
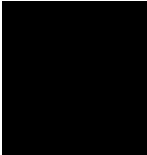




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### *~ Productivity Commission Inquiry ~ The Impacts of Competition Policy Reforms on Rural and Regional Australia*



(MVV) is an alliance of communities within the NSW Mid-Murray Region. Our primary interest is the likely impacts of policy reforms on rural community and regional MVV stakeholders. The fact that MVV is privately funded from the pockets of the community and regional stakeholders highlights the genuine desire of the rural communities to be not only be part of the decision-making process but also to address the significant negative impacts of often ill-conceived decisions. We appreciate the opportunity your inquiry has provided to respond the significant impacts of competition policy on

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Membership of MVV comprises of various rural community groups, including the backing of the;

- ◆ Seven (7) regional Local Governments:
  - Berrigan Shire,
  - Conargo Shire,
  - Deniliquin Council,
  - Jerilderie Shire,
  - Murray Shire,
  - Wakool Shire, and
  - Windouran Shire
  
- ◆ Six (6) Chambers of Commerce and District Development Associations:
  - Berrigan District Development Association,
  - Deniliquin Chamber of Commerce,
  - Finley Chamber of Commerce,
  - Jerilderie Chamber of Commerce
  - Moama Community Development, and,
  - Tocumwal Chamber of Commerce.

- ◆ And the regions key Agri-Business groups:
  - Ricegrowers' Association,
  - Ricegrowers' Cooperative Mills
  - NSW Dairy Farmers,
  - NSW Irrigators Council,
  - Eagle Creek Pumping Syndicate,
  - Moira Private Irrigation District,
  - Murray Irrigation Ltd,
  - Murray Lower Darling River Board,
  - Murray Valley Private Diverters,
  - Southern Riverina Irrigation District Council,
  - West Corugan Private Irrigation Scheme.

It is with the support of these groups that MVV has formulated this response to the Productivity Commission Inquiry into 'The Impacts of Competition Policy Reforms on Rural and Regional Australia'

Firstly, MVV would like to confirm its support to the broad thrust of the Competition policy, this being to address structural inertia and lack of competition and consequent inefficiencies in the service delivery to consumers. Implementation and imposition of changes to competitive structure has resulted in two waves of effects:

- The first is adjustment to existing services (generally less people delivering arguably better and/or lower cost services) and
- Secondly, the creation of new wealth as "freed up" capital and labour moves to new opportunities and services.

For the reasons outlined below, not only the second wave effects difficult to achieve, but the first wave effects of competition policy are in fact damaging the capacity of rural communities to take advantage of a more competitive environment.

#### Competition Policy Must Recognise Differences between Rural and City Australia

It is naïve to assume that the impacts of competition policy will be the same for isolated and smaller rural communities and markets as major cities. However it is this assumption that has led to competition policy being implemented without due regard to the differences in context, implementation and effect.

These differences include;

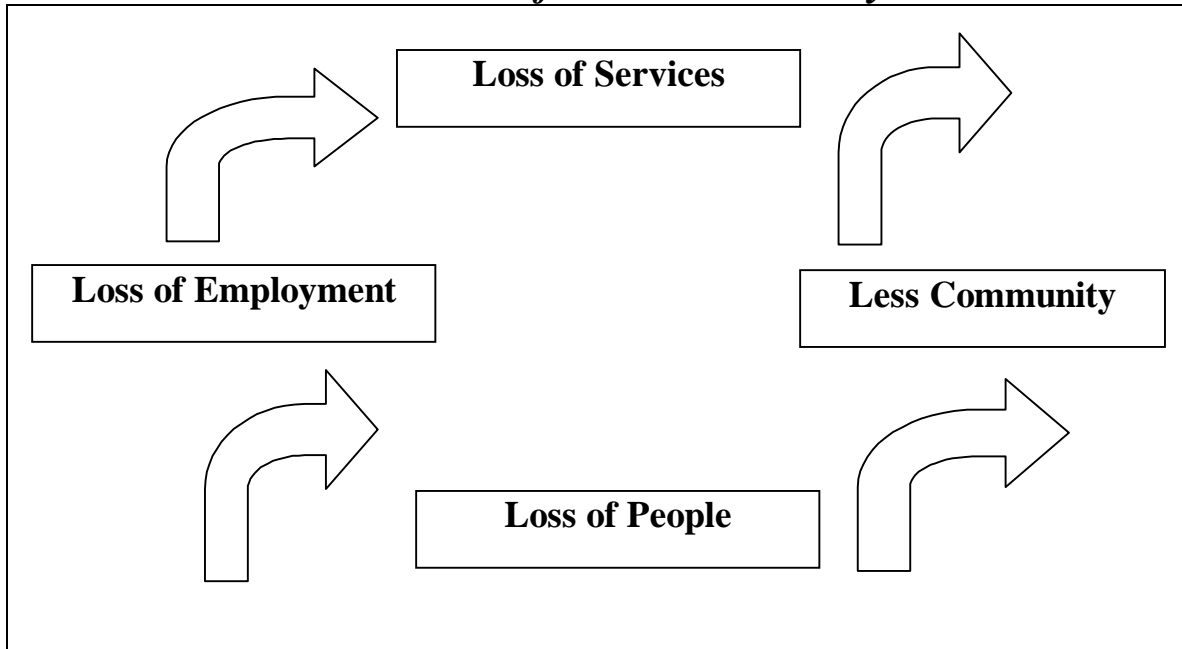
- I. The size of rural communities makes the particularly susceptible to the withdrawal of services. As KPMG research demonstrates, structural adjustment has created the phenomena of sponge centres, satellites and dying communities. Sponge centres are those communities that have developed sufficient critical mass of population and services to drive growth – mainly at the expense of surrounding communities. Satellite communities are those that survive, albeit by providing basic services or special interest services (commonly tourism). Finally dying communities are those where only the old remain, and only those able to survive without adequate health care. Competition policy impacts on each of these types of communities differently, with different magnitude and rate of change. The key issue is that smaller communities, whether sponge centres, satellites or dying communities, need time to adjust. It is well known that the first wave of competition policy effects has seen significant retraction of government and private sector services. In smaller communities this has frequently seen a reduction in community earnings or even population.
- II. The remoteness and primary production focus of communities interacts with their dependence on government and private sector employment. Often these, along with

social security benefits provide the only regular community income with the intermittent farming income creating booms and troughs during and between years. Reduction in employment increases the volatility of community income and creates a tougher environment for surviving businesses. Remoteness of course means that surviving businesses are, to a large extent, reliant on reducing density and prosperity of proximate population (due significantly to the effects of competition policy).

- III. The population effects on rural communities are vastly different (as compared to cities) in terms of speed of change and magnitude of effect. Any structural adjustment in private and public sector employment immediately impacts on critical mass of people of which they are dependent to maintain and retain services. This vicious circle multiplies into a vicious downward cycle as a loss of one person can expand into the loss of whole families to the region.

All of this is graphically demonstrated by the following diagram.

### ***Vicious Circle of Rural Community Decline***



IV. Not only are the impacts of competition policy more rapid and dramatic for rural Australia, but also the consequences for quality of life. Less demand and population results in a cycle of down grading of basic services, such as hospitals and medical facilities, schools and banks. This can result two or more hours drive to the nearest hospital etc.

V. As mentioned earlier, the benefits of competition policy can be considered as a second wave impact – improvements in the delivery of services, the creation of new services and employment and the increase in the efficient use of resources. The catch is that the first wave impacts on rural communities (unless managed effectively) actually reduce the capacity of communities to grasp second wave benefits.

The loss of critical population, particularly youth and those with aspirations that can no longer be realised in the shrunken rural community is clearly debilitating.

IV Finally, reduction in population means under-utilisation of existing infrastructure and services creating waste out of previously well spent funds which are made obsolete through policy.

There is significant evidence competition policy has failed to take into account and adjust for the fragility of rural communities. This includes:

1. Failure to adequately research the specific circumstances and impacts on rural communities
2. Failure to develop appropriate adjustment measures BEFORE imposing negative impacts,
3. Failure to demand cohesive and integrated inquiry processes, and
4. Failure to create genuine community consultation, knowledge and support.
5. Failure to apply appropriate form.

These failures are evident in varying degrees in three policy areas:

1. Water
2. Transport
3. Communications and IT

In more detail:

## **1. Water**

There are 5 key failures that have been identified as significant to current water reform and inquiry processes. These inadequacies form the basis for concern within Competition policy reforms.

- a) The first relates to the initial failure of inadequate research being conducted into the implications (positive and negative) of policy reforms for rural communities. Increasingly socio-economic studies are being carried out AFTER imposing policy and reform measures. This failure creates very brittle groundwork for appropriate policy formation and implementation chain-reacting into the following additional failures
- b) The second failure invariably follows from inadequate research producing difficulties for rural communities to develop arguments for appropriate adjustment measures when there is little "government endorsed" research on socio-economic impacts. It also makes it difficult for communities to prepare and adjust due to lack of unawareness and understanding of possible implications of reforms. This inadequacy can have extensive negative impacts on farmer populations if the rate of change is not managed with greater sensitivity to rural communities' abilities to adjust and implementation of measures to aid adjustment.
- c) The third failure highlights the extra-ordinary proliferation of "inquiries and reforms" on irrigation delivery, and the absence of any means to link these inquiries or sensibly manage the inquiry and reform processes. Each inquiry alludes to others but disclaims any ability or responsibility to take into account the cumulative impacts of other inquiries, thereby ignoring the total effect on irrigation or socio-economic systems. These inquiries and reforms include introduction and review of the Cap, The Snowy Water inquiry, The NSW Water Sharing- Use and Access paper, The Hume-Dartmouth Review, to mention a few.
- d) With regard to the fourth failure, genuine community consultation has been complete farce because of the complexity, sheer number of inquiries, lack of integration and absence of an appropriate level of community education, consultation and provision of resources. Instead, reform has created a siege like mentality distracting from the real task of creating efficiencies, driving environmental reform and enhancing community prosperity. It has also created enormous uncertainty and hence reduced the willingness of investors to invest in projects reliant on a chaotic, incomprehensible and unpredictable reform process. It has only generated antagonism between government agencies and community groups with all energies allocated to arguments, denial and counter arguments further polarising views instead of looking for synergies for solutions. Community consultation in government decision- making has been token, with at best placing a one or a few community people on committees and then distributing complex discussion papers to a community without sufficient resources to deal with a barrage of related inquiries and discussion papers. In short, the result is frustration, antagonism by all parties and voters.

- e) The piecemeal and selective application of reforms and lack of integration of reform measures is the fifth failure for current policy reform and inquiry process. Unequivocally the most appropriate example would be the current environmental reforms. These reforms highlight the chaos and negative impacts of unorganised and independent reform & inquiry processes. Farmers and communities are without a doubt the key people in the journey toward better environmental outcomes. Yet the reform processes is mismanaging the people as well as imposing reforms without consideration of cumulative effects, thereby creating frustration and inequity.

## **1. Transport**

In regard to transport policy reform is no existent. Reform is needed in this industry to create a national basis for competition within the transport industry. This is important for two reasons:

- a) Due to the remote nature of rural communities and the extreme urban nature of Australia, low cost competitive transport is a necessity for the survival of any rural community especially in terms of:

- The quality of regional wealth and lifestyle,
- The sale of regional production, and
- The provision of services.

Without competitive transport reform the region would not be as competitive on both a national and international basis, especially considering that most of the rice, wheat, wine, fruit, meat, and wool produced in the rural regions are export orientated industries. This highlights the importance for transport reforms to create a competitive environment for truckers, not only within states, but also on a national and international scale.

- b) As the situation currently stands, truck registration costs in NSW is considerably more expensive than in Victoria. This creates non-competitive and inequitable situation for operators in these regions that boarder the Murray as the Victorian trucking practitioners are able to offer more competitive rates and still cover costs compared to their NSW counterparts. The only reason for this situation is the lack of cohesive and integrated policy implementation across states and territory boundaries. Again the implementation of Competition policy must not be implemented in such a selective format.

## **1. Communications.**

In the case of communications and IT reform is clearly failing rural communities in two key ways: First, the level of infrastructure and expertise is inferior compared to the level of services, quality of infrastructure and competitive rates available to most of our city competitors. Whilst this is recognised and efforts are being to assist rural communities to “catch up” or get close to city standards, this still falls short of delivering competitive equality to rural communities. In order to be competitive rural regions must have IT infrastructure or expertise that is sufficiently ahead of city competitors in order to compensate for the tyranny of distance.

### Conclusion

MVV supports the objectives of competition policy. However we have demonstrated that if rural communities are realise the second wave benefits, then competition policy must be implemented in ways that manage the negative impacts on rural communities and which address their particular circumstances and priorities. The lack of research on reform impacts, failure to develop appropriate adjustment processes and measures, the appalling lack of cohesion and integration of inquiry processes, token or even cynical efforts at community consultation are the key ways that competitive reform has failed rural

communities. Unless addressed, these failures not only threaten the viability of rural communities, but may also create sufficient public resentment to stall or even stop progress towards a more viable and competitive Australia.