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### **Submission to the Productivity Commission - National Competition Policy**

Rural industries suffer from unequal bargaining power between the producers and buyers of their products (which tend to be oligopolies). Rural producers are price takers not price makers. It is essential that national competition policy not further fragment the rather weak alliances between rural producers and be used by the large corporations which purchase their produce to further isolate the producers and further reduce their negotiating power on issues as price.

Presently both suppliers of goods to the rural industries and the purchasers of products from the rural industries are a very narrow ever diminishing group of corporations of growing market dominance such that there is little "true" competition. Examples include the wool industry, where a large number of end users are represented by a small number of buyers. Similarly, the number of chemical companies operating in Australia is decreasing reducing competition for farm supplies.

Care must be taken that national "competition" policy is not used to further strengthen the positions of the supplies and purchasers to the detriment of our rural producers.

### **Electricity**

Much of the power supplied in the rural areas of Surf Coast Shire and the balance of SW Victoria is by SWER lines. Generally these lines were constructed on a cost recovery basis with the small number of persons connected paying the full cost of erection of these lines. Over the last 15-20 years the infrastructure has been depreciating and especially in the last couple of years "patch up" jobs have been common. Many posts which it is believed should probably have been condemned have merely been propped up with steel "struts".

There is considerable concern that many SWER lines will require major maintenance within the next 5 years which will exceed the financial capacity of the persons connected to these lines. People who have already paid once for connection and believed that their power fees were paying for maintenance of the infrastructure will again have to pay for replacement of the infrastructure which has not been properly maintained. This would not have been such a great issue if infrastructure had been properly maintained at the time of freeing up of the power market.

Overall, there is a considerable risk that power supply to many areas of the State will become non-viable and people will be reverting to generators. This is a serious issue and further divides the quality of life between rural and urban people. It is likely that the electricity service to rural people will diminish and costs inevitably rise and once power becomes scarcer in rural areas, business opportunities will also dry up.

### **Telstra**

NCP has seen duplication of telephone services (eg. availability of optical fibre technology and mobile services) to many areas while many other areas have minimal services.

In Surf Coast Shire, Torquay has at least 3 mobile phone service providers, however over half the shire would have NO mobile phone capacity (digital or analogue). In respect to digital

phone services only Telstra covers more than the coastal towns meaning there is NO competition for the rest of the Shire.

Similarly with optical fibre technology, throughout much of rural Victoria both Telstra and Optus have laid optical fibre cables, duplicating infrastructure, while many households have phone lines incapable of running the internet.

Had we seen less duplication, resources could have been used far better to allow a greater spread of the technology and sharing of its benefits with a much wider community.

There is no doubt within urban areas there is competition, choice and ever improving services, while for people in more isolated communities, or communities where the cost of provision is higher (in Surf Coast the undulating country increasing cost of provision) the technology gap is widening rapidly with limited choices of providers.

### **Australia Post**

With contraction of banks and shire offices and the like, post offices are taking on an increasingly important role in the rural communities - becoming the bank, the shire office, the bill paying service, the tax office etc.

Accordingly, it is essential that post offices not be closed.

In areas as Surf Coast the rural unaddressed mail drop is used as a communication tool between our rural ratepayers. However, Australia Post no longer officially recognised rural mail points and there are some rural areas of our Shire whose mail is distributed through urban mail centres where it appears impossible to use the rural mail drops for cost effective communication.

### **Competitive Neutrality**

Councils should be allowed to use the tax savings that they enjoy to reduce the cost of provision of services to the ratepayers.

In Surf Coast a large percentage of residents work outside our Shire with the corresponding flow of money from our Shire and its community to Geelong. Accordingly, it is essential to retain jobs and business within our Shire.

### **Distributional Issues**

There is no doubt NCP is leading to an acceleration of concentration of resources to our urban areas at the cost of rural areas with the corresponding economic and social effects.

There are doubts whether there are adequate community safety-net programs and whether the inequities can be addressed by grants alone. Australia is a large country with many isolated communities who on strict economic rationalist theory are not viable to provide a wide range of services in a competitive environment, but from a social perspective, should not be forced to live in third world country conditions or held to ransom by their suppliers. For these communities, their size precludes competition (or competition may well increase costs because of loss of economies of scale), but they should be able to enjoy the lower costs being forced in urban areas by competition.

It is noted that in professions "competition" has been operating for many decades and now there is a critical shortage of many good quality professionals in rural areas (due largely to the lower incomes of rural professionals compared to their urban counterparts) and under NCP the same scenario is likely for essential services.

Relaxation of restrictions on professionals will not address this imbalance but probably further increase the gap in quality of "professionals" available to rural communities.

Where population numbers and potential profits preclude vigorous competition (which is the case in most areas outside the capital cities and very large provincial centres) NCP, especially when added to deregulation, raises considerable concerns about the future quality of life and economic development of our rural areas.

*Shelley Dyer*