

IMPACT OF COMPETITION POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA

Tumut Shire is an area of 379,500 hectares on the south west slopes of New South Wales. It contains significant areas of National Park and State Forest. Major industries are:

1. Timber plantations and timber product processing.
2. Horticulture
3. Tourism
4. Power generation (S.M.H.E.A.)
5. Grazing
6. Gold production is soon to recommence at Adelong
7. Water storage (S.M.H.E.A. and D.L.W.C.)

The "worth" of the Shire is difficult to assess, but for example the timber industry on the south west slopes has been quoted as having an annual value of production of \$500-\$600M. Tumut is the centre of this industry. Agriculture in the Shire is worth \$60M annually, Tourism \$20M, while the value of power generated from power stations in the Shire is \$30M. In addition, in excess of 2,500 gegalitres of water are released from dams in the Shire for downstream irrigation users. By any measure the Shire is a significant contribution to the national wealth.

This wealth is, however, produced from a relatively low population base of 11,000 persons. This small number of people means that services, particularly human services, are relatively more expensive than they are in the larger cities which has led to the gradual and pervasive withdrawal of services for "economic" reasons, and their centralisation in regional centres.

A narrow economic rationalist approach has been spawned by National Competition Policy. With this approach service delivery options are being evaluated purely on the "cost" to the service provider of providing that service. No account is taken of the cost to the community of "privatising" some of the service delivery costs as the services are withdrawn from the smaller communities. In the case of Tumut Shire this includes the cost in inconvenience, time and transport to access a service in (say) Wagga Wagga which previously was provided in Tumut.

If Government Departments in particular are going to make service delivery decisions on economic terms, then Council submits that the broader economic picture needs to be considered, not just the cost or benefit to that organisation. In other words a significant community service obligation needs to be factored into the process.

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An alternative is for a “whole of Government” approach to be taken with these decisions. Could local government be engaged on a fee for service basis to provide the service? Could multi purpose offices be set up in smaller centres providing for the services of several government Departments?

Council also submits that when services are centralised into regional centres free or low cost public transport from the smaller rural areas to that larger centre should be part of the equation. A service should not be withdrawn unless the agency concerned can demonstrate that there is some equity in the way that that service can be access by all citizens. Equity is not just something that applies to the residents of cities and large regional centres.

The pervasive withdrawal of services by Government agencies in rural areas leads to an economic malaise which in turn leads to other services (banks, service stations, schools etc) being degraded.

This submission will now address some of the matters raised in your discussion paper.

(a) Electricity.

Under the guise of responding to competition policy the New South Wales Government seized all of the assets of County Councils throughout New South Wales and these were reconstituted as a few large power distributors. This led to the direct loss of 50 jobs in Tumut Shire, with many affected families leaving town.

It must be acknowledged that there have been benefits of cheaper power to some of the large industries in the town which has possibly led to improved viability for those industries and some job gains.

However, there has been a nett job loss in the Shire, which has impacted negatively on the viability of services in the town. Other negative impacts have been:

- Response times to outages have slipped, though not as much as in other rural areas where response times are dramatically poorer than previously.
- The same level of services are not available to the public, and a simple example is that street lighting is no longer checked systematically, only being repaired on failure being reported.

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- Lower power charges has led to a policy of full cost recovery on asset works for new connections, sometimes making those connections totally uneconomic. An example in Tumut was a new industry in a new subdivision which was fully provided with power being levied \$30,000 for some upgrading in the power supply. This type of upfront cost is prohibitive to many start-up industries and is a significant inhibition to economic development. A mechanism needs to be provided which allows this type of cost to be amortised over a period as a slightly higher power cost.
- The cheaper power generation costs which has occurred in recent years has also led to about 30 job losses within the Shire in the Snowy Mountains Hydro Electric Authority, most in the town of Talbingo. The impact of this on that small community has been immense, with the town's only service station closing due to lack of business. It has since been reopened on a caretaker basis by the local Club, but it is difficult to see a future for this type of service in Talbingo.

(b) Gas.

There are no reticulated gas supplies to the Tumut Shire.

(c) Water.

Council is the only water supply authority in the Shire, providing potable water to four towns and one village and a non-potable supply to one rural residential area.

The small and fragmented nature of these six water supplies and the costs of the necessary infrastructure makes it highly unlikely that there will be any competitor to Councils services. However, under competition policy Council has to develop an accounting regime of tax equivalents, loan and debt guarantee fees, return on capital invested. When all of these are calculated Council makes a subsidy of the same amount so the charges to the public do not artificially rise. This is an exercise in nonsense, which only reinforces in the mind of the public their notions of bureaucracies gone mad. The cost of these futile accounting processes is, of course, borne by our ratepayers. There needs to be a dose of common sense injected into these processes.

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(d) Road Transport.

The quality and productivity of road transport is significantly improving in Australia. Unfortunately, the increases in mass limits which have allowed some of the productivity gains and transport cost decreases have not been matched with increased funding for the reduced life of the roads subject to these increased loads. Unless this situation is redressed road transport costs will inevitably increase, as road authorities will not be able to maintain roads to their current standards.

(e) Telstra.

It is undeniable that telephone charges have reduced across Australia as a result of competition. Unfortunately, the full benefits of competition are not available to rural areas, as Telstra remains the only telephone provider in most of these areas. This, coupled with the severe reduction in service standards which resulted from substantial staff reductions and woefully inadequate community service obligations means that rural Australia is enjoying cheaper communications at the cost of poor service and low service standards.

Tumut, like many rural towns, lost its Telstra staff as a result of competition. While there is still a depot, it is unmanned as all staff come from Wagga Wagga.

(f) Australia Post.

Council can see no benefit to rural Australia from taking away Australia Post's monopoly letter service.

Some post offices in the Shire have been replaced by privately operated agencies with no discernible loss of service.

(g) Competitive Neutrality and Local Government.

(i) **Benefits.** There have been benefits to Local Government in power and telephone charges.

(ii) **Costs.**

- Reduced service levels.
- Full cost recovery of asset works for electricity and telephone infrastructure.

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- Increased loading on roads not matched by mechanism giving increased road funding.
- Increasingly government departments and agencies are operating on a fee for service basis, so Local Government has to pay for information or assistance, which previously was freely available, but the agencies concerned operate in a rate free environment. If a user pays environment is to prevail these agencies should pay rates to local government, as does every other business. By way of example, State Forests occupy 84,000 hectares in Tumut Shire that is non-rateable. These forests are operated commercially, competing against privately owned plantations, yet Local Government receives no rates from State Forests. Similarly, no rates are payable on commercial private developments in National Parks. No rates are received for rateable land which was resumed for dams, and from which water is sold commercially.
- Councils in rural areas are forced to adopt costly artificial accounting processes for “businesses” which are never likely to have private sector competitors.
- Employment losses in Tumut Shire in electricity and communication industries which has led to bank closures, loss of Holden dealership, service station and fuel depot closures etc.
- Job losses in employment services.

There have been no new start-up business opportunities in Tumut Shire as a result of competitive neutrality apart from some limited local services in installing telephones. There has been an employment services provider establish in Tumut, with one employee.

Council itself has resolved to respond to competition policy by undertaking restructuring, changing organisation culture and work practices, adopting best practice and demonstrating competitiveness by benchmarking. It is only if service delivery is demonstrably uncompetitive will Council consider contracting out of services presently provided by Council staff. These processes of change are well advanced. The reason for Council adopting this policy is their fear that if Council's services are contracted out that it will have the effect of more jobs leaving the Shire as outside contractors would most likely dominate, as has happened in New Zealand and Victoria.

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(h) **Distributional Issues.**

The major effect of NCP and its economic rationalist bedfellow is the transfer of services to cities and major regional centres. This raises real issues of equity of access to services.

The rural areas of Australia are the engine room of the Australian economy. The commodities, which drive much of our exports and manufacturing, are produced by people who are increasingly being shortchanged on their access to services. A farmer in a remote area is not advantaged by cheaper phone calls if he has to drive an additional 200km to get a basic service which he previously had available in a local service town.

Council feels that basic levels of service should be readily available to all of our citizens. These community service obligations should not only apply to government services but also such other basics as banking services, and if ideologies have to be compromised to allow these basic services to be available to all, then so be it.

(i) **Other Issues.**

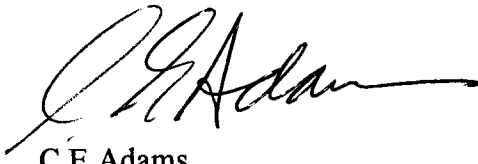
Deregulation has become intertwined with NCP in the rural mind. Deregulation is leading to loss of banking services, loss of service stations etc. Deregulation of the milk industry has meant nothing more than a massive transfer of money from producers to supermarket shareholders. The public are still paying the same price for their milk (more if they wish to buy local brands). Maybe a "Third Way" is needed which tailors the level of regulation/deregulation depending on the location and the need for service.

The provision of employment services is a prime example of how the needs of rural citizens have been ignored in the scramble for "competitiveness" by taking away services from smaller centres of population. Prior to the recent tender for these services there was a small CES office in Tumut, a Skillshare (Mission Australia) which provided services to long-term unemployed, and a community college which also provided services to the long-term unemployed. Now there are four organisations providing job-matching services and no Shire based services for the long-term unemployed. These unfortunate citizens of Australia now have to access these services in Wagga Wagga 100 km away, with no public transport available between the two centres. When challenged, a manager of an organisation providing these services in Wagga Wagga said that if they can't travel to Wagga Wagga they could access the services (training etc) by telephone. This scandalously inadequate response is indicative of the way that the needs of whole segments of our rural citizenry have been subsumed to the demands of economic rationalism.

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Competition policy should be about the changing of work culture and work practices, about the examination of the effectiveness and efficiency of services and service delivery. It should not be about taking services away from rural areas because they are more expensive to service. It is reducing the needs and rights of rural citizens to dollar terms.

Council submits that competition policy must not only be about economics, but must be tempered with consideration of the social needs and rights as citizens of the people of rural Australia.



C E Adams
General Manager

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