

**Submission by the Manager of the Snowy-Monaro Business Enterprise Centre Inc.
to the
Inquiry into
Impact of Competition Policy Reforms
on Rural and Regional Australia**

Definitions

We offer the following definitions.

Regions are communities of interest based on common value be it economic, industrial, business, social, environmental, historical or geographic interests

Metropolitan regions are communities based upon a city, its suburbs or associated suburban towns and villages which derive major direct or indirect value from the city in which it is based.

Large Non metropolitan regions are communities based upon a large town or group of towns and its surrounding rural areas.

Rural regions and areas are large expanses of low density populated land areas which do not comprise townships with populations of over 20,000.

Delivery of Government Programs in Rural Areas

Rural regions are having their government services and programs depleted. in many cases this is due to the organisations within these areas, whilst in many cases being well equipped to deliver services, cannot compete through a price based tendering process with either metropolitan or large non-metropolitan based organisations.

The outcome is that the lower priced tenders are priced based on the less expensive service delivery to the larger population areas were economies of scale are possible. It is also found that when they tender and include rural areas in their bid they do not have the localised expertise and knowledge to provide the quality of service expected.

Despite the assurance that many government tenders are not only priced based, the reality is that in the final analysis they are price based.

Community-based Organisations and delivery of labour market and business development programs in rural areas

Federal Government have opened up the delivery of labour market programs to open competitive tender in a way that defeats the objectives. Whilst in concept competition should provide better service at better prices this is not the case for delivery of labour market programs in rural areas.

The following example shows how a rural area has been disadvantaged by a competitive tender process which was ill designed and despite statements that it would guarantee effective service to rural areas has not delivered that outcome.

Our organisation (BEC) has been delivering the National Enterprise Incentive Scheme (NEIS) for the Department of Education, Employment, Training and Youth Affairs (DEETYA) in some form to the Snowy-Monaro region for over five years. It successfully tendered for the agency twice and the outcomes produced are good. They match all the national benchmarks for providing this service.

The recent tender process had us meet all the criteria to be acceptable as a managing agent. The final criteria was price. We lost the tender to supply the service against large regionally based providers. Some priced their tenders simply on supply of services to the larger population areas. The cost of delivering the service in the Snowy-Monaro region because of lower participant intakes and the tyranny of distance makes it more expensive.

The smaller regional or rural area tenderers such as ourselves only bid for our specific area. The larger regional organisations tender for larger areas and price their tenders by equalising their costs across the whole area thus providing lower tender bids against ours. The issue then is that whilst service may be seen to be provided it is not of the same quality as there is a lack of localised knowledge necessary for the delivery of effective labour market programs.

We fear that the State government may also start to apply the same " metropolitan thinking " logic to the BEC business advisory services in NSW. There is much talk of open competitive tenders for these services in the future. Also the creation of regional BECs to save funding. The infrastructure of the 50 BECs, throughout the State and its proven performance as a network will be shattered as has the work of the UK's Enterprise Agency network with the introduction of large regional Business Link operations.

Community-based development operations such as BEC's have to be protected from the " metropolitan thinking ", open tender, competition logic of politicians and beauracrats, most of whom are metropolitan born and bred. They do not understand the need to have grass roots based organisations owned and operated within their communities. The introduction of simplistic price based tendering defeats the objects of these programs.

Government Owned Infrastructure

Under government competition policy, we are seeing the integration, corporatisation and privatisation of a variety of government owned infrastructure agencies. These processes, in theory provide synergies and therefore costs can be reduced. The argument also goes that competition will bring better service. This argument is flawed for rural areas where there is small demand due to small and scattered population and eventually offices and services are closed and withdrawn.

This has been experienced time and time again in the Snowy-Monaro region, one such example is the integration and corporatisation of the NSW electricity industry which has seen a loss of over 80 jobs, increase in charges and the lowering of service. The arguments for full privatisation of telecommunications, under competition policy, offer the same scenario for rural areas in the long term. Whilst one may not be against privatisation there must be some government intervention to provide sustainable protection for rural areas in the long term, if we are to have viable and attractive rural areas to live and work.

The competition policy for use of infrastructure such as airports may at first sight, especially through the logic of large demand, metropolitan thinking, be seen to provide overall benefits. In the Snowy-Monaro region it has a negative effect. As a small regional area which has a seasonal tourist season (snowfields), we have major use of the Snowy Mountains airport, Cooma, during the snow season. During the rest of the year it is considerably less. We could have the position that whilst competition ensures that there is good operations during the season, the reduced overall income potential due to competition makes it uneconomic to provide effective year round services. We may get better service from allowing only one operator to operate from the airport. obviously the year round operations could be tendered. The logic is similar to the local provision of community-based government programs.

There is the other side to the issue of monopoly in managing government infrastructure in our region. Currently our skifield resort areas within the Kosciuszko National Park operate in two ways. Operators and accommodation establishments having leases direct with the National Park and in the case of the Thredbo village through a head lease holder developer. The head lease holder situation can be in a conflict of interest and have the potential to misuse market power, when the head lease holder competes directly with its sub leasees in various operational and accommodation areas.

These cases simply show that competition policy cannot simply be applied broad brush, especially in rural and non-metropolitan regions, there needs to be localised consideration and it must take into consideration all factors without becoming too beauracatic.

Small Business in Rural Areas tendering for Government Business

Whilst there are schemes to equalise the ability for rural businesses to compete with metropolitan and large regional centre businesses, it does not work to the degree it should. There are considerable advantages, socially, environmental and economically to moving business to rural areas, this needs to be reflected in government policy and especially in tender policy.

There are major national costs to continuing to grow our metropolitan and large regional areas especially in social and environmental costs which in the end translate to economic cost. Our government competition policies must ensure that at local, state and government level rural business is able to compete by increasing the pricing differential allowed to rural business tenderers. Local government in rural areas are major culprits by working against their own development through buying services and products from metropolitan and larger regional centre businesses.

Regional Development in Australia - a vital element to ensure a level playing field in regional competition

We need to ensure that rural and non-metropolitan regions are able to provide the infrastructure, resources, knowledge, skill and facilities to compete with metropolitan regions of Australia. This can only be done if Federal government takes on its responsibilities in the area of regional and rural development. Attached is a structure which provides the basis for grass roots development whilst integrating into a national framework. This framework needs resourcing and include the necessary resources for integrated industry, community and enterprise development.