

**THE CONCERNED FARMERS GROUP OF
GYMPIE QUEENSLAND.**

SUBMISSION

to

THE PRODUCTIVITY COMMISSION

on the

**INQUIRY INTO THE IMPACT OF
COMPETITION POLICY REFORMS ON
RURAL AND REGIONAL AUSTRALIA.**

March 1999.

INTRODUCTION

Rural Industry and Rural Communities have waited for three to five years to see the benefits of National Competition Policy. The flaws are now showing through and people are disillusioned.

NARGA, (National Australian Retailers and Greengrocers Association.)

QRTA, (Queensland Retailers and Traders Association.)

NFIB, (National Federation of Independent Business inc.)

QRSTA, (Queensland Retail Traders and Shopkeepers Association.)

All these organisations are expressing real concerns so it is fair to conclude that all is not well.

The Concerned Farmers Group Rally in Gympie, organised on very short notice bought a large audience from all sectors of the economy and is still generating responses, support and concern.

The main concern appears to be that the process as a whole is flawed, some of the more evident flaws are: -

* National Competition Policy is far reaching, with the potential to affect virtually every Australian in one way or another. It can affect hours of trade, products sold, rights of retail tenants in relation to landlords, location and availability of retail space, who can own and operate and how many of the same retail outlets can be in one area and price and quality of goods sold. These all have flow on effects in the employment market.

* National Competition Policy claims not to favour any one kind of business, but in reality only the big survive as they force out the small business through price wars' bulk buying power, and an open cheque book mentality to small competitors.

* There appears to be an equity problem as some businesses are truly competitive, however, those that are not come at a great expense to all of us. For example the monopolistic wages and conditions of the Australian waterfront workers.

* Removal of regulation supposedly will see new businesses entering the market and competing for market share, if they succeed they will be better off, if they fail they must improve their practises (at what cost? , to whom?) or loose market share. Most small businesses can't compete with the buying power of large retailers not in price, service or quality.

* It has been acknowledged by some pro-National Competition Policy groups, (The Australian Society of Certified Practising Accountants in Western Australia and The National Competition Council itself) that some areas will still need a degree of regulation such as liquor licensing, legal services, some professional fees, (doctors Lawyers and the like) advertising, conveyancers etc.

"...It is often in the public interest to regulate to ensure a minimum standard of professional services to ensure an adequate level of consumer protection..."

* It appears that so far the published benefits of National Competition Policy are only being seen in permanent infrastructure such as power, gas, airfares, rail freight, telecommunications and water supply. To date we have found no documentation relating to benefits in the retail sector or the small business sector, rather we have reports from many consumer organisations expressing concern and distress at the current situation.

ECONOMIC RAMIFICATIONS

We have a situation where bureaucrats can only come up with 'guesstimates' of the likely benefits of National Competition Policy. This is based on non factual data, as there is no factual based data to support National competition Policy. (It was never meant to be applied to all sectors in the way it is currently being used. Rather it was meant for permanent infrastructure such as power, water, telecommunications, rail, gas and even Australia Post.)

Implementation of National Competition Policy was flawed in its ideas because it didn't use factual data and never attempted to look at the whole picture. Now obvious flaws as above, are appearing and still no attempt is being made to gather factual data so we still have no more than a "gut feeling" to act on.

There is an urgent need to channel extensive funds into researching and collecting this type of information. The 'powers that be' need to get back to basics and realise that every action has a reaction. That is, if someone loses their job this puts additional strain on the family finances and relationships that can further lead to alcohol and drug abuse and possible domestic violence.

In 1995, all nine Australian Governments agreed to The National Competition Policy Package. The States and Territories were promised a share of \$16 billion over the period from 1995 - 2005 provided they make satisfactory progress implementing National Competition Policy reforms. With such funding on offer, are they prepared to make decisions not necessarily in the best interests of local and regional communities in order to get a slice of the cake? The whole process can be likened to a form of financial blackmail.

The most disappointing aspect of National Competition Policy is the lack of benchmarks to decide whether perceived benefits are achieved or not five years down the road. No one knows nor will they ever know what the final benefits or disasters have been.

The Government is forecasting a lower than expected GDP (gross domestic product) despite the spectacular growth in the Australian Economy which is due largely to lower interest rates and greater consumer confidence. (certainly not to NCP benefit). Coupled with the fact that we haven't really seen the effects of the downturn in the Asian economy, the last thing we should be doing is removing tariffs and regulation and leaving our economy vulnerable.

REGIONAL IMPACT

There has been a complete failure by government on all levels to appreciate the flow on effect of vibrant regional and local economies. Rural economies that prosper are those that have industries that are currently based on some security of legislation or regulation. (Eg. The dairy industry, cane or other industries that have assured water supplies.)

The lesson in this proves an industry with regulation and a degree of stability for producer, processor and retailer provide assurance of guaranteed supply. (Eg. dairy industry exports worth 1.2 billion dollars is value added to the economy, ie. There is job creation in all sectors rather than export of raw materials for processing overseas.)

Meat and livestock figures released on the 4th November 1998 indicate that only 25% of all beef producers in Australia traded at a profit in the last year.

Flow on effect from any industry is important as it increases five fold in small communities. Once regulation is removed you put at risk the community itself and its' businesses. One deregulation tragedy in rural Australia is the banking situation. In the last decade we have seen rural areas losing banking facilities to a point where in some places only a credit union remains.

The reason for this is simple, Government regulation has been enacted because of perceived public benefit. When regulation is removed there is only one goal, profit benefit. Pure commercialism has been tried before and failed, the LAISSEZ-FAIRE economy of Great Britain in the nineteenth century.

Local Government in regional areas can find itself sorely out of pocket through the practise of tendering for local works projects. Some companies have the financial ability to undercut local councils by huge amounts. They win these tenders all the time as small local councils can't compete. These companies rely heavily on subcontractors to do the tendered work. Many of these 'two bob' companies later find themselves in dire straights and end up in bankruptcy. This leaves the subcontractors in financial difficulties of their own, creating a flow on to the communities they do business with.

With sub standard work either finished, unfinished and with no recourse to rectify the situation, the communities miss out again. The councils find themselves laying off

staff or only employing on a casual basis. This affects the local economy and sees less and less funding going to these communities as the budgeting levels of higher Government perceive them as inefficient and stagnant. All this is funnelled into the local community which then suffers all the socio-economic problems spawned from unemployment, displacement, family breakdown, drug and alcohol abuse and a myriad of other problems.

Data is needed to study the impacts of National Competition Policy to consider the benefits to any one sector or industry, but this has to be offset by downturns across the board and should go as far as to include Social Service Payments. (Loss of jobs creates strains on the public purse.)

In our opinion, the family unit has broken down to the point where unemployment is one of our greatest social problems, unemployment runs a close second to drug abuse. While repeated Governments pay lip service to the fact that unemployment is a big concern and have spent big dollars in the last three decades re-educating and creating jobs that are not sustainable. The past and present Governments have tended to focus on long term unemployment rather than focussing on the small business and independent farmers being able to make a profit which in turn allows them to employ. There is no sense in giving the same advantages to big companies, as they just adopt new technologies to rationalise their operations and increase profits, usually at the cost of jobs which only worsens the situation.

We have the most educated dole queue in the world, no amount of monetary investment will solve this problem and the dole queues will grow longer until the Nation realises that those who create jobs and employ people are those individuals who are making a profit.

The Government strategies and policy decisions supposedly to assist in rural areas, in particular are not practical. (Eg. Parliament provisions where a farmer can transfer assets to the next generation and avoid paying capital gains tax. This is useless if a partnership exists already as the same names must remain.) Rollover provisions sound good but are too complicated to reach.

An original property owner can pass the property on to his family as long as his nett value is less than \$500 000, He can then go on a pension. However clauses included in this state that for the previous three years the farm cannot have made a profit in excess of the pension. (This is a joke.)

The Government advised, encouraged and assisted in putting packages together for our own super funds. As of the 12/5/98, we are only allowed 5% tied up in our own business funds. This nullifies any long term advantages and renders most personal super funds as a very poor strategy. It also redirects farm leasing back to the big fin comps: reducing wealth creation on family farms.

The present value of privately owned superannuation funds by rural and small business people totals approximately \$40 billion. If Government proceeds with projected plans this will mean that \$30 billion will be lost from regional and rural areas to the multi - managed supa funds. This will see a further 35% of the \$30 billion

transferred out of Australia to develop other countries. The amount left in Australia will see the vast majority go into city buildings with the only money being returned to rural and regional area will be going to the likes of major supermarket structures which in itself is causing part of the problem.

Another area of Government policy that needs to be examined closely is the proposal that The American Master Pensioner Fund should be allowed to invest in rural regional Australia. In return they should be exempt from capital gains tax as an incentive to invest in this country. In view of what the previous paragraph indicates, this becomes completely ludicrous.

SOCIAL IMPACT

Over the last century we have seen the Industrial Revolution and are presently going through a financial revolution where profit is the main objective. Recently, there has been a major revolution in the way people perceive the environment and consequently actively seek to protect it. The next revolution needs to be Social, we need to get back to basics where we looked after each other and feel a bond with the working man, and realised that without each other neither profits.

One of the most overlooked social issues, is the destruction of moveable social assets such as the CWA, playgroups and Saturday morning sports groups because of lack of numbers in the community using these. This is due to the community numbers dissipating because of bad economic management.

In the past most rural children went to boarding school from grades 6 -7 until year 12, then maybe to university. This was considered viable because of the security of the family farm. This security is now perceived as gone because of the downturn and viability of the family farm, the future is very uncertain in relation to the land. Many family enterprises have provided secure future employment for the children, but now some farms cannot offer this opportunity and the younger generations of farming families may find themselves battling the dole queues.

This aspect needs close examination in the light of the growing youth suicide rate in rural areas.

Work for the dole so far has been a waste of time and effort unless we do sustainable and creative things. There is a limit on what young people can be expected to do and some mundane jobs are totally soul destroying.

If the Government is serious about reducing dole payments, why not pay equivalent monies to employers as a subsidy to train young school leavers and unemployed, under a restrictive and scrutinised process. If the prospective employer is using the system incorrectly, they should be forced to repay all monies received.

EFFECTS ON INDIVIDUAL INDUSTRIES

The current trend of large Supermarkets monopolising the marketplace is too easily accepted by the Government. Australia has the highest incidence of monopolies in the Western World. Queensland in particular sees the problem is at its worst. Nationally, Coles Myer, Woolworths and Franklins control in excess of 80% of the total retail market and consumer groups (NARGA and QRTSA) predict this may rise as high as 90% within a matter of only a few years. These conglomerates are only interested in profit and are ruthlessly forcing small retailers out of business by price wars or the sheer arrogance of their "open cheque book" mentality. (Ie. They will buy out a small business by paying an inflated price just to remove the competition.)

The current trend for supermarkets is to branch out to other retail businesses. Some of these are banking and finance, fuel, car sales, whitegoods, clothing, manchester, kitchenware and many other consumer items that used to be sold through small specialist retailers.

Technically, the supermarkets are putting themselves in a position where they can dictate to both suppliers and consumers.

The big supermarkets manipulate the employment market through the use of young staff and when the employee reaches 18, (full wage age) may toss them aside for younger, cheaper replacements of whom there are many. This insidious practise only helps to further demoralise the younger generation of workers, who begin to feel they are worthless.

Without the private sector to 'keep them honest' prices will continue to rise and trading hours will be manipulated. (Ie. When the supermarkets have the market share of the retail sector they desire, they will trade only in the hours they perceive to be profitable. They will beat the drum and we as consumers with no alternative will march to their tune.)

Total supermarket turnover is growing at 6 -7 % per year, while small supermarket turnover is only growing at 2% per year.

(This is based on the QRTSA report titled; - " Hilmer Competition Policy - General Overview and Importance of Micro and Small Businesses")

The failure of the small retailer to remain competitive may see rises in unemployment and social collapse in families and communities. A failure to reinvest in local communities sees stress on all private sectors manifesting itself in many ways. There is an argument here for the implementation of anti trust laws and divestiture

Legislation to protect the retail market from total takeover.

The 'powers that be' overlook the fact that there is a direct transfer from producers to consumers. From May to June, flavoured milk increased 15 - 30 cents in a three week period, the supermarkets keep taking the price up until they receive consumer

resistance. The market is stretched like a rubber band and tested continually all in the name of maximising profit.

When considering the dairy industry, we must realise public subsidy is already being paid. Milk has never been sold for a true market price. This will now disappear with deregulation and the transfer of massive profits (ie. hundreds of thousands) per day to the major supermarkets

Under The GATT Agreement, ABARE (The Agricultural Bureau for Research Economics) predicted manufactured milk would rise 38% by the year 2000. Industry leaders predicted only 18%. In reality, prices have declined to a pre 1983 levels. This is a problem created by not having factual data gathered on the National Competition Policies benefits and disasters to look at when such marketing decisions are being made.

NATIONAL IMPACT

In theory, for Australia to break into the Asian market we must accept the only way to engage in successful trade, will be to be price takers rather than price makers. Why should we accept price dictatorship from others when our production costs and quality controls are so high? We must be able to demand a fair price for our goods if we are to continue producing and expanding export markets.

The Asian market favours the next best option and while we have many export products to sell, they won't commit to us when they can buy comparable goods cheaper from countries where the labour costs are far less than we pay in Australia. There is also not the union aspect of labour management to deal with.

If Australian Industry is to compete in the world market without any assistance through tariffs or regulation, then we need to recognise the need to regulate the labour market. In doing this we need to foster the concept of all industries working together to create a better exporting country through other regulated industries. This may necessitate completely restructuring the present wage system under which we now operate.

The definition of Australian small business today is "Buying yourself and your kids a job!"

The Asian barter system of trade still works, and will always work on a barter system and they will buy from the cheapest competitor every time.

If the Government is to invest in job creation, it should be through sustainable assets of; - 30% State, 40% Commonwealth and 30% user pays. This needs to be applied to such areas as water storage or similar permanent infrastructure.

ENVIRONMENTAL IMPACT

Dairy Farmers are increasingly environmentally aware, collectively through land care and independent farm management they seek to sustain and improve their farm environmentally. Increasingly, farmers hold in trust their land for the next generation. They nurture it throughout their life time and desire to pass on this land, in better condition than they originally received it. This is done through:-

- * Sustainable farm practises.
- * Land stabilising programmes.
- * Forrestation of denuded at risk areas.
- * Control of noxious weeds.
- * Control of introduced weeds such as Giant Rats Tail, Cats Claw and Madeira Vine.
- * Stabilising/reprofiling flood damaged flats and stream banks.

All of this costs money sometimes huge amounts, environmental spending will be a casualty of the Dairy Industry in the coming NCP inspired deregulated operating environment.

GOVERNMENT ASSISTANCE POLICY

This country cannot continue the level of payments to the unemployed when for them, it is more viable to stay home and increase the population than getting a job.

We need incentives to work. The tax rate on a normal wage should apply but if person is motivated enough to get out and get a second job, they should not have to pay tax on this as a part of their other income. Overtime and second jobs should be taxed at a realistic flat rate.

THE GYMPIE COOLOOLA REGION

Even though there are no firm statistics or studies available for the Gympie Cooloola region on National Competition Policy impact, there are evident trendlines to follow. The most obvious of these is the reflected job losses from workforce trimming practises seen when NCP is implemented in its purest form.

Deregulation of the Dairy industry will see a loss of Approximately \$20 million to the region, and we are anxious to know what industries we will see replacing this single, lucrative loss. What incentives will the Government offer to establish new viable

industries in this area when they are ruining yet another rural industry that has been flourishing with a positive flow on effect to this region ?

CONCLUSIONS.

1) FURTHER DEREGULATION SHOULD BE HALTED UNTIL FACTUAL DATA HAS BEEN GATHERED AND ANALYSED NOW THE FLAWS IN NCP ARE EVIDENT. URGENT FUNDS NEED TO BE DEDICATED TO THIS.

2) STATE GOVERNMENT SHOULD HAVE TO JUSTIFY TO THE COMMUNITY AT LARGE ON TAKING FUNDS FROM THE FEDERAL GOVERNMENT FOR NCP REFORM.

3) IF WE ARE TO CONTINUE WITH ANY OTHER REFORMS OR DEREGULATION, THEN ACCURATE BENCHMARKS NEED TO BE ESTABLISHED SO ANY DECISIONS CAN BE REVISITED AND ANALYSED WITHIN THE FULL FINANCIAL AND SOCIAL SPECTRUM.

4) THE ASIAN MELTDOWN HAS TO BE FULLY INVESTIGATED FOR EFFECTS ON AUSTRALIA BEFORE ANY FURTHER ACTIONS ARE TAKEN.

5) THE FEDERAL GOVERNMENTS FAILURE TO RECOGNISE BENEFICIAL FLOW ON EFFECTS OF JOB CREATION FROM STABILISED REGULATION AND LEGISLATION HAS TO BE REVISITED. PUT SIMPLY IN THE CITY A DOLLAR SAVED IS A DOLLAR. IT GROWS NO FURTHER. IT HELPS NO-ONE ELSE. BUT IN A FARMING COMMUNITY, EVERY DOLLAR SPENT IS REGENERATED MANY TIMES OVER IN JOB CREATION, SMALL BUSINESS SUPPORT, EDUCATION, FACILITIES AND OTHER AREAS.

6) UNEMPLOYMENT CAN ONLY BE REDUCED BY FOCUSING ON THOSE INDIVIDUALS WHO HAVE THE CAPACITY TO EMPLOY... THOSE WITH PROFIT...PROFIT EMPLOYS PEOPLE!****

7) THERE IS A NEED FOR EACH STATE TO HAVE A REGIONAL REVIEW PANEL TO ASCERTAIN THE LIKELY IMPACT OF NATIONAL COMPETITION POLICY ON RURAL REGIONS WITH ANY GOVERNMENT DECISIONS THAT ARE MADE.

8) THERE IS VALID DATA TO WARRANT A SERIOUS LOOK AT THE POSSIBILITIES OF INTRODUCING ANTI-TRUST LAWS OR DIVESTITURE LEGISLATION TO REDUCE THE MONOPOLISTIC POWERS OF THE SUPERMARKETS. AT THE PRESENT RATE THEY ARE WELL ON THE WAY

TO CONTROLLING THE LEVELS OF EMPLOYMENT, THE PRICE TO THE PRODUCER AND CONSUMER, THE DEGREE OF SERVICE WE RECEIVE AND THE HOURS OF TRADE WE CAN ACCESS.

9) MAJOR GOVERNMENT DECISIONS SHOULD HAVE TO COMPLY WITH AN ECONOMIC AND SOCIAL IMPACT STUDY BEFORE THEY ARE ALLOWED TO BE IMPLEMENTED

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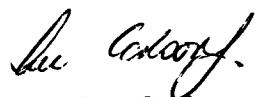
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