

Small branch bank closures have impacted negatively on the local communities and small business. This has led to the establishment of a community bank in Upwey and a feasibility study for a community bank in Warburton.

Reforms to the Health & Community Services Area

The current restructure of the Victorian Department of Human Services to accommodate NCP requirements will result in significant changes to the activities within these areas, however it is too soon to know what the impacts will be. The impacts should become more evident over the next 12 – 18 months.

Impacts of NCP on the Community

However, the structural and economic reforms discussed earlier have had a significant effect on the community.

The structural reforms have had a significant impact in both social and economic terms. It has been difficult to quantify the job losses and resulting impact on local economies within the Shire as a result of these reforms, although it is clear that the smaller rural towns that have experienced removal or reduction of GBE's and or other industries are suffering.

It is important to note that many of these structural reforms have had a greater impact on the rural and semi-rural areas of the Shire. The suburban areas on the western boundary of the Shire do not appear to be experiencing any major impact from the application of NCP.

Impact of NCP on Council Operations

The operational impacts of National Competition Policy such as the application of TPA and Competitive Neutrality have had very little impact on the community, however NCP has had some cultural and cost impacts on Council, although overall these have been minimal. The timeframes for implementation of NCP requirements has been acceptable and has enabled Council to adequately budget for the necessary reviews and changes.

Competitive Neutrality

The application of competitive neutrality pricing principles has had minimal impact on Council. The impact has been mostly in increased costs associated with applying the competitive neutrality formulas. As this process becomes more familiar and the processes for recording and applying the formula are in place, the costs should reduce.

Application of the Public Benefit Test

The Public Benefit Test has been applied to several service areas of Council including one Tender:

Roads Maintenance Tender

Due to the size and physical nature of the Shire, the Roads Maintenance Tender was advertised and awarded for two regions (North & South). The evaluation panel advised that an external bidder be awarded both regions. Council applied the public benefit test on the basis of the potential for lost skills and knowledge of the area, critical for emergency management and planning within the Shire. (The Shire is a leading Council in emergency management for fire, floods and landslip). Following the application of the public benefit test, the External Bidder was awarded one region and the in-house Council team awarded the other. Awarding the two regions to separate contractors also provided council with the opportunity to ensure benchmarking of performance and reduced the risk to Council of any failure to deliver by either contractor.

Service Areas

Council considered both the public benefit and in-house competitive tendering criteria and resolved to initially review and benchmark several service areas of Council before reassessing the tendering of the service. The service areas were:

- Youth Services
- Child Care
- Land Information Services
- Customer Service
- Kwarra Gardens

Trade Practices Act

The application of the Trade Practices Act has brought no significant changes to the operations of Council. Council staff are more aware of their obligations, but there has been no need for any major cultural or operational changes in this area.

The introduction of an annual TPA Compliance Program has cost the Council approximately \$5,500 per annum (including staff time), and a TPA Audit carried out in

1998 cost the Council \$3,000. Smaller amounts are expected to be allocated on an annual basis for on going targeted audits.

Local Laws Review

The application of the Local Laws Review has cost the Council more than the application of the Trade Practices Act. This is mainly due to the legal and community consultation costs involved in reviewing the laws. To date Council has allocated approximately \$10,000 for legal fees and community consultation and \$2,000 for staff, administration activities. The review is still in progress and these costs are estimates only.

Five of the six local laws have been identified with potential breaches, requiring a total of 18 Parts or Divisions of these laws to be reviewed under NCP guidelines. This review is currently underway and results of the review cannot be provided at this stage.

Victorian State Government Reforms and CCT

It is important to recognise the impacts of State Government Reforms such as CCT (compulsory competitive tendering) and the introduction of Performance Indicators within the context of NCP. Although these State Government reforms are related to the economic reforms of NCP, they are not part of the stated NCP Agreements and their impact needs to be reviewed and commented upon separately. The Shire has therefore attempted in this submission to comment only on activities directly related to the NCP Agreements.

Impacts from other State Government reforms such as Council amalgamations must also be isolated from this review of NCP. Although it is sometimes difficult to isolate the impacts of council amalgamations from GBE reforms and bank closures, especially in smaller suburbs and towns, the Shire has attempted to do this in the examples above.

Conclusion

NCP has had an impact on both the Council and the community especially in relation to structural and economic reforms and particularly in the rural areas of the Shire. It has had minimal or no impact on the community in operational areas such as the application of TPA and competitive neutrality and reviews of local laws; although these areas have impacted in a small way on Council, mostly related to increased costs.

If you have any further questions related to the above comments, please feel free to contact Pam Harris in the Corporate Strategy Unit on 9294 6191 (phone) or p.harris@yarraranges.vic.gov.au (e-mail).

Yours sincerely,



Michael Corrie
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