Wheatbelt Area Consultative Committee Inc

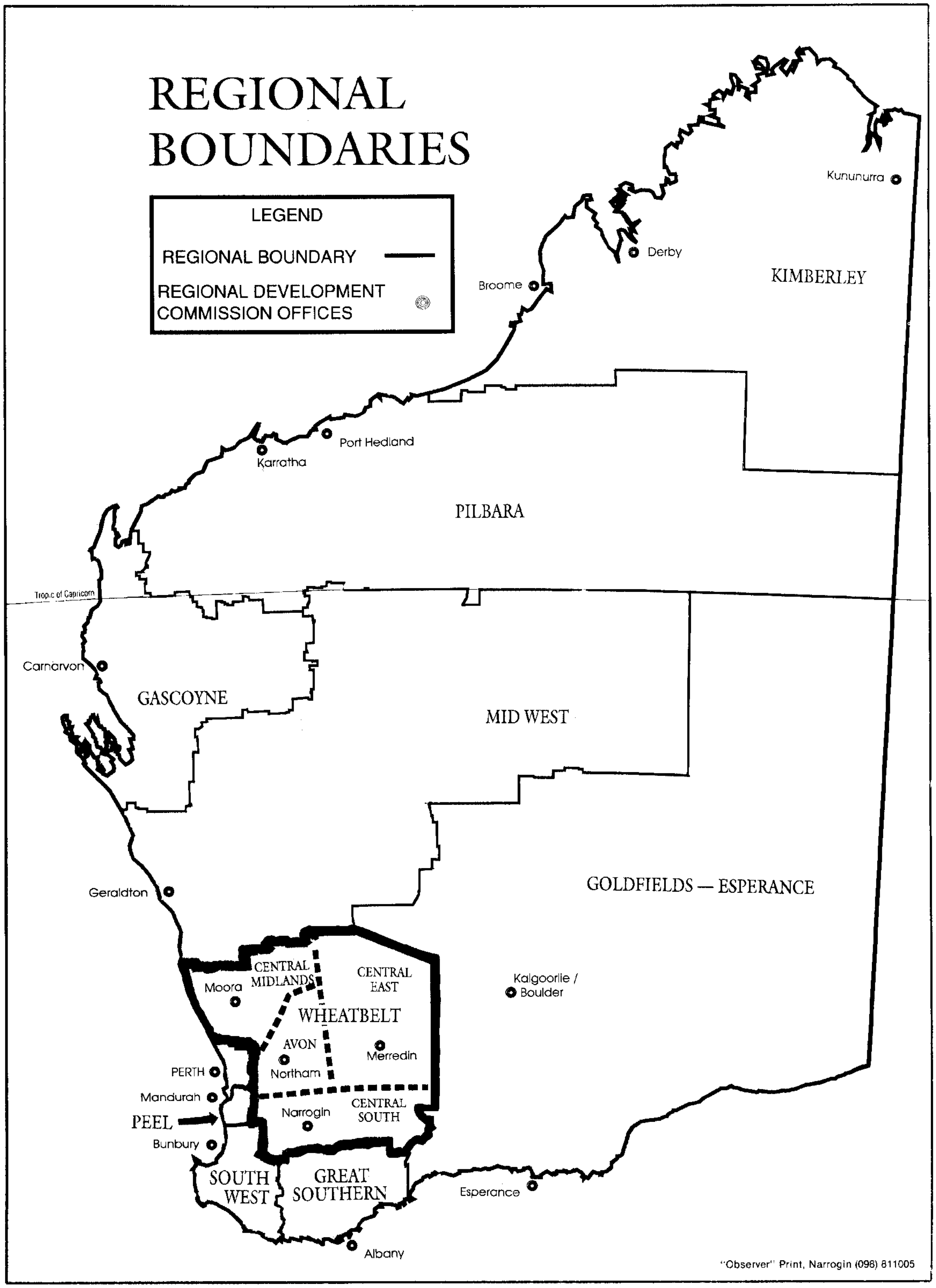
Submission from the Wheatbelt Area Consultative Committee Inc to the Productivity Commission Inquiry into: The Impact of Competition Policy Reforms on Rural and Regional Australia

Chris Bothams
A Executive Officer

November 1998

WHEATBELT

MAPS



Introduction

The purpose of this submission is to highlight to the Productivity Commission Inquiry into The Impact of Competition Policy Reforms on Rural and Regional Australia, the potential repercussions of any reduction of employment opportunities on the economic and community development of Wheatbelt Communities.

The Inquiry Issues Paper specifically requests case studies illustrating the effect of competition policy reforms on rural and regional Australia or any differential effects between regional and metropolitan Australia. At several points throughout the Paper the Inquiry seeks information of specific policy related reforms on business and employment opportunities, the costs to country businesses and social impacts.

This submission argues that any negative employment related impact of competition policy reform will have a greater differential impact on the Wheatbelt than the metropolitan and other regional areas of Australia. The differential in impact is due to the geography, demography and changes in the labour market and employment patterns of the region.

The Region

An area twice the size of Tasmania, comprised of forty-four shires, 170 communities and a population of approximately 70,000, the Wheatbelt covers over 150,000 square kilometres, extending Southeast from Perth to Wagin. Yilgarn, Kondinin and Lake Grace Shires make up the eastern boundary, and the region incorporates some 200 kilometres of coastline to the north of Perth.

The Central Coast and 'Avon Arc' areas of the region are experiencing population growth. Proximity to the metropolitan area, lifestyle and aesthetic appeal and service availability account for this growth. The development of employment opportunities has not kept pace with this population growth. A consequence of this is a significant commuter population, higher rates of unemployment and significant under employment in this part of the region. Issues to do with population growth such as conflicting land use, changing community attitudes and infrastructure pressures are emerging in these areas.

With lack of a critical population mass, Wheatbelt industries are battling to compete with multi-national companies that tender to provide services and products for local state and government departments. The isolation of the 170 communities, and resulting lack of population, severely inhibits the financial viability of both existing and potential businesses. Freight transport costs also play a role in the competitiveness of local tenders against those of larger companies.

The population of the Wheatbelt is ageing. The 15 to 29 year age groups have a low proportion of people when compared to other regions and all of Western Australia, whilst the 55 to 69 age groups are comparatively larger. There are numerous challenges arising from this. Providing education and training opportunities for young people is an identifiable strategy, yet maintaining and improving access is increasingly difficult in the light of demographic realities. Many young people complete their education in the metropolitan area. It is increasingly difficult to provide choice of study options and quality educational alternatives in the Wheatbelt as this trend continues.

Wheatbelt Population			
Local Area	1991	1996	% Change (average annual)
Brookton	1098	972	-2.4
Cuballing	788	742	-1.2
Dumbleyung	934	895	-0.8
Narrogin T	5028	4632	-1.6
Narrogin S	871	862	-0.2
Pingelly	1272	1200	-1.2
Wagin	2092	1979	-1.1
Wandering	426	364	-3.1
West Arthur	1038	1003	-0.7
Wickepin	964	860	-2.3
Williams	1073	1040	-0.6
Corrigin	1481	1318	-2.3
Kondinin	1126	1188	1.1
Kulin	1119	966	-2.9
Lake Grace	1885	1819	-0.7
Chittering	2017	2417	3.1
Dandaragin	2413	2589	1.4
Gingin	3043	3485	2.7
Moora	2797	2609	-1.4
Victoria Plains	1163	992	-3.1
Beverly	1536	1454	-1.1
Cunderdin	1480	1471	-0.1
Dalwallinu	1758	1767	0.1
Dowerin	970	862	-2.3
Goomalling	1153	1079	-1.3
Koorda	652	638	-0.4
Northam T	7047	6487	-1.7
Northam	2905	3242	2.2
Quairading	1240	1224	-0.3
Tammin	519	472	-1.9
Toodyay	2556	3371	5.7
Wongan-Ballidu	1759	1632	-1.5
Wyalkatchem	732	653	-2.3
York	2625	2902	2.0
Bruce Rock	1256	1174	-1.3
Kellerberrin	1434	1270	-2.4
Merredin	4029	3738	-1.5
Mount Marshall	769	762	-0.2
Muckinbudin	747	741	-0.2
Narembeen	1068	1038	-0.6
Nungarin	322	287	-2.3
Trayning	554	511	-1.6
Westonia	326	308	-1.1
Yilgarn	2180	2318	1.2
Total	72299	71324	-0.3
Source: ABS Regional Population Growth 1991 and 1996			

WHEATBELT

SHIRE BOUNDARIES

Employment

In December 1997 there were 34,555 people in the Wheatbelt labour force. This figure has declined from 36,252 in 1995 continuing a trend since 1986. The Avon and Central South areas hold more than 60 per cent of the region's labour force.

The current unemployment rate in the region is 4.1% (September 1998) with the state average being 7.2%. However, the Wheatbelt Area Consultative Committee believes these figures do not give a true picture of the unemployment status of our region, and see people (particularly young people) being forced to leave their small communities when they become unemployed, to find work in larger centres. The Wheatbelt Area Consultative Committee is particularly concerned with the decline in rural population due to lack of employment opportunities.

The major employment base in the region has traditionally been agriculture, but as farms become more automated and farmers are looking towards greater efficiencies, employment on farms is decreasing. Local government is a major employer within the region. The Yilgarn is one of Australia largest gold producing regions, and the central coast produces some $80 million of rock lobsters per annum. Aquaculture and fishing industries are expanding steadily, and viniculture in both the central midlands and central south holds exciting employment prospects as the industry develops.

Indigenous Australians and youth resident in the Wheatbelt have significantly high unemployment levels. Aboriginal and Torres Strait Islanders make up 11.5 per cent of the total number of unemployed. 12.9 percent of the 15 to 24 year old Wheatbelt labour-force are unemployed. Youth, under the age of 21, account for 16.2 per cent of unemployed people. The Wheatbelt has a higher proportion of long-term unemployed, 45 per cent, compared to the rest of Western Australia, 42 per cent.

Hidden unemployment is a significant regional issue. Part time employment is growing while the number of full-time positions is declining. Females are increasing as a proportion of the workforce. The proportion of women in part time work is more than twice that of men. Almost half of the women in the workforce work part time, while most men work full time.

Labour Market

1. Agriculture, forestry and fishing remain the largest source of employment in the region. This sector employs 35.2 per cent of the region's workforce. This has declined from 40.6 per cent in 1991.

Industries in the Wheatbelt focus on primary production. The bulk of the region's output is exported. The Wheatbelt accounts for an estimated 7 per cent of Australia's total agricultural export production. Other key industries and emerging industries such as mining, fishing, aquaculture and horticulture also have an external focus. As a consequence international trade conditions have a significant impact on the region's economy. Issues to do with international trade barriers, tariff protection, the value of the dollar, economic conditions in other countries, the price of gold and government policy all impact on the possibilities for economic growth in the Wheatbelt. Climatic conditions locally, elsewhere in Australia and overseas will also affect markets.

Long term planning, market knowledge, quality focus, development of niche markets, vertical integration, downstream processing and increasing research and development, are strategies aimed at maximising returns and diversifying reliance on any one product. These strategies are becoming increasingly important in the context of ensuring growth and employment in the Wheatbelt.

The necessity for agriculture to be and remain internationally competitive has resulted in economies of scale such as increasing farm size, increasing mechanisation and reduction of the labour capital ratio. Inevitably these changes have had an impact on population.

Farmers and farm managers make up approximately 80 per cent of the 9077 managers and administrators in the region in 1997. Whilst this number continues to fall it emphasises the region’s agriculture based economy. Most of the region's labourers (3810) and trades-persons (4273) work in the agricultural sector or in support services to the agricultural sector.

Competitive pressures in agriculture that have resulted in a smaller more efficient labour force, have created viability problems for business and service provision in many communities. This is especially the case in the north eastern and southern areas of the region. These problems are compounded by the rationalisation of transport services, especially rail, reduction in the number of grain receival points and changes in the banking and insurance industries. The adjustments that continue to take place in agriculture related employment have impacted on the population of many towns and the local economy generally. Employment in other industries and employment overall has been affected as a consequence.

2. The public sector has continued to grow and is the second most important source of employment in the Wheatbelt at 23 per cent of the workforce. Other sectors to show growth include finance, property and business.

3. Wholesale and retail trade employ 14 per cent of the workforce. This sector remains an important source of employment.

4. Manufacturing continues to grow in importance as a source of employment. This sector employed 4.7 per cent of the workforce in 1996 compared with 3.5 per cent in 1991. It is likely that diversification and innovation in the agricultural sector has lead to increased manufacturing activity. Employment opportunities are likely to continue to grow in manufacturing and processing.

5. Mining increased from employing 2.5 per cent of the workforce to employing 3.4 per cent between 1991 and 1996. The number of persons employed in mining since the 1996 census is likely to have declined however, due to cutbacks in mining activity.

Paradoxically there is a shortage of skilled labour and trades people in many Wheatbelt communities. Employers report frequently on the difficulty of attracting qualified trades people. Shearing contractors have expressed concern about the shortage of shearers and the increasing trend for shearers from New Zealand to work in the Wheatbelt. The hard work, difficulty in training and the seasonal nature of the industry are cited as reasons for this shortage. Many shires offer incentives to plumbers, painters, electricians and mechanics to locate in their communities with little apparent success. The absence of skilled trades people is a significant cost and frequently means delays in accessing these services.

A frequently cited reason for the difficulty in attracting skilled labour is a shortage of satisfactory housing. The cost of building modern houses is possibly greater than the market value of housing in some towns. Diminished confidence in future demand for housing has resulted in a lack of real estate investment in many Wheatbelt towns. Ageing infrastructure and a shortage of investment also applies to many public goods such as swimming pools and libraries.

Investment in metropolitan real estate and the stock market result in investment leakages from the local area. Notable exceptions to this are local development companies that have invested in industrial and tourist infrastructure. A reduction of expenditure outside Wheatbelt communities, can only increase the possibilities for local business and employment.

Key Regional Issues

The key regional issues for the Wheatbelt revolve around maintaining sustainable communities that are of sufficient size to provide a level of services that enable residents to enjoy an appropriate lifestyle. Issues related to employment growth and economic development are inextricably related to broader community development goals.

Between the 1991 and 1996 censuses the population of the Wheatbelt declined by 0.3 per cent. Explanations to do with the comparative timing of the censuses do not diminish the seriousness of this trend. The fact that, during this time, there was a natural population increase and quite significant increases in population in the western shires suggests that reversing migration from the Wheatbelt is the most serious challenge facing the region.

The population of the Wheatbelt is ageing. The 15 to 29 year age groups have a low proportion of people when compared to other regions and all of Western Australia, whilst the 55 to 69 age groups are comparatively larger. There are numerous challenges arising from this. Providing education and training opportunities for young people is an identifiable strategy, yet maintaining and improving access is increasingly difficult in the light of demographic realities.

The Wheatbelt unemployment rate is 4.1% (September 1998), compared with a rate of 7.2% for the rest of Western Australia. This needs to be considered alongside population trends that suggest when people become unemployed they move to larger centres. This is based on the belief that there are few employment prospects locally. The fact that the Wheatbelt has a high proportion of long term unemployed supports this contention.

Population decline and the reduction in number of businesses in Wheatbelt towns, combined with improvements in transport and communications have resulted in increasing proportions of expenditure occurring outside the communities. Generating local economic growth by encouraging a shop local culture will make a significant contribution towards increasing local employment.

There is a strong perception that there are too many disincentives to employment. That 97 % of Wheatbelt businesses employs 1 person or less indicates that there is a challenge for the government to remove both real and perceived disincentives to employment.

Unemployment of Aboriginal people and youth remain significantly higher than for the rest of the population. Specific targeted programs need to be further developed to meet the needs of these groups.

Conclusion

National Competition Policy infrastructure reforms that may affect the pricing of electricity, water, transport and telecommunications impact on business and employment. Any negative impact on costs or service provision in rural areas will magnify the real and perceived competitive disadvantages of Wheatbelt businesses.

The effects of business closure and unemployment in Wheatbelt communities are magnified by population drift from the Wheatbelt that occurs as a consequence. With so many communities with populations of only a few hundred the loss of even one job can have a serious multiplier effect.

National Competition Policy is not incompatible with sustainable communities. The flow of benefits to Wheatbelt communities must be tangible in the form of access to reliable and competitively priced power, water and telephony services; well maintained road ands rail transport infrastructure; and quality health, education and family services.

The size and location of business as a factor in determining ability to compete with other businesses, both nationally and internationally, should be diminished by improvements in service provision, transport and communications. This competitive benefit to rural business has not been realised. In framing its recommendations the Productivity Commission Inquiry into the Impact of Competition Policy Reforms on Rural and Regional Australia, needs to ensure that such benefits are tangible in Wheatbelt communities.

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Chris Bothams
wbeltacc@avon.net.au
08 9574 2685