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AUSTRALIAN
MUNICIPAL
ASSOCIATION

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Impact of Competition Policy Reforms Inquiry
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Sirs,

IMPACT OF COMPETITION POLICY REFORMS ON RURAL AND REGIONAL AUSTRALIA

The Western Australian Municipal Association (WAMA) appreciates the opportunity to comment on the current inquiry into the impact of Competition Policy reforms on rural and regional Australia.

WAMA is the peak organisation of Local Government in Western Australia. Through its member Associations, WAMA represents and provides a united voice for all 144 Local Governments in Western Australia (including the Christmas and Cocos Keeling Islands).

WAMA accepts that the application of a uniform reform policy such as NCP across a geographically diverse continent with a small and disparate population is no doubt a difficult task.

While the benefits of NCP can to some extent be quantified in metropolitan regions and larger population centres, it is significantly more difficult to similarly assess the beneficial effects of NCP small, rural and remote population centres situated around Western Australia.

The implicit assumption underlying Competition Policy may be that its benefits will flow through to the Australian economy, however structural change and consequent (long term) benefit is not a uniform process. The flow on benefits of reform can thus be extremely uneven, and vulnerable sectors of the community are at high risk of losing out, especially in the short term.

Many Western Australian Local Governments thus believe that not enough consultation has occurred prior to the implementation of NCP, and that the unique needs of the inhabitants of regional and remote centres of the State have been somewhat overlooked.

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In line with the 1998 National Agenda for Australian Local Government (produced by the Australian Local Government Association), Western Australian Local Government will continue to support the implementation of National Competition Policy (NCP) only where it is seen that the benefits clearly outweigh the costs and disadvantages of such implementation, for all sectors of the Western Australian community.

In this regard WAMA submits it as essential that the Federal Government maintains real per capita increases in financial assistance grants (FAG's) and takes action to ensure that Local Government shares in competition payments made to the States.

The per capita increase in FAG's has already been proven to be vulnerable to the Budgetary process at significant cost to Local Government in 1997. Local Government asserts this as an unacceptable situation given that the compliance costs of NCP are ongoing and can not simply be delayed subject to the whim of the Federal Government.

WAMA also believes the ongoing implementation of NCP must:

- Recognise Local Government as a sphere of government and hence provide for full participation by Local Government in relevant forums and processes,
- Give due recognition to the extensive community service obligations shouldered by Local Government,
- Ensure that the interests of local and regional communities are adequately protected,
- Place far greater emphasis on public benefit and social impact assessment,
- Accept the need for sensible and pragmatic application of competition policy reforms to Local Government, avoiding excessive costs and disruption where likely economic benefits are nebulous,
- Respect elected Council's rights to determine the most appropriate way of implementing competition policy in their areas, subject to genuine overriding State or national considerations,
- Acknowledge the vital importance of maintaining effectively integrated management of Council's operations,
- Exempt Council utility systems from any third party access regime,
- Guarantee that Council will not be disadvantaged financially by application of the principles of competitive neutrality,
- Ensure Local Government receives a fair share of the revenue benefits expected to flow from the implementation of reforms.

Further, the Federal Government must not seek to tax corporatised Local Government business enterprises, and should also ensure the retention by 'host' Councils of tax equivalent payments made by those enterprises.

For the purposes of National Competition Policy, 'business enterprises' should be defined to exclude activities undertaken by Councils to meet community service obligations.

WAMA believes it is vital that the Productivity Commission consult extensively with individual Local Governments throughout Western Australia, so that the unique social and economic needs of regional and rural Australia can be understood and investigated first hand. WAMA thus commends the Commission on its timely visit to the State as part of the current inquiry process.

WAMA thanks the Commission for the opportunity to provide comment on this important matter, and looks forward to further participation in the inquiry process.

Yours sincerely



John Martin

Director of Strategy

Western Australian Municipal Association