

PO BOX 406,
WONTHAGGI 3995.
PH (03) 5672 3799
FAX (03) 5672 3794
EMAIL: susan.davies@parliament.vic.gov.au
WEBSITE:www.vicnet.net.au/~susandavies



LEGISLATIVE ASSEMBLY
PARLIAMENT HOUSE
MELBOURNE, VIC. 3002
PH: (03) 9651 8911

SUSAN DAVIES MP
Member for Gippsland West

**The Impact of Competition Policy
Reforms on Rural and Regional
Australia**

Submission by:

SUSAN DAVIES MP Member for Gippsland West
11/11/98 Korumburra, Victoria

Introductory Remarks

The terms of reference for this review specify that "The government wishes to ensure that the benefits of increased competition in the economy flow to all Australians, including those living in rural and regional Australia, and that the implementation of competition policy promotes efficiency, economic growth and community welfare."

My understanding of Competition Policy is that under the policy, legislation and government practices should not restrict competition unless it can be demonstrated that:

- * the benefits of the restriction, to the community as a whole, outweigh the costs, and
- * the objectives of the legislation can only be achieved by restricting competition.

I would suggest in the strongest terms possible that:

- 1/ the implementation of Competition Policy thus far has had a detrimental effect on community welfare, particularly in rural areas.
- 2/ at least in part the reason for this is because there has been little thought or care given to those provisos above.

Competition Policy has been used in Victoria to justify the implementation of a very radical and rapid social change agenda. The commitment appears to be more ardent than is apparent in other states, based, I would submit, on ideological fervour rather than actual necessity as per the legislation.

The sell off of public assets, corporatisation of public services which are not yet sold, contracting out services, and deregulation in many industries are all justified to the public as being essential under Competition Policy.

What is needed now is a determined commitment to measure the impacts of these “reforms”. The submissions you are taking now do not in any way constitute the measuring which needs to be done.

I would ask that the Productivity Commission undertake large scale and ongoing statistical and qualitative analysis of:

A/ lost employment/ altered employment opportunities, and the social consequences of this especially for rural communities.

eg It often takes a long time to sell a house in a rural town. Therefore people are unlikely to buy unless they have long term job security and an emotional commitment to a district.

Contract employment might on the surface appear to aid “efficiency” in an organisation, but in a rural area it means that qualified people are less likely to move in, less likely to settle in and become fully participating members of the community, including “value adding” by way of voluntary involvement in community groups. They are more likely to take their skills and money and go somewhere else.

In the long run this is not “efficient” either in dollar or social terms.

A shortage of teachers is already becoming evident in rural areas. It is possible that Councils, Human Services and other areas needing qualified personnel will also face shortages.

We need to measure how much this is happening. Anecdotal evidence is insufficient.

B/ Population shifts. How much have pre-existing trends been hastened and or tipped over to “no return” by current policy?

C/ the costs of change or proposed change, which take into account long term economic costs as well as immediate costs
eg productivity losses resulting from time spent on applying for contracts or worrying about where the next job will come from.

Are We Behind Current Thinking ? (Even the thinking of those whose model we think we're following?)

I refer to the World Bank's recent change of heart.

The World Bank has issued a statement calling for;

- investment in labour intensive public projects such as rural road building and environmental works,
- efforts to keep schools and health care affordable for poor households
- services to be kept intact,
- the purchasing power of the most vulnerable households to be maintained (which becomes difficult when “user pays” is the flavour of the month).

And I quote, "Economic growth would not be effective if it was not environmentally sustainable, left out the poor or was cut short because of inadequate structural change".

(ref: The World Bank Statement
"http://www.worldbank.org/html/extdr/extme/1958.htm")

The fact that this statement is referring directly to Indonesia and the Asian economic crisis is irrelevant. Poverty is relative and there are too many poor in rural Australia.

The median age of people in Gippsland West is 37 years.
The median weekly individual income is \$200-\$299
The median weekly household income is \$300-\$499
(Ref: Basic Community Profile, 1996 census. Copy attached to submission. Appendix 1.)

The hunt for real evidence of community benefit from National Competition Policy must begin, and must continue. Continued implementation of the Policy is unjustifiable if governments do not show a willingness to properly scrutinise and quantify the impact and consequences of their actions.

A Search for some evidence

Ref: Hodge, Graeme - Contracting out Government Services(A review of International Evidence) Montech 1996

"This book reviews the evidence relating to the privatisation of service provision through competitive tendering and the contracting out of government services."

"Several database systems were searched to ensure an extensive and international coverage of available empirical results for the area."

"Some 245 references were identified as being relevant to the topic, and 129 of these provided some form of empirical result for contracting effectiveness"

To paraphrase the executive summary, this empirical research identified the main savings being in the field of refuse collection and cleaning , with possible savings in other areas being "much less certain".

Where there was evidence of reduced costs, there was little empirical evidence of savings being passed to ratepayers.

On the social side, the study showed that women, part-time workers and minority groups felt the brunt of "contracting efficiencies", that the risk of systemic corruption was increased, that there was a loss of accountability, avoidance of government responsibility and a possibility of the business sector exerting undue influence.

(I quote) "Statistically significant improvements in average economic performance with the combined data including both cost and productivity performance) were found for the following services; maintenance, cleaning, and refuse collection services."

“Several other services were found on average to have performance changes which were not significantly different to zero. These included corporate services, police/security, health, parks and recreation, engineering, training and transport services.” (End Quote) Ref Executive Summary pVI Hodge, Graeme)

Since many of these latter areas are ones in which our current state government, with the active encouragement of the Federal Government, is moving very rapidly towards privatising, I would recommend a closer look at this, and other available data. There is no excuse for not knowing. Other countries have trodden this path before and the information is available.

Where Competition Policy Bites

What follows is a snap-shot of some of the areas I deal with. I can provide more detail of specific examples in each case if they are required. I repeat however, that these anecdotes are not enough and that focussed research is needed on the consequences of the application of Competition Policy in each area.

Local Government- Compulsory competitive tendering.

See submissions from local government. I would expect to see some advantages in terms of some costs. More focus needs to be put on looking for benefits beyond simple dollar savings.

Major Utilities-Privatisation and Corporatisation- Again I trust that others will deal with these.

I wish to concentrate on some of the less often dealt with examples
Human Services

Of all government responsibilities, this would have to be the one which would seem most illogical to attempt to permit anyone to make a profit from.

Even the architects of privatisation in Victoria, within Treasury, have acknowledged (at an MPs briefing I attended) that this is an inappropriate field to be attempting to apply Competition Policy to.

Particularly in rural areas, we are very lucky to have even one available source of expertise, let alone the possibility of competing ones. Over and over I see the same people who have worked in a field for some time in a particular area, being re-employed by each different organisation which just happens to get the funding this time.

This is not productive competition. It is a mindless waste of time, energy and resources.

Yet that is what has and continues to be done.

The model of service provision which did exist, albeit imperfectly, was a to have central responsible body, with a Minister at the top who was directly responsible in Parliament for the workings of his Department. Most of the service delivery was delegated through local government, or increasingly over the years, through local community health centres.

This community based service delivery is the model I support. The Community Health Centres I regularly have contact with are wonderful places. People, (up to now) have been able to attend, and be referred to the appropriate individual who can help with their particular issues.

There is considerable co-ordination between different workers within the centres, which makes sense because usually people in trouble have a variety of different problems, all connected.

The community health centre is almost (never totally), a "one stop shop". Everyone knows where their community health centre is, the service is close, well known, the people friendly in that they do not tend to be at all bureaucratic and the workers are locals who refrain from using too much professional dialect when in public.

Since services have begun to be contracted out I have had an ongoing series of serious problems pointed out to me.

1/ Sheer complexity. It is impossible to keep up with the number of different organisations who win one contract or other, who may be based in Melbourne or Morwell but who are almost never local groups who have been providing the service up to now.

I asked the Regional Director of Human Services to provide me with a map of Human Services available in Gippsland . I don't believe he could do it. He did not even attempt to. Such a map should be publicly available.

2/ Funding is almost totally "program based" leaving very little for ongoing administration to ensure continuity so that workers can build on the trust and their contacts in the community over several years.

Where the focus is always on specific programs, there are always cases which will fall between the cracks of the imaginative limitations set by somebody far away.

eg One worker told me about a "target group" of 15-19 year olds, youth allowance kids who don't fit in schools. One Melbourne based organisation was given the job for two towns, another for another two neighbouring towns. These were to be pilot programs (see below)

Meanwhile a successful program for young people which had been operating with a particular worker in Korumburra disappeared because there was no funding and the area lost one of the few youth workers we had.

3/ Far too much time is wasted attempting to express a genuine need in the correct language and parameters of some particular program. Workers are continually expressing their frustration that where they used to be able to concentrate on clients, now much of their time is spent hunting for the next possible contract and manipulating existing programs to fit in with new artificial criteria.

2/ Rapid change. Pilot programs begin, taking considerable time to set up, spending much of their budget on set-up costs , and then just as they are getting going, the Pilot finishes. Youth programs in Sth Gippsland and an Early Parenting Day Stay program in the Latrobe Valley come to mind.

3/ The possibility of inadequate or unethical behaviour increases the further down the line responsibility is removed.
A worrying case of successful contractors going broke, directors moving to another company which "takes over" disabled "clients" is listed as an appendix (appendix 2)

4/ Areas miss out. If funding is made to local areas for local area allocation on the basis of that area's targeted priorities, there is some hope that each area will have some service.
If funding is given to successful tenderers who usually come from the larger centres, local needs are not as visible.

5/ The problem with a contract is that the successful contractor only has to fulfil the demands of the contract. If it is not specified, there is no obligation. Human beings are fallible and details can be forgotten or be difficult to adequately quantify.

Eg In a Victorian "Strengthening Families" initiative tendered out in Nov 1997, South Gippsland and Bass Coast Shires were left out altogether on the tender documents. There was no obligation therefore, on the part of any organisation , to provide that service to those Shires.

6/ The need for openness and accountability, and a professional acceptance of responsibility is never more obvious than when dealing with those in the midst of personal difficulties, disadvantage or disability. Allowing a Minister to list the amount of money which has been allocated for this or that program as his major concern and responsibility is inadequate.

7/ Commercial confidentiality has no place in Human Service delivery. Organisations should be co-operating with each other for the benefit of patients and clients, not competing with each other as is now the case.

Dairy Deregulation

The UDV has advised its members to accept that deregulation will occur in the dairying industry, that farmers will be effected by lower farm gate prices and that as a result some more "marginal" farmers will be forced from the industry.

The message is still that the only way to cope with competition is to get big and to get technical-or to get out, despite evidence during several bad seasons that pushing the land too hard, with too much debt, was a recipe for disaster.

I have heard the figures of as many as several thousand less dairy farms over the next few years in an environment which is already seeing a steady decline in numbers, exaggerated during the last few bad seasons.

I have been told in fairly matter of fact tones by VFF officials that dairying in Sth Gippsland will probably disappear because Sth Gippsland's landscape and climate make it less suited to the type of large scale dairying agribusiness which they see as the way of the future.

This implies an enormous cultural and economic shift will be necessary in South Gippsland. Many farmers are diversifying now, and especially many farmers and their families are finding off-farm income is necessary to make ends meet.

However such a revolutionary change in the economics and "raison-d'etre" of an area will require Government assistance, encouragement and professional expertise.

Any government which attempts to abstain from accepting those responsibilities is risking an ongoing alienation of its people which is potentially destructive for all of us.

Veterinary Deregulation

In the Victorian Parliament a committee is perusing legislation to decide which bills need to be amended so that regulations do not inhibit competition.

Several professions and organisations have already been "deregulated" in the name of this process (including the auditor-general which caused great dissension and division in the community)

One example which particularly effects rural areas is the changes made to the Veterinary Practice Bill (Sept 1997)

The argument supporting deregulation can go along the lines that a "closed shop" of vets as being the only ones who can own Veterinary Practices is anti-competitive and results in higher prices for the consumer.

However, the counter argument can go like this. Deregulation will mean that big feed businesses will be able to become a "Vet service" and employ a vet to sign prescriptions for many of the simpler cases where farmers want particular medication without continual expensive visits by the vet to a property.

This will put great pressure on the more expensive-to-run traditional vet services. At present the easier vet tasks subsidise the more onerous out-of-hours, difficult, farm visits which the big companies will avoid.

The fear is that de-regulation will destroy the balance, leaving traditional vet services less viable and therefore ultimately more expensive or even unavailable.

Given the dangers to valuable export markets when there is contamination of stock or disease in stock, it is in the interests of all of us that the strictest possible controls be kept on those who deal with stock and who are responsible for the health and well-being of animals on farms.

The question should always be asked- Will quality services be viable and available in the long run if this short term perspective of reduced consumer costs is given priority ? If there is a possible "no" given to that question, then "additional competition" and its benefits is an illusion.

This is no more than the proper following of the actual provisos already existing with National Competition legislation, ie that there should not be restriction of competition "unless it can be demonstrated that the benefits of the restriction to the community as a whole outweigh the costs".

I repeat, that before we go further into deregulation, a detailed analysis of consequences so far should be made. This should add to community confidence if their fears are unfounded, and give reasons for a change of direction if those fears are found correct.

In 1996-1997 eighty-one bills were amended in the name of National Competition policy in Victoria. More have been or are in process of being amended in 1998. Many of them either deregulated, corporatised or privatised.

It is way over time for some thorough checking of consequences.

Supermarkets

Over the last four or five years large supermarkets have benefited enormously from deregulation. The earlier trend has been quickened by government decisions to deregulate opening hours, added availability of meat sales, ability to be involved in retail fuel sales and more relaxed liquor licensing laws. Future opening up of newspaper sales is mooted in the not-to distant future.

The major chains have gone from holding a 40% market share in 1975 to an 80% market share in 1998 (ref Enough is Enough campaign (see appendix 3)

In Wonthaggi we have a smaller Independent supermarket with a liquor licence, and a big Safeways which has recently enlarged, added a retail petrol outlet and which has just applied for a liquor licence.

When the supermarkets started selling meat on Saturdays within two or so years Wonthaggi lost three butcher shops. Two fruit and vegetable businesses have come and gone. One small one remains. Local petrol stations are now under pressure and the small supermarket fears the consequence of a Safeway with liquor licence.

The short term consequences of such "competition" are clear. Wonthaggi petrol is currently cheaper than Melbourne's. Wonthaggi's supermarket prices are relatively cheap.

But should Safeway achieve complete domination within the district, competition will be reduced, not enhanced. This is not the stated aim of the Competition Policy legislation.

In other comparable countries the big chains have not been permitted to dominate the market because this is seen as anti-competitive. In the US, the chains hold 21% of the market, in the UK less than 45% and in Japan 17.5% (Ref Enough is Enough append. 3)

#Australia must begin to look at the other end of its policies as well. Let's keep Competition Policy, but it is way over time for us to have more attention paid to anti-trust type legislation as well. We have it for the media. We need it for many other areas of public and private enterprise.

In Wonthaggi the Safeway supermarket employs most of its staff as casuals with less than 15 hours of regular shifts per week. Staff are then called in as needed for more hours. Those who choose to be too selective about the particular hours they are prepared to work are not kept on for long. This arrangement suits the Supermarket more than it suits the employees who must arrange their lives to cope.

The smaller Independent supermarket employs 75 staff, 25 of whom are permanent full or part time, with the rest as casuals.

The Wonthaggi store has donated approximately \$180,000 in cash to many local clubs, schools and charities through its "community benefit" card and other schemes.

Safeway is renowned within the district for never giving anything.

It would not be in the interest of competition or of our district for the largest chains to continue to be the main beneficiary of deregulation done in the name of Competition Policy.

State Forest Privatisation

The Victorian government is in the process of finalising the sale of 170,000 hectares of State forest to an as yet unknown foreign multinational.

To be precise, they will be offering licences in perpetuity to companies on condition that they treat the forest as plantation.

Should the licensees decide they no longer wish to harvest the timber they will be permitted to purchase freehold title of the land. The effective result is the same as an outright sale.

I hold a cabinet document which makes explicit the intention to go as near as possible to the aim of freehold title whole avoiding the risk of tangling with Native title legislation

The reason the forest is not subject to the Federal/ State Regional Forest Agreements is that in 1993 by a quiet act of Parliament the Victorian Government created the Victorian Plantations Corporation(VPC), gave the Corporation control of the forests and declared that in future these forests would be treated as if they were on private land.

By telling the Federal Government that all the land was plantation the VPC land was exempt from the Interim Forest Agreement and has been excluded from final negotiations.

It is an untruth to regard all the forest as plantation. By the government's own figures 25,000 hectares of the VPC land is native forest, 8,000 hectares is hardwood plantation and 107,000 hectares is softwood plantation. (Budget Paper No 2 1998)

Those employed by the VPC have been promised continuing employment as a condition of the "sale". They are therefore on the whole working very actively to support the sale and to suppress community disquiet.

Considerable disquiet has been expressed on the sale and its possible consequences by Water Boards and Catchment Management Authorities, Councils, Tourism Bodies, Conservation and community groups and individuals.

None of this disquiet has been in any way able to shift the fixation on selling off the assets. This is ideology without any real attempt to provide a rational explanation for the sale.

As the VPC has moved further down the Corporate road, smaller logging companies are being excluded from access to the timber in the area, despite them being actually much more economical with their harvesting than the bigger companies.

The big mills will not bother with half a truck load of timber on the ground. They abandon what a smaller miller would be delighted to take.

Again, moves which are ostensibly done with the aim of turning a state run asset into operations competitively run by the private sector, in the end benefit mainly the largest companies, at the expense of smaller local operators.

Smaller local operations have a much greater direct positive impact on the local community than a multinational which mainly aims to maximise short term profit.

A proposal has been developed for a 25,000 hectare National Park in the forests of the Eastern Strzelecki range. Significant areas of that forest are within the area to be licensed for timber plantation in this VPC sale.

Whilst the size of the proposal may be ambitious, no-one who knows the range denies that within the area are stands of the oldest remnants of the Great Gippsland Forest left in the Strzeleckis, including temperate rainforest.

No detailed studies of the flora and fauna have been done. The area is water catchment. There are small tourist operations using the forest, and potential for much more. The area is very beautiful, as much of the forest, even though it has been periodically logged for a long time, remains diverse and effectively indistinguishable from natural bush.

There are often other values to be considered than short- term profitable balance sheets. The National Park proposal is included as Appendix 4.

Conclusion

Rural communities face many difficulties adapting to rapid social change, adapting to the headlong rush to globalisation. A blind adherence to an ideology of privatisation using National Competition Policy as the major justification predominates in this state at present.

Other states are moving more slowly and carefully in similar directions, as is the Federal Government.

The current Victorian government is, more overtly than any other government, attempting to convert our society, our language and institutions, from a civil society to a corporate society.

I do not argue that we can go back to a cosy protected fantasy of the fifties.

I most strongly submit that we need to know more about the consequences of the actions which have been taken so far in the name of Competition Policy.

I most strongly submit that the current provisos existing with the legislation at present are enough, if we look properly, to halt the more destructive impacts of an unseeing and uncaring rush to promote an idea of "competition."

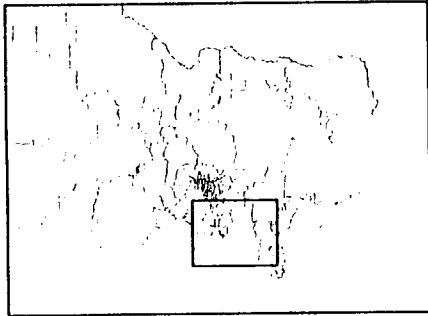
The policy as it is stated at present does not require that we ignore the reality of what is actually happening to people and communities on the ground.

Let us spend some more time looking at whether :

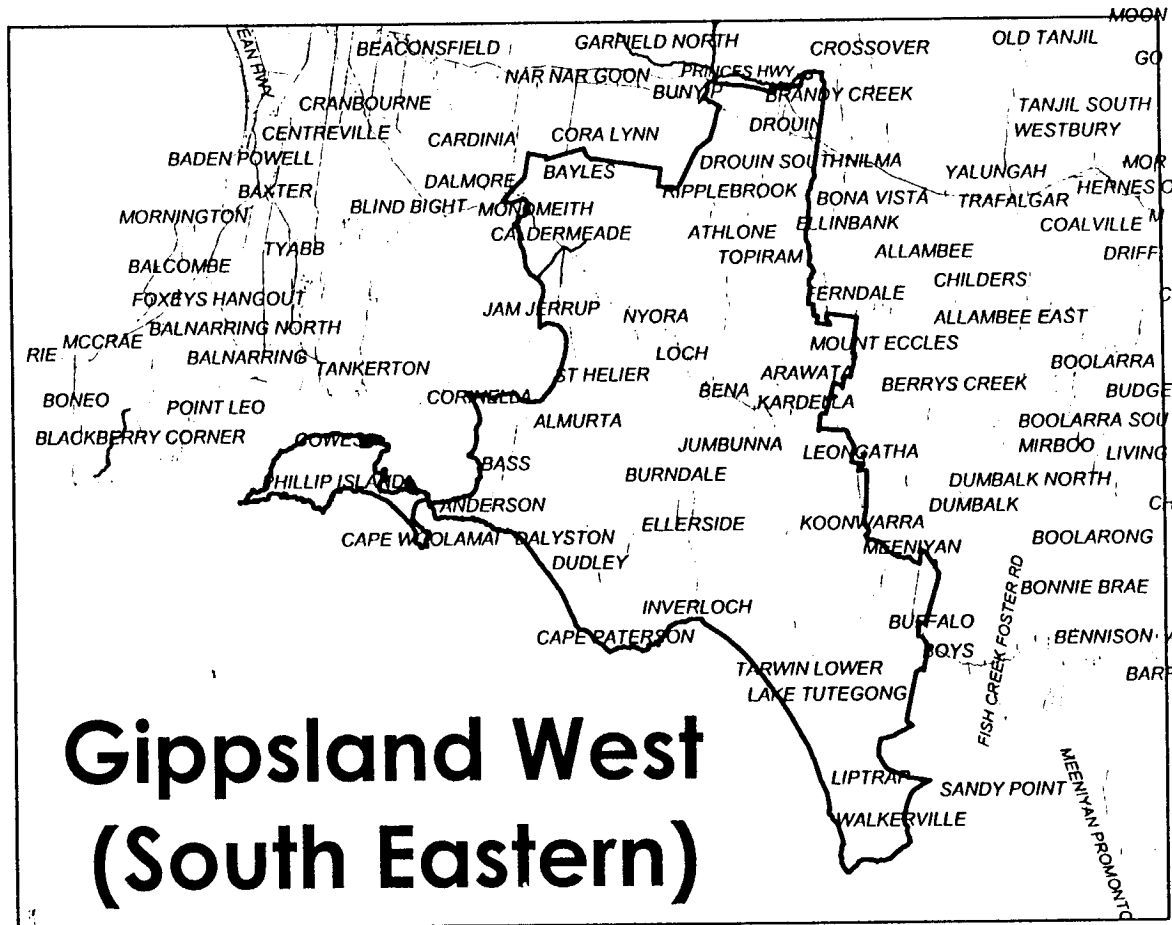
- a) The benefits, of restriction, to the community as a whole outweigh the costs, and
- b) the objectives of the legislation can only be achieved by restricting competition.



Parliamentary Library Research Service - Electorate Statistics



Sitting Member:
Susan Davies, Ind



Second Release Data

Information from the 1996 Census of Population and Housing
Australian Bureau of Statistics Basic Community Profile

SED Gippsland West (South Eastern) - B30 WEEKLY HOUSEHOLD INCOME BY MONTHLY HOUSING LOAN REPAYMENT
Occupied private dwellings which are being purchased

	<i>Monthly housing loan repayment</i>										
	<i>\$1- \$199</i>	<i>\$200- \$399</i>	<i>\$400- \$599</i>	<i>\$600- \$799</i>	<i>\$800- \$999</i>	<i>\$1,000- \$1,199</i>	<i>\$1,200- \$1,399</i>	<i>\$1,400- \$1,499</i>	<i>\$1,500 or more</i>	<i>Not stated</i>	<i>Total</i>
Neg/Nil	0	3	4	3	0	3	0	0	4	8	25
\$1-\$159	9	15	8	4	0	3	0	3	3	10	55
\$160-\$199	15	21	8	7	0	3	0	0	0	15	69
\$200-\$299	40	69	55	20	6	5	3	0	5	14	217
\$300-\$399	20	61	110	57	18	9	5	0	3	22	305
\$400-\$499	20	57	112	79	32	16	8	0	9	28	361
\$500-\$599	14	58	126	83	43	14	6	3	4	20	371
\$600-\$699	15	64	126	95	47	18	14	0	5	23	407
\$700-\$799	12	27	92	84	42	14	11	4	0	7	293
\$800-\$999	12	52	156	144	86	49	18	4	12	28	561
\$1,000-\$1,199	8	22	64	68	54	41	17	3	19	17	313
\$1,200-\$1,499	12	15	48	50	38	29	12	3	11	15	233
\$1,500-\$1,999	5	9	20	22	22	16	9	3	10	8	124
\$2000 or more	0	5	6	5	9	9	11	0	23	21	89
Partial income stated(a)	24	47	90	86	45	30	10	3	21	52	408
All incomes not stated(b)	3	11	6	9	0	0	0	0	0	41	70
Total	209	536	1031	816	442	259	124	26	129	329	3901

(a) Comprises households where at least one, but not all, member(s) aged 15 years and over did not state an income and/or at least one spouse, child or co-tenant was temporarily absent.

(b) Comprises households where no members present stated an income.

SED Gippsland West (South Eastern) - B31 WEEKLY HOUSEHOLD INCOME BY WEEKLY RENT
Rented occupied private dwellings

	Weekly rent											Total	
	\$0-\$99	\$100-\$199	\$200-\$299	\$300-\$399	\$400-\$499	\$500-\$599	\$600-\$699	\$700-\$799	\$800-\$899	\$900-\$999	\$1,000 or more		Not stated
Negative income	5	5	0	0	0	0	0	0	0	0	3	0	13
Nil income	5	6	0	0	0	0	0	0	0	3	0	4	18
\$1-\$39	0	3	0	0	0	0	0	0	0	0	0	0	3
\$40-\$79	5	0	0	0	0	0	0	0	0	0	0	0	5
\$80-\$119	15	6	0	0	0	0	0	0	0	0	0	3	24
\$120-\$159	120	29	0	0	0	0	0	0	0	0	0	7	156
\$160-\$199	266	56	0	3	0	0	0	0	0	0	0	7	332
\$200-\$299	313	141	0	0	0	0	0	0	0	0	0	11	465
\$300-\$399	245	182	0	0	0	0	0	0	0	0	0	15	442
\$400-\$499	221	186	4	3	0	0	0	0	0	0	0	16	430
\$500-\$599	125	117	0	0	0	0	0	0	0	0	0	6	248
\$600-\$699	132	122	3	0	0	0	0	0	0	0	0	8	265
\$700-\$799	64	75	3	3	0	0	0	0	0	0	0	4	149
\$800-\$999	75	118	0	0	0	0	3	0	0	0	0	8	204
\$1,000-\$1,199	51	60	0	0	0	0	0	0	0	0	0	3	114
\$1,200-\$1,499	45	42	3	0	0	0	0	0	0	0	0	0	90
\$1,500-\$1,999	13	15	0	0	0	0	0	0	0	0	0	0	28
\$2000 or more	15	17	0	0	0	0	0	0	0	0	0	0	32
Partial income stated(a)	86	92	3	3	0	3	0	0	0	0	0	7	194
Not stated(b)	42	26	3	0	0	0	0	0	0	0	0	22	93
Total	1843	1298	19	12	0	3	3	0	0	3	3	121	3305

(a) Comprises households where at least one, but not all, member(s) aged 15 years and over did not state an income and/or at least one spouse, child, or co-tenant was temporarily absent.

(b) Comprises households where no members present stated an income.

SED Gippsland West (South Eastern) - B32 SELECTED MEDIANS

Median age	37 years
Median weekly individual income	\$200-\$299
Median weekly household income	\$300-\$499
Average household size	2.5