



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

SELECT COMMITTEE ON THE SOCIO-ECONOMIC
CONSEQUENCES OF THE NATIONAL COMPETITION
POLICY

**Reference: Socio-economic consequences of the national competition
policy**

TUESDAY, 18 MAY 1999

ALBANY

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SENATE
SELECT COMMITTEE ON THE SOCIO-ECONOMIC CONSEQUENCES OF THE
NATIONAL COMPETITION POLICY

Tuesday, 18 May 1999

Members: Senator Quirke (*Chair*), Senators Coonan, Lightfoot, Margetts, McGauran, Mackay and Murray

Senators in attendance: Senators Lightfoot, Margetts and Quirke

Terms of reference for the inquiry:

To inquire into and report on the National Competition Policy, including:

- (a) its socio-economic consequences, including benefits and costs, on:
 - (i) unemployment,
 - (ii) changed working conditions,
 - (iii) social welfare,
 - (iv) equity,
 - (v) social dislocation, and
 - (vi) environmental impacts;
- (b) the impact on urban and rural and regional communities;
- (c) its relationship with other micro-economic reform policies; and
- (d) clarification of the definition of public interest and its role in the National Competition process.

WITNESSES

BEATON, Mr John Duncan, (private capacity) 500

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HOUSE, Mr Maurice Pell, Chairman, Area Consultative Committee 500

KELLY, Mr Edward Henry (Jim), Chief Executive Officer, City of Albany 487

**McGREADY, Mrs Annette Mavis, Committee Member, Great Southern Area
Consultative Committee 500**

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**SCHOUTEN, Mr Duane Brian, Senior Development Officer, Great Southern
Development Commission 500**

**STOCKDALE, Mr Robert Graeme, Director, Regional Training Services and
Director, Skill Hire 500**

WAUGH, Mr Graeme Stewart, Chairman, West Australian Water Users Coalition 479

**WILSON, Mr Ian Wesley, Deputy Chair, Great Southern Area Consultative
Committee and Executive Director, Albany Chamber of Commerce and Industry 500**

Committee met at 2.28 p.m.

CHAIR—I welcome everybody to this sixth public hearing of the Senate Select Committee on the Socio-Economic Consequences of National Competition Policy. The terms of reference agreed by the Senate require the committee to inquire into a report on national competition policy including: (a) its socioeconomic consequences, including benefits and costs to unemployment, working conditions, social welfare, equity, social dislocation and the environment; (b) its impact on urban and rural and regional communities; (c) its relationship with other micro-economic reform policies; and (d) the clarification of the definition of public interest.

The committee is required is required to present its report on or before the last sitting day of June 1999. However, I make the observation that due to the breadth of the terms of reference and the volume of submissions received, the committee is likely to continue its inquiries after that date subject to the agreement of the Senate. Before we commence taking evidence let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence which is given before it.

Parliamentary privilege, for those who have not appeared before a committee before, means special rights and immunities attached to parliament or its members and others necessary for the discharge of the functions of the parliament without obstruction and without fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given by him or her before a Senate committee or any other committee of the Senate is treated as a breach of privilege, and so you are accordingly protected. I now welcome Dr David Mildenhall.

[2.30 p.m.]

MILDENHALL, Dr David, Senior Vice President, Rural Doctors Association of Australia

CHAIR—We do prefer all evidence to the committee to be given in public, but should you at any stage wish to give part of your evidence or answers to specific questions in private you may apply to do so and the committee will consider your request. I now invite you to make a brief opening statement. At the conclusion of your remarks we will invite committee members to ask a few questions.

Dr Mildenhall—Thank you for the opportunity of coming along today and addressing you. The core of the Rural Doctors Association of Australia's submission to this committee is about public benefit. There are not enough doctors in rural and remote Australia. Anything that inhibits recruiting and retaining doctors to those areas is a major problem.

In terms of public benefit, firstly, if we have enough doctors or more doctors, this improves health outcomes. You have to remember that Frager shows very eloquently how there is decreased health outcomes in rural and remote Australia. Secondly, if I can quote Margaret Brown, chairperson of the Health Consumers of Rural and Remote Australia:

Doctors are the linchpin in maintaining the economy of rural towns. Once there is a fragmentation of medical services in a rural town, ie, doctor leaves, hospital functions down-graded, pharmacists depart, the whole economic structure of the community collapses. It is fatal.

I think there is evidence that recruiting doctors is a public benefit. But I want to link this public benefit with the sort of collective contract that allows provision of services to public hospitals in Western Australia, South Australia and New South Wales. This used to also be so in Victoria.

I am sure you will be aware that last year the South Australian and Federal Australian Medical Associations applied to the ACCC for authorisation for the AMA and its members to negotiate and give effect to a common service agreement for the remuneration of visiting and medical officers practising in South Australian rural public hospitals.

In its determination, which was unfavourable and gave a limited life to that agreement—I understand it expires next month—the ACCC took a fairly narrow view of public interest. On page 30 of their draft determination they mention that:

If an individual practitioner was charging too much, hospitals would be free to switch to a lower priced alternative.

This overlooks the fact that there is often no other doctor. They are trying to desperately seek doctors. For example, consumers here in Western Australia in Gnowangerup, in a submission six months ago said, 'We want a doctor. If we cannot get a doctor we will have a nurse, but we would prefer a doctor.' Likewise, on that page, the ACCC reported:

Whether or not there is a shortage of doctors is irrelevant . . .

I put it to you that it is not irrelevant to those communities.

The ACCC required in South Australia that there needed to be a direct link between the benefits of attracting doctors to that town and the specific provisions in the contract. That is a causal relationship between the contract and the benefit. If we go through their report:

The onus is on the applicants to satisfy the Commission that there is an overall public benefit and that there is a nexus between the claimed public benefits and the conduct for which authorisation is sought.

But one cannot link health outcomes to contracts of this sort. It is too big; the bow is too long. Neither can you link the doctor as the economic linchpin of the community to such a contract. But what we can do is indirectly link improved retention and recruitment of rural doctors to these collective types of contract. We can do this by drawing on the research that has been done in Australia. Kamien, both in 1987 and in 1996 reports that, in terms of retention and recruitment of rural doctors, the association they have with the local hospital is vital.

Senator MARGETTS—For *Hansard*, could you mention the name of the report?

Dr Mildenhall—Yes, sure. The December 1987 report was the report of the ministerial inquiry into the recruitment and retention of country doctors in Western Australia by Kamien. And then, in 1996, there were the outcomes of the 1986 intentions.

CHAIR—There are a couple of documents you mentioned earlier that we might like to have look at. There is one that you mentioned five or 10 minutes ago.

Dr Mildenhall—Yes, it is *A Picture of Health*, a preliminary report on the health of country Australians by Fragar et al, October 1997.

CHAIR—Thank you very much.

Dr Mildenhall—In the research I am referring to, the association between the local doctor and the hospital has been shown to be highly valued in terms of retention and recruitment. The second biggest reason for doctors leaving rural areas is the problems with bureaucracy, including bureaucracy with the local hospital. Hayes, in *Why Rural Doctors Leave Their Practices*, a report between January 1995 and March 1996, reports that regionalisation in Queensland led to increased administrative problems and was a major reason doctors left rural and remote practice in that state.

If we look at what is happening here in Western Australia, for example, even though we have not got individual contracts between the doctor and the local hospital—which the commission obviously is pushing for—we see what pressure rural doctors are under. For example, in one town 150 kilometres from here, Kojonup, the doctor there provides a very good service. He provides a seven-day-a-week service and is available at all times. He rarely leaves the town on weekends. This is different from the previous doctor who tended not to provide such a good and inclusive service. As a result of that, the hospital budget has blown up and there are problems meeting the hospital budget. It is written into the board minutes of the March or February meeting that the doctor was requested to park his bike behind the hospital. Verbally he was requested not to ride his bike to the hospital. This was because apparently the indigenous population in that town could see him riding to the hospital and,

when they knew he was at the hospital, they went there to seek service. Therefore, there was an increased cost incurred by that hospital. So we have not got a lot of faith in the local bureaucrats being able to appropriately form contracts with their local doctors. It does not matter, it seems, whether they are hard to service towns or not.

If we look at two other towns—Manjimup and Esperance—there is an increased amount of procedural work going on in those towns and, again, the hospital budget has been under huge pressure. The doctors have been told they can no longer operate, and the number of operations have been reduced and curtailed significantly.

The other concern is that if we move to individual contracts the doctors could be lured to an area with a reasonable contract, invest in a house, a surgery and other private facilities and then, when that contract comes to be renewed, there is no certainty that it can be renewed favourably, and the hospital administration is in a favourable situation to beat down the price. That argument was raised last year with the ACCC and, if you look at their report, their reply is:

The Commission agrees that investment in private medical facilities is a public benefit. However, it is not convinced, on the evidence currently before it, that there is a nexus between the arrangements subject to this application and the investment in private medical facilities.

It is a very narrow view.

If we look at what has happened in Victoria where they moved from a collective contract to an individual contract several years ago, a survey, conducted last year by a medical organisation of some 30 or 40 doctors in rural Victoria, showed that there were no increased payments for services for those hospitals which were more rural and which found it harder to recruit doctors.

I note that, in the ACCC draft determination, they say that they spoke to a number of hospital administrators and so on. They list those hospitals—for example, Bacchus Marsh. Bacchus Marsh to me is a suburb of Melbourne. I believe that, if you look through their report, there is no evidence that they actually spoke to the doctors or to many rural and remote people in Victoria. I found that a little disappointing.

The other matter in Victoria is that today I have spoken to Dr Nola Maxfield, who is the state president of the Rural Doctors Association. She said:

Doctors can't get what they want in their contracts so don't go or leave!

Perhaps I can put it to you in another way, perhaps in summary. We see that a structure needs to be in place so a young doctor can have the confidence to go to rural and remote areas and to know what to expect in terms of their relationship with the local hospital. He or she is trained in medicine, not in negotiating contracts.

The decision to go or not is often so fragile that this fact alone can be enough to tip the balance. If they do go there, they want to have the confidence to be able to invest and to settle there and this type of temporary arrangement with individual negotiating contracts does not give that confidence.

As far as rural is concerned, what do we do about this narrow interpretation of public benefit? I would urge that there be a clearer direction as a minimum to the ACCC so that it can be interpreted more widely. I am not sure whether this is by regulation or some other method. Perhaps we will leave that; I am sorry to take up so much time.

CHAIR—I am going to have to wind you up very shortly; this has gone on far too long.

Dr Mildenhall—I will try to be as quick as I can. Another line of argument is: are they contractors or are they employed people under these sorts of contracts? If we look at the GPs in South Australia who are under this type of contract, there is superannuation from the hospitals and many of them have pay-as-you-earn taxation. Yet they are termed contractors. Specialists who receive similar awards are deemed employees and can collectively bargain. Section 51(2A) perhaps needs to be addressed. It needs to be amended so that there is a requirement that contracts wholly or principally for labour are exempt from the Trade Practices Act and not just contracts in relation to remuneration and conditions of employment for employees. This would, firstly, allow collective contracts, which are in the public interest to continue and, secondly, facilitate Australia's obligations under the International Labour Organisation to allow collective bargaining for labour.

If I could seek your indulgence and perhaps update you on one thing which I mentioned in the submission that you have from the Rural Doctors Association, and that is in relation to the Riverland group of doctors who followed consultancy advice that was paid for by federal government money to provide more sustainable services by linking together doctors in several small towns to provide after hours cover. The doctors were in partnership, but a couple of the doctors were incorporated, so their partners were incorporated companies.

This is a grey area under the Trade Practices Act and apparently could be deemed as collusive arrangements. They were in fact threatened or taken to task by the ACCC. I talked to one of them only today and he said that it cost them a lot of money, worry and administration. They got out of it in the end by getting the two doctors that were in their own private companies in partnerships to disband those and they became individual partners in their own right.

The ACCC did say, 'This is a grey zone. We are not sure whether this is legal or not. If you want to find out whether it is legal go to court'. But these doctors could not afford that. I believe that is another area that needs to be explored more fully.

Senator MARGETTS—We have heard from the Australian Medical Association about a number of issues and also from the anaesthetists. Has your contact with national competition policy been through the other organisations like the Australian Medical Association or have you been negotiating directly with bodies like the ACCC? Can you describe what the process has been?

Dr Mildenhall—In the matter of the South Australian contract or agreement, we are a fairly small organisation, but we did put together several tens of thousands of dollars to be represented at that hearing. I am going through the document but unfortunately I cannot see that our evidence was given any weighting.

Senator MARGETTS—So the Rural Doctors Association presented directly to the ACCC?

Dr Mildenhall—In Adelaide. Going through that report—maybe I have missed it—I could not see that there was any evidence of that submission in their findings and draft determination, which was a little disappointing because, as I said, it cost us a few dollars. Other than that, we have made it our business to make contact with the Canberra office of the ACCC because we want to try and understand the national competition policy. The whole matter does inhibit free association in the medical circles at the moment because a lot of us are concerned and worried that we may be breaking the law unintentionally.

Senator MARGETTS—We have had evidence from both the ACCC and the National Competition Council so far that there is a lot of misunderstanding about the public interest provisions and that public interest provisions can include many areas providing public interest can be proved. How difficult has it been for your organisation to prove to the ACCC that there is public interest in providing a regular and guaranteed doctor coverage?

Dr Mildenhall—We obviously were unsuccessful in South Australia which is the only place where we have actually tested it. But that has flowed on to this state and there has been some pressure put on us in this state not to renew the collective contract because it would be breaking the provisions of the Trade Practices Act. This is what I am talking about. In terms of caucusing, there is a huge inhibition for us to talk to each other because we are concerned that we might be seen to be collusive.

Senator MARGETTS—Is that a problem professionally if you are worried about being seen to talk about professional issues and so on?

Dr Mildenhall—It is a major worry, especially for rural and remote doctors, because they tend to practise in relative isolation as it is. One of the reasons for doctors not going to the country and for them leaving the country is this pressure of bureaucracy. They have got to deal with a lot more bureaucracy and a lot more departments basically because they are it. This is just another pressure which is an inhibiting factor to retention or recruitment of rural doctors.

Senator MARGETTS—What was your source of information about national competition policy and where did you first come across any of the issues?

Dr Mildenhall—My first information was probably last year when we understood that the South Australian agreement was being brought into question and also when we became aware of the anaesthetist problem in New South Wales.

Senator MARGETTS—You have explained why it is a particular problem in regional Australia. Did the ACCC have any different way of dealing with regional and rural doctors than, say, urban doctors or did they deal with it as a whole issue?

Dr Mildenhall—To be fair, I think the ACCC did acknowledge that it had been established that there was a shortage of doctors in remote and rural Australia, but they seemed to have a fairly narrow interpretation of what was in the public's interest and how

vital it is for rural communities to have a doctor. It is a very fragile arrangement and a very fragile situation whether a doctor is retained in a town or not. There are a lot of pressures on rural doctors. We could not get it across that the national competition policy in relation to, for example, after-hours care or the collective contracts in fact seemed to be an inhibitor because it added another bureaucratic layer, if you like—something else the doctor had to worry about.

Senator MARGETTS—So the ACCC is worried about doctors talking to each other and collective bargaining? You may have heard—and some of the evidence we have heard is—that a lot of the outcomes through competition policy tend to be the big corporations getting a much bigger chunk of the market as a result of the roll-out of competition policy.

Dr Mildenhall—You are quite right. The ridiculous thing is that it seems to be that the small people are getting squeezed. For example, we could actually effectively overcome the national competition policy problems in this state or any other state, if all the rural doctors form one partnership.

Senator MARGETTS—A rural doctor corporation?

Dr Mildenhall—That is right. If we were under one partnership—individuals, not medical companies—then we could then collectively bargain and collude.

Senator MARGETTS—So that would be okay but individuals trying to liaise with other doctors is considered to be a threat against law?

Dr Mildenhall—That is quite right.

Senator MARGETTS—Interesting. Thank you.

CHAIR—But you cannot do that, can you? Tell me how partnerships work. As I understand it, you get a certain amount of money out and the partnership is worth a certain amount of money if it is to be sold. You would have all sorts of conveyancing problems.

Dr Mildenhall—You would but in fact it has been—I think it would be very difficult to institute but it is possible to do it in such a way that even though it is a legal partnership—no other form of legal entity—the drawings are unequal and the drawings are based on, for example, the amount of work done. There are several examples of that around the place in medicine.

CHAIR—Thank you, Doctor. Senator Lightfoot.

Senator LIGHTFOOT—Do you think there are too many regulatory authorities as they apply to medicos and those in the medical profession in Australia today?

Dr Mildenhall—There is certainly not less. I have been in practice in a rural area now for 20 years—

Senator LIGHTFOOT—I mean too many in the sense that it is inhibiting your practice, it is inhibiting growth and it is inhibiting doctors coming to the bush.

Dr Mildenhall—Absolutely. Doctors are trained clinicians. They are there to improve health outcomes and to work with communities, and that is our forte. But there is the national competition policy, there are radiology acts, pathology acts and Medicare acts and we are being overwhelmed by them. Things were fairly simple 20 years ago. There were no agreements. We just went to the hospital and worked and received a payment, and everybody knew where they stood. But now we have to take care in everything we do that we are complying with the law and it is getting increasingly complicated.

Senator LIGHTFOOT—Is that detrimental to your patients?

Dr Mildenhall—We are spending more and more time on administration and less and less time on seeing patients and, what is more important, we are putting off our young doctors from moving to rural areas because they see this bureaucracy and they are not taught about that in medical school. They do not know how to go about tackling it or making a contract. This is, in my opinion, a great inhibitor.

Senator LIGHTFOOT—I have noticed of recent times that the term ‘X-ray unit’ or ‘X-ray room’ has been deleted from the general lexicon of hospitals and it has been replaced by something else. I also notice that people were asking reception where the X-ray room was, so they then put under the sign with a different name, another one saying ‘X-ray room.’ Is that symptomatic of some of the problem?

Dr Mildenhall—Senator Lightfoot, you are very perceptive. I think there is a new language that comes with all these various rules and regulations and that new language is part of the new ethos.

Senator LIGHTFOOT—Were you aware that in the budget brought down recently there was \$171 million put aside over the next four years for a range of measures, including access to services and strengthening the rural health work force?

Dr Mildenhall—Yes, and we were very pleased to see that. In fact, we are very heartened by a number of federal measures which recognise rurality. It does this across the board, in that you actually get something in several ways now for being more rural. If I could give a couple of examples: one is the practice incentive payment—the more rural you are, the more practice incentive payment you get, which is appropriate. This is across the board and it happens.

There is a regulation that you have to apply for it, but at least then through the RRAMA classification—the rural remote and metropolitan areas classification—there is a way of classifying remoteness, as I am sure you are aware, in Australia. By pursuing this type of across-the-board measure, it makes it easy for doctors to be rewarded for the more difficult to reach service areas. As part of those measures you mentioned in the budget, in fact, \$43 million is for retention grants for rural remote areas and we understand that, again, is going to be applied in a similar manner, so that doctors are not going to have to individually negotiate for that retention grant, but it will be there in a structured way. This is what we

want for the collective agreements under which we provide services to state hospitals—a similar sort of matter.

Senator LIGHTFOOT—Is that why you suggested that the rural doctors combine as a single practice to facilitate and overcome some of the problems—not to facilitate problems, but facilitate the advantages of what the regulatory authorities have to offer and to overcome some of the problems associated with single practices?

Dr Mildenhall—It is a way that has been suggested because it will be a lawful way for us to do this and, once we had done it, then we could go ahead with that mechanism. However, to get the majority of rural doctors, for example, in this state or any other single state, into that partnership, obviously would be an organisational challenge. But it certainly is the only way that is left to us, as we see it, if we want to retain that collegiality, stability, and structure to encourage young doctors out to rural areas, so there is predictability about what they are going to receive and a confidence to go on into the future.

Senator LIGHTFOOT—Just on that question, does the joint and several liability of doctors inhibit that thought process in getting together as a single practice?

Dr Mildenhall—That potentially is always a problem with partnerships and particularly with medico legal situations such as they are in this country with increasing amounts of money being paid in medical litigation. I am not seriously suggesting this type of alliance partnership I am talking about would happen, but it is the only way that we can see open. I think it would be too hard to organise it at the end of the day. What we would rather see is perhaps some amendments to the Trade Practices Act to make sensible arrangements similar to those that we have enjoyed up to this point in time.

Senator LIGHTFOOT—What do you think of the initiative of the New South Wales government in removing the registration qualifications or lowering the registration qualifications for certain doctors who have trained overseas to lessen the dearth of medical practitioners in rural and remote areas? Do you think that is a good move or does it require more analysis than merely saying, ‘It is not a good move,’ or ‘It is a good move?’

Dr Mildenhall—I draw your attention to the fact that that is also happening in this state. In fact, this is the first state in which it was proposed. There are basically two matters: the registration of doctors, which is a state matter, and the access to Medicare, which is a federal matter. The proposals weave through those legalities to try and make it easier for overseas trained doctors who are suitably qualified and have got quality to work in remote Australia and rural Australia in areas of need. We as an association support that because there are not enough doctors in rural and remote Australia. We believe it would be best if those areas had our own doctors, Australian graduates, but our colleagues in those areas need support. The rural communities need medical practitioners to service their needs and improve their health outcomes. So as a temporary measure we certainly support these initiatives, but I would emphasise that we do not see this as a lowering of quality but more as a way of getting around a temporary shortage of rural doctors.

Senator LIGHTFOOT—So it has the imprimatur of your association.

Dr Mildenhall—It does.

Senator LIGHTFOOT—What about when it gets down to which countries those doctors could be registered in? Are you prepared to have a bias towards English speaking countries or towards, say, non-African countries? What are the criteria?

Dr Mildenhall—It is all about standards. The Australian College of Remote and Rural Medicine was set up last year and awarded its first fellowship six months ago to set the standards for remote and rural medicine. The Royal Australian College of General Practitioners, which has government backing—I might add that ACRRM does not have government backing at this stage—is the only college which actually has the infrastructure to immediately assist in this area. They are looking for equality with other specialists. At the moment other specialists can enter Australia from certain overseas countries and their qualifications receive reciprocal recognition with the specialist colleges in this country. Under certain circumstances they do not have to sit the Australian overseas medical exam and therefore they can basically slot into the system fairly quickly. General practitioners have not enjoyed that privilege up to this point in time.

If the Royal Australian College of General Practitioners and the Australian College of Remote and Rural Medicine can establish reciprocal relationships with certain other countries in which they feel the standard is appropriate and those qualifications can then be recognised, it would seem appropriate that doctors from those types of countries where there is a reciprocal relationship, where there is a standard and where those individuals can be shown to be able to practise in remote and rural Australia should be allowed to do so. It really provides equity in terms of general practice and specialist practice.

Senator LIGHTFOOT—Yes. What is the downside there?

Dr Mildenhall—The downside is that this temporary measure could become a permanent measure. We have got lots of research that shows how to do it now, and I am pleased to see that various political parties and the government are actually pursuing those initiatives and putting into practice some of the research. I would put it to you that perhaps the amount of money still is not quite enough, but it is a step in the right direction. If we continue that way, we will get our own young graduates out into rural and remote Australia. But what we do not want is this temporary measure becoming a permanent measure and say, 'Right, we'll just fill up remote and rural Australia with overseas trained doctors. We don't have to worry about recruiting Australian doctors anymore, with the expense involved.' I can see that that would be a very easy trap for government to fall into and I would hope that would not occur but that they go on pushing for proper retention and recruitment measures for Australian graduates.

Senator LIGHTFOOT—But things of that nature are so fundamentally serious to the health of Australians that the government would no doubt be guided by your peak body organisations, including the Australian Medical Association.

Dr Mildenhall—I would hope so, and including the Rural Doctors Association. I take this opportunity to point out that a rural committee of doctors worked up until the middle of last year and advised the government and the department on rural affairs. We had a good

working relationship and many of the initiatives that we are now seeing came out of that committee. Unfortunately, that committee was disbanded. It is the policy of my association and the Australian Medical Association that there should be a national committee of rural doctors and health workers to advise government and the Department of Health and Aged Care on these matters. This should be a standing committee.

Senator LIGHTFOOT—Will the government's initiative of supplying, in this recent budget, \$43.1 million as an incentive for the retention of long-serving GPs in rural and remote Australia go some way to resolving the issue?

Dr Mildenhall—It will go some way. It is a step in the right direction, but you have to realise that what you are talking about—

Senator LIGHTFOOT—The Long March began with a single step.

Dr Mildenhall—It did. It is a step in the right direction. You have to realise that when you actually average it out, the incentive starts off at the RRAMA4 classification, which I think is a large rural town. With anything smaller than that, there will be an incentive paid. If you average that amount out over the number of doctors in those towns in Australia, I think the sum comes to only about \$2,000 per doctor every year. So it is not Everest-building stuff we are talking about, but it is a step in the right direction. No other government has done it up until this point in time. I think it is to be encouraged.

Senator LIGHTFOOT—It is not going to buy a Lear jet—I understand that. I have one more question and I will finish on this one because of our time constraints. Do you find the overall thrust and impetus that the NCP is supposed to supply and apply to be an impediment or do you think there would be some advantage from the NCP with respect to your profession?

Dr Mildenhall—I would like to think that if we have to work with the NCP then we can find some advantages. My association is busy looking for those at the moment. We would welcome some advice as to perhaps where to find them more quickly because we are having a problem in that area at the moment. I know, theoretically, it sounds good. If you go to individual contracts, it means that remote towns can offer more money or the remote hospitals can offer more money to engage doctors. But the fact is, there is no budget in those remote towns to engage the doctor with the extra money, so it does not work. It is not a true marketplace. On one side, we have got government, which is a monopoly. On the other side, we have got individual contractors. So, to start with, you have got a distorted market.

Senator LIGHTFOOT—Thank you very much, Dr Mildenhall.

Senator MARGETTS—Dr Mildenhall, you mentioned that your organisation would prefer to see some amendments to the Trade Practices Act. If you have not got them already, as soon as you have got some drafts and ideas, would you be able to forward those to the committee. Tell us what you would like to see or what your legal advice would like to see changed within the Trade Practices Act to allow that sort of collegiate communication between rural doctors to take place again without fear of prosecution.

Dr Mildenhall—We certainly can look at that, Senator Margetts. I did mention one particular matter in my opening statement. But I cannot give you a broad raft of others off the top of my head.

Senator MARGETTS—That is okay. Perhaps you might like to take it on notice.

Dr Mildenhall—I certainly welcome that opportunity.

CHAIR—Thank you very much for appearing.

[3.12 p.m.]

WAUGH, Mr Graeme Stewart, Chairman, West Australian Water Users Coalition

CHAIR—Welcome. I invite you to make a brief opening statement. At the conclusion of your remarks, I will invite committee members to ask you questions. If you could keep your opening statement to about five minutes, that would be useful.

Mr Waugh—To be honest, I might even struggle to fill five minutes. I am the Chairman of the Western Australian Water Users Coalition, which is a group of, mostly, horticulturalists set up to have a look into proposed changes to Western Australia's water laws. To some degree, they have been brought about by competition policy and other federal government agendas. As individuals we were unable to deal with such an issue, so we formed an organisation. We have about 20 water user organisations, with members who are mostly horticulturalists and market gardeners.

The emphasis of what we have seen so far has been on pursuing a reform agenda rather than focusing on developing safeguards in the process. I guess many of our members see the development of safeguards as being a way of not so much impeding the reform agenda but ensuring that, at the end of the day, equitable outcomes are achieved from the proposed changes.

Because the changes to the water laws in Western Australia are ongoing, we are looking into a crystal ball and trying to identify the implications. Until the process is complete, we will not really know what is going to happen and how it will affect us. A concern is that, without adequate checks and balances put in place, a discretionary administrative process of allocating rights to take water and rights to use water could have adverse implications for individuals. In that respect, we are looking for the issues of an independent appeals system and of compensation to be addressed so that the checks and balances are put in place.

With regard to competition policy, we do not know a lot about it, to be honest, other than the fact that it has been used as a big stick to force the process through—for example, threats that if these changes are not implemented the state will not get the money. Quite frankly, our attitude on that has been that we need to get the changes to our state's water laws right, and if we cannot achieve this by the set date we need to set another date in the future. I do not think some of the issues have been adequately addressed up to date. It would be best to leave it at that, because I might keep talking and say things that I do not want to.

Senator LIGHTFOOT—Mr Waugh, you said that you do not fully understand the NCP—and you are not alone in that—but what of it that you do understand do you think is going to create an environment where the consumers of water will benefit or, alternatively, that will arrest the over-exploited rivers in terms of fresh surface water?

Mr Waugh—I do not think anybody would argue that there needs to be regulation of water for environmental reasons. I do not think anybody can argue against that, but we are not entirely sure that a market, in its purest form, is the right mechanism for achieving the outcomes you are looking at.

During this whole process I have used my own property as an example because you have to have a benchmark to measure by. We are in an environmentally sensitive area. We are in between a Water Corporation bore field and the harbour, and we do not see how a market can effectively regulate in those circumstances. It is not an effective market. We have a dominant taker of water in the Water Corporation, and there is no competition for providing community water. The way it has traditionally worked for us is that, if we wanted access to water, we had to go and buy it, together with land. With the separation of water from land in a legal sense, the value of our assets could be diminished and we could be without an effective market to realise the true value of what that water is worth.

Senator LIGHTFOOT—If the NCP were introduced and, in its purest form, applied to market gardens, the very fundamental base of our food cycle in terms of fresh produce, do you think that would inhibit the production of fresh vegetables or fresh fruit from this area to the point where you would have to import it or bring it down from the metropolitan areas?

Mr Waugh—I think that could occur. I think that is a real threat. We understand competition very well because we operate in a pure supply and demand marketplace when we sell our produce. Often we survive by finding niche markets and other things. If we have to actually compete for the use of water on a cost basis and we have to compete, for example, against the Water Corporation, I do not think we could survive because the competition is not equal.

Senator LIGHTFOOT—Since the Water Corporation has been hived off as a first step, it would appear, towards privatisation, have there been any increases in the cost of the delivery of that government owned monopoly to end users?

Mr Waugh—As a consumer of water from the Water Corporation, I do not think I have seen any actual increases as such. I am also a user of water from natural sources for a market garden.

Senator LIGHTFOOT—Do you pay for that?

Mr Waugh—No, we do not. It has always been considered as a property right, together with the ownership of land title.

Senator LIGHTFOOT—Do you think that is something that the Water Corporation, because of its imminent privatisation, covets because it may enhance the bottom-line sale—or the float, if that is what they are going to do—of the Water Corporation?

Mr Waugh—We have been very concerned that that will be the case: that, through an administrative process, our water supplies may be allocated to the Water Corporation because that may be seen to be of greater public benefit. I guess in that regard the separation of the regulatory authority, in the Waters and Rivers Commission, is a step in the right direction. At least we now have decision makers a little bit independent from the service provider.

Senator LIGHTFOOT—But you would agree that the indiscriminate sinking of bores or the indiscriminate drawing of water from wells is something that cannot be sustained?

Mr Waugh—Absolutely. There is only a limited amount of water.

Senator LIGHTFOOT—Do you think that, because of the finite capacity of fresh or potable water—either subterranean or stored by some method on the surface—the advent of desalinated water from the sea for commercial ventures such as market gardens, vineyards, et cetera, is not too far away? Or is that something you had not given any thought to? If you had, is that prohibitive?

Mr Waugh—I do not think it would be cost effective from our point of view. There are probably far better opportunities for the reclamation of water, such as urban run-off and recycling sewage and other effluent to a sufficient quality. I think that would be a far more cost effective way of supplying future water for horticulture. I would imagine desalination would be expensive, but I do not really have the figures to make a proper judgment on that.

Senator LIGHTFOOT—It is not something that your association has thought about?

Mr Waugh—I do not think it is anything that we could even contemplate. Our margins are so tight now that I think we would just go out of business if we had to pay for the cost of that.

Senator LIGHTFOOT—Does that apply to the water you draw down now for gratis, the water that you have personally exploited? If you had to pay for that on the same scale per litre, hectolitre, megalitre or whatever, would that also make your enterprise unprofitable?

Mr Waugh—I think it could. It depends on the cost, on what you are paying for. If you are paying for a service that is provided then obviously, if you get a benefit from that service, one would equal the other. I do not think we would be in a position to actually pay for water at this stage. As I say, we are in a very competitive market in the vegetable industry. We are dealing with fresh produce, and we do not have any flexibility in marketing. It really is a supply and demand industry, the margins are very low and there is not a great deal of capacity to bear any increases in costs. It is an industry where he who works the hardest and the longest for the least survives.

Senator LIGHTFOOT—On that basis and because of the mooted user-pays system with respect to water—the most precious of commodities but the freest of commodities in years gone past—what about the trading of water rights? Will that become something of an industry in your area?

Mr Waugh—I think the trading of water rights is probably applicable in areas where there is an irrigation scheme in place. I think it is a little less easy to implement in the type of industry we are in in this area, where access to supplies of water are very opportunistic. It is usually dependent on a particular piece of land where there is a source of water available, and there can be a property alongside which has no water. How you create a market for trading in that circumstance, I am not sure.

Senator LIGHTFOOT—With your knowledge of the NCP, the national competition policy, do you think it is going to be detrimental or beneficial overall? I do not mean for

you to dissect it and to say that this is good and this is bad, but, overall, do you think it is going to be beneficial to your industry with respect to the water that your industry is so fundamentally dependent on?

Mr Waugh—I guess the answer to that depends on how it is implemented at the end of the day. The process is ongoing and changes are being made continuously to what is being proposed. It really is dependent on how the thing is implemented and how it is administered at the end of the day as to the effectiveness of competition and what the implications of that are.

Senator LIGHTFOOT—I do not want to put words in your mouth. Are you saying then that you will wait and see how it is administered before you give an opinion on whether it is good or bad?

Mr Waugh—Yes. I do not think we are in a position to make a definitive statement on that. We can attempt to identify implications, but they really are only hypothetical situations that we are trying to comment on—until such time as we see the final outcome of the changes and how they are actually implemented in practice.

Senator MARGETTS—This is obviously a really important consideration. Something that is little known about the National Competition Policy is that the Australian COAG water reforms—most people do not know anything about them—were linked or lumped in, if you like, with the National Competition Policy and with the deadlines and with the tranches of payments. What, if any, is your communication with the Western Australia Treasury? Each state, as we understand it, gets a lump of money in relation to each tranche of reform. The water reforms are part of the next tranche. Has the state government given any consideration to what would be appropriate compensation measures? Can you let us know what the difference is between what you think would be adequate and what has been offered at any stage by the Western Australia government?

Mr Waugh—Last week was the first time the Waters and Rivers Commission actually spoke about the issue of compensation. They have attempted to avoid the issue as much as possible. Although they are attempting to address it, it is being done as internal policy. Compensation, I understand, is not being proposed to be introduced in legislation. As such, being internal policy, it will be open to change; and so they may actually tell us at the moment that it means that if you are going to be adversely affected you will be compensated, but we might find that that policy could change. In that respect we would like to see the issues of compensation actually introduced in the legislation so that it became binding on the resource manager to provide for equitable outcomes when they make decisions.

Senator MARGETTS—You would prefer this in state legislation?

Mr Waugh—Yes, in state legislation.

Senator MARGETTS—You have mentioned, ‘He who works the hardest for the longest, for the least, survives.’ We have heard from Mr Dave Wren in relation to areas like Margaret River. He said the pressure there is on more and more land, because it will direct

irrigated land or land that is available for irrigation to the most valuable use, because nobody else will be able to afford to use it. I know Margaret River is obviously a wine growing area. Are there similar pressures in this area to move from horticulture to other uses of land? What do you think the impact might be?

Mr Waugh—There was that very real potential, and that was one of our fears. We have got a community and certain social values. The particular area that I operate in and that the neighbours around me are in is a very historic market gardening area. We are still gardening on the swamps that were first used when colonisation occurred in 1826, and there is a historic and social link to those areas. If we were forced by competition to change our land practices or move to other areas, then that sense of community that we have would be lost. There would be adverse social implications if that occurred.

Senator MARGETTS—One part of that question is who would be likely to use that land and for what kind of purposes.

Mr Waugh—If we did not use it for market gardens, it would be left to grow weeds. The reality is that you are on swamps and, unless it is filled—

Senator MARGETTS—Could it be returned to wetlands?

Mr Waugh—It could be returned to wetlands with a fair amount of work, I would think; but somebody would have to bear the cost of that.

Senator MARGETTS—Which is the market that you supply to? Are you local?

Mr Waugh—Personally, I am local. We do roadside sales. We used to supply into the Perth markets and supermarkets, but we do roadside sales because it has enabled us to reduce our cropping program and reduce the adverse impacts on the environment. So we think there are winners all round from what we have done.

Senator MARGETTS—In the area of Albany, if by virtue of the water reforms a lot of horticulture is pushed out, where would Albany otherwise obtain their fruit and vegetables? Would they be getting it all in bulk from Perth?

Mr Waugh—I think it would have to come from Perth. We have got limited water around Albany. You just cannot keep moving people further out onto the fringe, because there just are not the water supplies or the suitable soil types there. If Albany lost its horticultural industry, that produce would have to be brought in from other areas of the state.

Senator MARGETTS—We know that the COAG agreements started in about 1994. Obviously the pre-discussions for that went for some time before that. How long has your organisation been active on this issue?

Mr Waugh—It would be lucky to be 18 months.

Senator MARGETTS—So in reality it has been difficult, even for your own organisations which are immediately affected by these agreements, to be able to get the understanding and impetus to get together a structure to deal with this?

Mr Waugh—Yes, it is very difficult insofar as we are all running businesses. We have very limited finance and limited time. We are market gardeners, and our knowledge is in that area. It has been an incredibly steep learning curve just to understand what is going on, let alone address the issue.

Senator MARGETTS—What about people in the wider community? If you talk about this issue to other people around you, do they have any understanding of what it is you are talking about?

Mr Waugh—We do not think people understand at all. You have to understand that the Rights in Water and Irrigation Act we have been operating under was introduced in 1914, a long time ago. It has become a part of the way of life. People sort of understand what the law is, but I do not think anybody has ever actually gone and read it. When the changes are proposed, we are starting from a point where people have been operating on what they have been told by neighbours and parents and grandparents. Therefore, the actual knowledge of the existing law is virtually nonexistent. We have had to actually start from nowhere and try and find out what the existing law was, so that we could identify what the changes were, and then we could start to have input from that point.

Senator MARGETTS—If I were to magically wave a wand and say that we could start from the beginning, back in 1994, and say that the problem is a perceived or real issue in relation to environmental flows and river qualities and so on, and that there seems to be an urgency in relation to a number of environmental and sustainability issues, how would you go about it? Would there be a way of getting together the water users with engineers, consultants, water boards and so on? Could you see a better way of getting those people together, to improve the environmental flows and the water quality and deal with the equity and sustainability issues, than has taken place?

Mr Waugh—If you went back to 1994, I think we had a department of agriculture in those days. The way things had operated is that the department of agriculture officers had advised us about what was going on and the best practices to use. Information about what you are talking about in the first instance would be a good starting point: making people aware of what problems there are. I think we are all willing to change our practices, but it needs to be done in a way that we all work together towards it. What we do not really want is the big stick approach.

Senator MARGETTS—What is your feeling about the process? Were any of your organisations or representations throughout Australia involved in this COAG water reform agreement?

Mr Waugh—We had not heard about anything until we were told that the Waters and Rivers Commission was proposing to change the water laws.

Senator MARGETTS—Which was how long ago?

Mr Waugh—This is going back 18 months ago.

Senator MARGETTS—Really?

Mr Waugh—The process had gone on from 1994 through until, I think, 1998. It almost appeared to us that there had been a deliberate attempt to keep it as secret as possible and then spring it upon us with a very limited period—initially, it was six week or eight weeks—in which to respond. It was totally inadequate. That is why we formed our organisation, to try and slow the process up so that we could identify the implications—because there were people out there promoting the benefits and we could not see the benefits they were promoting but we could see the potential implications. So we did attempt initially to slow the process up, to try and understand what was going on so that we could have input into that.

Senator MARGETTS—It is extraordinary. Thank you, Mr Waugh.

CHAIR—Can we just get a couple of points clear on this? We had evidence yesterday from Mr Dave Wren who is, I believe, the secretary of the same association that you are here with today.

Mr Waugh—Yes.

CHAIR—This obviously is a state-wide problem, and I do not really want to go too far into it, except to say that I thank you for the evidence and I thanked Mr Wren yesterday for the evidence. As you only have a few days left to go, I do hope you are exploring the avenues with the agency that is doing this to you—namely, the state government—and that you have contacted, presumably, the minister concerned. I gather there is an ombudsman in this state; there is in most states. I hope that you or your organisation have actually exercised those sorts of options as well.

Mr Waugh—I am not quite sure what you are alluding to.

CHAIR—Have you been around to see the relevant minister? I presume you have seen the opposition on these matters. I presume you have seen the ombudsman. Is there an ombudsman in Western Australia?

Senator MARGETTS—I think so.

Senator LIGHTFOOT—Yes, there is.

CHAIR—Have you been around to see the ombudsman?

Mr Waugh—I put a case to the state ombudsman at the start of the consultation process, in order to clarify what the existing legalities were. We have a process to change existing rights to use water. Our understanding of what those existing rights were was different from what we thought was being proposed. It took us a while to understand that, when the Waters and Rivers Commission were addressing the public, they were answering questions in a future tense. For example, if somebody asked the question, ‘What are my existing rights?’

the answer would be given as ‘The commission would say . . .’, and so the answer was in the future tense, and this caused a lot of problems for us. We were trying to identify a starting point and an ending point, so that we then could make comment on what change was being proposed. So we had difficulty when people from the Waters and Rivers Commission were answering questions in the future tense. ‘The commission would say’ makes an assumption that the law is already changed; and so it makes it very difficult to have meaningful input into that process.

We did have a brief meeting with Kim Hames at one stage. It was quite some time ago in the process, but we were advised subsequently by Kim Hames that we should address all inquiries to Tim McAuliffe and Rod Banyard of the Waters and Rivers Commission. We followed that process. It has been a consultation process, and we have attempted to participate in that process. Submissions on that have only just been lodged at the end of last month. It has been a very complex process for us to understand. It has been complex, confusing and difficult. You have to understand that we are market gardeners and that dealing with issues of this nature is beyond our normal scope.

CHAIR—Thank you very much. Thank you for your evidence today.

[3.49 p.m.]

GOODE, Ms Alison Elizabeth, Mayor, City of Albany

KELLY, Mr Edward Henry (Jim), Chief Executive Officer, City of Albany

CHAIR—We prefer all evidence to the committee to be given in public, but should you at any stage wish to give part of your evidence or answers to specific questions in private, you may apply to do so and the committee will consider your request. I now invite you to make a brief opening statement and at the conclusion of your remarks I will invite committee members to ask you questions. If you could keep your opening comments to about five minutes, it would be appreciated.

Ms Goode—Senators, it is my pleasure to welcome you to the City of Albany. As you are aware, we are a relatively new city, having been proclaimed on 1 July 1988 following the amalgamation of two local governments—the former town and the shire of Albany. I am even newer, in that I was elected on 1 May, along with 14 councillors, as the first elected council for the city. In my previous local government life, I was the deputy president of the Shire of Albany and, for the last seven months of that shire, I was acting president.

The amalgamation has occurred and I and my fellow elected members are moving forward in genuine unity to make this beautiful place and region even better. As you are aware, the city of Albany has not made an official submission to your committee, nor did it actually request to formally place a submission before you. However, when we were made aware of your visit we readily took the opportunity to be present and to welcome you, as I have done. As we are here, we have decided to make some general comments about the national competition policy.

As you would realise, the newly elected council has not yet specifically addressed the NCP, although the former town and shire councils did commence to adhere to the requirements of the policy. Probably the greatest emphasis has been on the establishment of business and service units for various sectors of our operations and, prior to amalgamation occurring, work had commenced on developing business units within the waste management operations, the day care centre, the leisure and aquatic centre, and the Harry Riggs Regional Airport. The business plans for these business units are currently out for public comment.

Also, mainly under the direction of the former commissioners for the city, work has commenced on developing business and service units to cover council's library service, the town hall theatre, a strategic planning directorate, and the depot workshop and development services unit. I will now hand over to our chief executive officer, Jim Kelly, who will make some further comments about the NCP.

Mr Kelly—Senators, as the mayor has said, we have no specific submission which has been formally endorsed by our new council, although the business and service unit development process that was commenced by the former town and shire was enthusiastically embraced by the commissioners during the first 10 months of the life of the city. Also, I am confident that all our staff recognise the importance of this concept. The enterprise bargaining agreements currently being negotiated certainly refer to issues relating to

contestability and recognise, subject to certain conditions, the directions in which the NCP is taking us.

You can, however, be assured that council will not want to see any reduction in service with respect to core businesses in which we are involved—for example, waste and recreation services. Likewise, they would not want to add to the already high level of unemployment in the region and, even if some of our services were in the future to be provided by the private sector as the result of tendering processes, council would be vigilant in ensuring that those services were provided with local input of materials and labour. We would be very intolerant towards any fly-in, fly-out concept.

Turning to the bigger picture, we are aware of the submission that the Western Australian Municipal Association has made to your committee. As a general principle, we endorse that submission. Albany is a regional centre, as you well know, and it will survive the rigours and downsides of NCP. After all, we were the first European settlement on the west coast in 1827 and have stood the test of time with the closure of the wool mill, the whaling station and the abattoir—although now thankfully replaced by another. We have seen the demise of rail services and are currently dealing with the reduction in government services, particularly from Main Roads WA.

However, the region is bigger than Albany itself and we need our neighbours, whether it be Denmark, Plantagenet, Cranbrook, Jerramungup, Nyabing or Kojonup. Even in our city we know about vast areas, with nearly 5,000 square kilometres to serve and with our townships extending over 100 kilometres to the east at Wellstead and nearly 50 kilometres to the west at Young Siding. These areas need and will be given the full support of the council.

Returning to the WAMA submission, the first paragraph of that submission really says it all—and I quote:

Probably the most potential threatening aspect of NCP is the undue influence placed on cost benefit analysis and the qualification of outcomes in dollar terms as though the whole of life can be reduced to a numerical equation. The danger is that, in their zeal, persons administering or applying NCP principles will rate the easily quantifiable outcomes ahead of social considerations, the values of which are not easily determined and often manifest only in the longer term.

Likewise, the last paragraph on page 4 is extremely important and relevant. I quote the first part of that paragraph:

What is it worth to encourage regional economic development and reduce congestion in the Perth metropolis? This is the body of information which is not available in contemporary cost benefit assessments under NCP. Regionalisation incentives or disincentives must be measured, not only in terms of service deprivation to non-metropolitan communities, but also in terms of built infrastructure cost and social decay in the city.

In addition to the WAMA submissions, we have been made aware of the submission that was made to you yesterday by the Shire of Jerramungup, one of our four neighbouring local governments. We have read that submission, as I am sure you have, and it provides a very real example of what the issues are about on this important topic that your select committee is addressing.

Jerramungup and hundreds of like communities in Western Australia have our total support. The example in the Jerramungup submission relating to the fact that there is no telephone service in this area is very relevant. I am certain that some people in our state whose lives revolve around having a view from their bedroom window of the causeway in Perth would not realise that fact. You could say something similar about some people in Sydney who want to retain the view of the Harbour Bridge, and that is their world. If the Jerramungups of this region suffer a demise, it will have an adverse effect on Albany and this will in turn create even greater problems in metropolitan Perth.

Government should encourage development of and real support for rural and regional Australia; not looking at the costs as a part of the specific service but rather as a contribution to the social wellbeing of Australians, particularly those in the bush. If this is done, we will see an improved quality of life, reduced crime and the overcoming of many of the traumas of the family, whether it be divorce or suicide.

The WAMA submission talks about social decay in metropolitan Perth. The downhill trend in that city and, for that matter, in other cities in Australia, can be halted. There are very serious concerns that the national competition policy is working against the efforts to improve the services and facilities in rural and regional Australia. Jerramungup is absolutely correct.

In conclusion, the submission from the WA Municipal Association is endorsed and, more particularly, the submission from the Shire of Jerramungup would have the strong support of the City of Albany. Thank you for allowing us to make comments to your select committee.

Senator MARGETTS—Thank you very much for having us here. What is the current population of your local government city? What does it encompass?

Mr Kelly—The official figure at June 1998 was 28,600. We round that off to 30,000. That is the resident population. There are significant daytime visitors to Albany from the outlying region and, of course, the tourist numbers swell that to probably double at the height of certain tourist seasons.

Senator MARGETTS—How far out does it go? What do you encompass here?

Mr Kelly—I made mention of that. It is nearly 5,000 square kilometres. If you were to drive on the Albany highway from Perth, it is about 25 kilometres between us and the Shire of Plantagenet. To the east, where we join Jerramungup, it is 110 kilometres to the boundary. That is why I mentioned Wellstead as one of our little outlying towns. To the west is Denmark, which is 50 kilometres from Albany. We run nearly to the township of Denmark.

Senator MARGETTS—So there are countries smaller than the shire?

Mr Kelly—Absolutely, yes.

Senator MARGETTS—You have a big issue in terms of the provision of services in making sure that services and the social benefits are available for the provision of services. You mentioned Main Roads. Are there some details you can give us about what the impacts

have been in relation to changes in Main Roads? What kinds of changes have affected you? Is it corporatisation or privatisation of Main Roads that you are talking about?

Mr Kelly—We believe the full effects of the changes in Main Roads are yet to materialise. The actual downsizing, potentially of the Main Roads office here in Albany, would have an effect on us in terms of the technical expertise that would be available. The Albany town may well not suffer in that a contractor would be in town to service some outlying areas. However, it really is the effect on how those long-term, large-scale maintenance contracts are managed by the contractor that Main Roads will let the tender to.

As I understand it, they are looking at combining not only this region, the great southern region, but also the Narrogin region in letting contracts. It is understandable because they want to let the contract that is attractive to a particular contractor to set up the infrastructure and so on. There is a real chance that that contractor could set up a structure that involves people flying in and flying out—I do not mean that necessarily they will, although they could do that—or certainly driving in and driving out. That would take families away from this town.

In my previous life I was at the Shire of Kojonup, and the Main Roads Department had staff living in that town to service maintenance needs. It is very likely that they would not have that in the future. A contractor would not do that sort of thing. Once you take that out of all the Kojonups, Tambellups and Cranbrooks, it has a multiplying effect. It clearly has an effect of centralising things. People generally, and regrettably, seem to be absolutely attracted to the metropolitan area, and they are somewhat forced to do that. If they do not have a banking service or a primary school service, let alone a high school service, then they are somewhat forced to go where those services are.

Senator MARGETTS—In the past, who would a shire complain to if there was a problem with their roads, and is this going to change in any way?

Mr Kelly—It is interesting you should ask that. We have had some confidential requests from some of the possible tenderers for this work for us to provide the customer service contact. The mayor and the council have not even been briefed on that, and we do not know how real it is. That would possibly not be a bad option. Instead of people complaining about main roads problems to Main Roads here in Albany or Kojonup or wherever their people might be, they could lodge their requests or their complaints with the local government, if they were the agent. Imagine if they were not. They would probably have a 1800 number or a 1300 number. The person would not necessarily have any appreciation of the problem—let alone be actually able to fix the problem—because they are not on the ground. They may well have to send out a maintenance truck from Narrogin. Narrogin to Jerramungup is a day's drive in a commercial vehicle.

Senator MARGETTS—Interesting. Are there likely to be extra costs involved or is this all external to the current budget of your shire?

Mr Kelly—The issue involving main roads is external to our particular budget. One could only speculate what might happen in the main roads circle. We in local government are almost cynical about what is the likely outcome. It will be about cheaper tenders and

possibly the cheapest tender getting the contract. This is new ground that people will be entering into and they will not know quite what the likely demands are on their maintenance requirement. They might well underestimate that. They will not necessarily pull out of the contract or be sacked; they would possibly be likely to cut costs in terms of provision of those services. It is a significant change that is happening when you privatise or contract out those sorts of services. I have been in local government for nearly 40 years, and this is a very significant change to the way this service has been provided.

Senator MARGETTS—If any of those changes are potentially dangerous to human life, that is, the quality of the roads and the lack of known feedback and so on, is there any advice to your councillors on who bears the liability of the quality of roads, if there is a problem that impacts on safety of main roads?

Mr Kelly—It is reasonably well defined. Main roads would be vested in the control of the main roads organisation of the state government and that is who would carry the liability. The other roads, local roads, are clearly under the care, control and management of the particular local government in which they exist.

Senator MARGETTS—The National Competition Council has the role of rolling out national competition policy and the deadlines and so on and making sure the reviews take place. In Western Australia the body that has the responsibility for reviewing and rolling out national competition policy is the state Treasury, or an element within that department. Have state Treasury provided adequate information to local governments like your own, and what kind of relationship have you developed with state Treasury about what your obligations are, what the difficulties might be or what the benefits might be of the whole policy of the national competition policy?

Mr Kelly—I understand your question. The state Treasury have in turn involved the Department of Local Government and the Western Australian Municipal Association in conveying that information to the individual local governments. I should emphasise that right now we will need to take two steps back in terms of staff's understanding of it. Please do not quiz this staff member too intensely about the absolute detail, because some of my professional people are running with it. In fairness to the mayor and the 14 councillors elected just over a fortnight ago, they will need to be briefed on that detail. But, in answer to your question, I think the detail has been reasonably well conveyed.

That is a vastly different issue from whether it has been accepted. I think that is more the issue. With due respect, some of the people who have had to implement these things have had serious doubts about whether the architects of the detail of the policy have thought it through in terms of what really needs to happen on the ground in remote or rural Australia, in small local governments and small communities. You would well know that there is a general concern, to use a polite, kind word, about bureaucrats of central governments, in this case the national government in Canberra, or the state government in Perth, understanding the reality of what happens in places like Albany or, even more seriously, places like Jerramungup or Gnowangerup further out.

As I said in my example, I am sure that if you stopped 10 people in Perth and said, 'Do you realise that the whole of the Shire of Jerramungup does not have a mobile telephone

service?’ their jaw would hit the ground, because the marketing tells them that everybody has got mobiles and we have the highest number per capita in the world and all this sort of stuff. But it does not stop there in terms of facilities and services. Go two kilometres outside Jerramungup and other towns, and even our city, and you hit gravel roads.

Senator MARGETTS—I do not know if the committee has been provided with that information that Treasury has sent out. If you have on file any of that information that has been given to you—or perhaps it might be easier for us to go through the WA local government association.

Mr Kelly—I think it would, or the local government department. I would not be critical of my colleagues there. They have done everything they can. The WA Municipal Association debated vigorously with the state government to get a share of the funds and they have been successful in getting some of those funds. That dividend—if I can call it that—has been passed on to the respective local governments.

Senator MARGETTS—We would love to hear from Treasury about all of this eventually. I guess the whole building assumption of national competition policy is that there will be benefits to consumers. The whole concept of national competition policy is that competition is good, and the elements of competition are that we are benefiting in our pockets by way of cheaper goods and services and, presumably, higher availability. Would either of you like to comment on whether or not that is your experience in this region? In 1995 the national competition policy was implemented. There has obviously been a bit of a roll-out. Are you experiencing cheaper goods and services, better availability, more choice now than, say, five years ago?

Mr Kelly—The answer to that would just be general and a personal comment from a local government point of view. I do not think so. I do not feel strongly that that has been the be-all and end-all or provided that ultimate solution. There is no question about the importance of competition. But I will just give you an example. As the mayor said, we run the Harry Riggs Regional Airport, a very successful airport in terms of growth. Skywest are providing a good service—not Rolls Royce but it is good: two flights a day, morning and night.

If you took the competition issue to its ultimate conclusion, we should, somehow or other—and I do not know whether we could legally do it anyway—say, ‘We want to call tenders for the providers of the air service to Albany.’ Clearly, there is not the capacity there for two providers, yet, if we did that, it is likely that we would get two providers: Airlink, which is the Qantas equivalent, or the Qantas parent company, and Skywest, which is Ansett. In simple terms, they would probably cut one another’s throats to get in there. I believe you would see exactly a repeat of what has happened in Port Hedland recently. Sooner or later, one of them would have to pull out. Then the whole topsy-turvy would start, people would not have any choice any longer, and so on.

Competition is not just a simple thing so that you should say, ‘Always there should be competition.’ If you were talking about fast food outlets in Albany, I would be the first person to say there should be competition. We are talking about a discount department store in Albany, for example. They have given planning approval to a particular consortium to

build one. I think their anchor tenant is going to be Target. Now you would say, 'Competition should have it that we should get a K-mart here.' You do not have to be a Rhodes scholar to say that you do not think the population of Albany and the region would support two discount department stores. Yet if you opened it up, and if it was a perfect world, you would say that you should give planning approval for two. Probably in the end both of them would go broke.

CHAIR—Could you just tell us a little about yourselves. You have told us that there is a population in your municipality of about 28,000 people. What is your rate base?

Mr Kelly—Ten million dollars.

CHAIR—What other sources of finance do you have? What is your total budget bottom line?

Mr Kelly—Our budget last year was in the order of \$20 million, from memory. That includes bringing funds in from our own reserve funds; and income not from trading undertakings but from business undertakings such as the airport, the day care centre, the recreation centre; and government grants, the FAGs—I am sorry, I cannot remember off the top of my head what that was.

CHAIR—That is fine. You have answered with a broad ballpark figure. I just wanted to get a bit of a feel for the size of the municipality. We got evidence yesterday from Jerramungup, and obviously you have looked at the Jerramungup submission. When he came before us yesterday, the chief executive officer made out the case that for a lot of the work that used to go their way—mainly road maintenance, road extensions and this, that and the other—they find themselves incapable, with their resources, of understanding the contracts, let alone doing the work or being able to enter into arrangements which may span out, they said, for some nine years or more. You are a very much bigger entity, probably about 20 times the size of Jerramungup. How do you feel about it?

Mr Kelly—I referred earlier to the city having been approached some months ago by one of the possible tenderers for these large scale maintenance contracts that Main Roads are looking at. They were not able to give us enough detail for us to give them not so much a quote but a definitive proposal in respect of us entering into that consortium with them. That consortium was about having professional staff based in Albany, or us having the professional staff and hiring it off to them; it was about us providing customer service. There was no mention, by the way, of us actually providing graders and doing work on the ground. If I have understood what Jerramungup have said, I would agree 100 per cent with them, that with the complexity of that, and because of the secrecy of tendering and the process we should go through—that is, before we could put in a tender or indicate that we could do it or upsize our operation to service the tender—we should go to council.

That approach was before council were elected two weeks ago. We did discuss it in confidence with the commissioners. They said, 'We simply haven't got enough detail with this.' It was a very large, complex proposal. In the perfect world, that sounds fine; if the maintenance contractor was doing work in Jerramungup and the Jerramungup Shire could do it, that would be fine. But it is not like that. It is a huge contract and it is likely that

somebody will gear themselves up to do the whole thing. There might be a few crumbs fall off the edge, as in fact there were with Main Roads. Many of the shires—and the City of Albany, the former town and shire of Albany, is no exception—did from time to time get small contracts, good contracts of what we call private works, from Main Roads. But it is not about downsizing Main Roads and shifting it across, holus-bolus, to one of the shires, or in our case the city, to make us more viable. It is not that simple.

CHAIR—We received evidence yesterday that there were something like 144 councils in Western Australia. Obviously, you would be one of the larger 10 or 15 of those.

Mr Kelly—In rural Western Australia, as you know, Bunbury City, Geraldton City and Kalgoorlie City are of the same ilk as ourselves. With the exception of Kalgoorlie, those other two places are basically urban areas and have not gone through an amalgamation. But, yes, in the rural sector we would be in the top two or three. If you compared us with those in the 144, you might have to go out to about 15 to include us; we would be in the top 15.

CHAIR—I just want to make the case here that obviously, if your council is feeling an inability to deal with these contract issues, what hope have the other 130 or so entities that are much smaller than you got in dealing with these very same issues?

Mr Kelly—That is absolutely correct. Perhaps some people would say, ‘Well, why don’t they amalgamate and get bigger? That is the answer.’ The Shire of East Pilbara is the largest local government area in the world and you would have to amalgamate it with practically half of Western Australia for it to get to a size where you say, ‘Well, it’s 30,000. That’s a nice viable one.’

Senator MARGETTS—It would be relevant to most people’s constituency.

Mr Kelly—Yes. You could amalgamate Jerramungup with Gnowangerup and Esperance and a few others, but those councils do not have the technical people anyway to service areas. This is about having engineers and so on.

CHAIR—Give me a feel for how things are going in Albany. You said there were roughly 30,000 people in your municipality and that a number of industries had closed in this area and a number had opened. Is the population declining or is it about static?

Mr Kelly—I would put on the other hat of being very positive about this region. I made mention of some of the negatives while looking back in history and in the context of national competition policy. The City of Albany will be able to weather the storm because of its size. The community has weathered such storms in the past.

The population is in growth mode, as is the economy. There are a number of indicators that illustrate that. As a tourist destination, it is continually on the rise. There is a significant change occurring in the rural parts of our city where there are some significant hardships in terms of the more traditional farms of grain and sheep in particular. The big growth is in plantations for eucalypts for woodchips. We are just wrestling with the issues relating to that now because the first woodchips are anticipated to be shipped out by the end of this year or by early next year, which will take the woodchip export level to about double of what is

going out of Bunbury at the moment. It is a very large industry, and that will come on stream progressively over the next five or 10 years.

I mention the viticulture industry, not so much in our city boundaries but certainly north and west of us in Plantagenet and Denmark. Agriculture is another area. We were recently successful in having the University of Western Australia, for the first time in their history, establish a university centre in regional Western Australia. It is here in Albany, where they expect to bring on full-time first year courses next year.

Both the public high schools are crying out for extensions. I am just mentioning that as an indicator of growth. Passenger numbers through the Albany airport have grown by about 31 per cent in total over the last three years. So this is a very vibrant area. However, on the downside there is an item on our budget, which the council has yet to even look at, for us to contribute \$100,000 to a mobile radio network to provide mobile phone services to about half the area of our city in the east. That is the other side of the coin. A detailed study of how we are meeting our road maintenance needs would show that we are underdoing it in terms of our gravel roads. There is a huge demand out there.

Senator LIGHTFOOT—To pick up where you left off, how did the \$100,000 for the mobile phone network come about? Is that a Telstra demand to pick up the network?

Mr Kelly—In terms of giving you the precise details, I would want to get them from my strategic planning person. It is a regional proposal. We have had discussions with Gnowangerup, Jerramungup and parts of Plantagenet and Kent regarding the provision of such a facility. Pardon my ignorance technically, but I assume it is some sort of satellite arrangement. They are the discussions that have occurred to date. There has been an application made to a particular federal funding body that allocates funds for these for a grant, but that will still require matching funds from the local governments that I have spoken about.

You could look at it in another service like SBS television. It happened in this town and it is happening in other communities like Mount Barker at the moment. They do not have SBS television. The only way they can get SBS television is to actually come up with some dollars to provide the infrastructure, the antennas or whatever, to bring the signal to town. The providers, Telstra or whoever provides the infrastructure for SBS, say, 'It is not economic for us to do it,' yet you have to then weigh that up against your people not having the service.

It will be very interesting when Mayor Goode and the 14 councillors have to deal with that allocation. A somewhat low- key personal view—and I mention it as a personal view—is that you would have to ask yourself, 'Why should the local government be entering into what is not really a core business of providing telecommunications?' That has traditionally been a national government type responsibility through Telstra.

Senator LIGHTFOOT—If you are going to enter into it, I assume that Telstra is not the only one. Given that the government forced Telstra to divest itself of its monopoly, I take it that your authority, Mr Kelly, has obtained other prices from two other major carriers, Optus and Vodafone, with respect to offering the same service.

Mr Kelly—I am not sure of that detail.

Senator LIGHTFOOT—Could you take that on notice?

Mr Kelly—I will. I would have some suspicion that the others would have looked at it and said, ‘The economics are just not there.’

Senator LIGHTFOOT—If you could take it beyond the suspicion stage, we would like to find out.

Mr Kelly—I will give you the details on that proposal. It is very current and it is a very real issue.

Senator LIGHTFOOT—Excellent. It has been said that NCP, national competition policy, has not delivered net benefits improving living standards, greater employment or investment. Would you agree with that as a generic statement?

Mr Kelly—In general terms, that is certainly my perception. If you were to ask me now to quantify that or to prove it, I would be left wanting in terms of producing it today or perhaps even in the broader term. It is certainly a perception, I believe.

Senator LIGHTFOOT—But if I were to rephrase that and ask you to tell the committee what the positive effects are in your experience in your particular shire with respect to NCP, what would you say?

Mr Kelly—Frankly, I could not give you any. It involves dealing with a lot of paperwork coming in, reading it, processing it and doing a whole lot of things. It is like running a 400-metre hurdle race. We have jumped them all and not necessarily won the race at the end.

Senator LIGHTFOOT—You mentioned WAMA and an allocation of funds that the federal government had provided with the first tranche of its mooted two-tranche drawdown. I think the first tranche was in 1997-98. It was a per capita based tranche coming from the federal government. Do you know what you have received from that tranche of funds that should have been delivered in some respect or form to your authority?

Mr Kelly—Yes. We received \$9,000. We got the cheque about two or three weeks ago.

Senator LIGHTFOOT—I suppose you were overwhelmed by the amount.

Mr Kelly—It blew our minds.

Senator LIGHTFOOT—You are not going to build a new town hall with that.

Mr Kelly—No, or a \$20 million cultural centre.

Senator LIGHTFOOT—Yes. The Queensland government received about \$165 million from the federal government with that first tranche. I do not know what the state government

allocation was from that but I assume it was based on a per capita grant—and we looked at Queensland for a comparable figure here—and that it would be something between \$120 million and \$125 million.

That seems to me—as you are one of the larger local authorities in the state—to be an inordinately small amount, given the expense that your authority has gone to and will no doubt have to go to in trying to comply with and come to grips with the NCP. Do you agree with that?

Mr Kelly—Absolutely. Without entering into criticism of the state government, it is a well-known, publicised fact in local government in Western Australia that the Western Australian Municipal Association, with the assistance of all the local governments, has tried very hard to get the state government to repeat what the Queensland government did. They were marginally successful with the allocation that was agreed to in the budget that the state government handed down about 12 months ago.

What they have done is set up a process whereby some part of the funds we are now applying for is for particular projects. The argument there is that, rather than give the funds on a straight per capita basis, the council should illustrate actual areas of expenditure that relate to NCP, restructuring or whatever. We are confident that we will get some of those funds but, frankly, we are not exactly holding our breath and they will not make a big difference. I am sure if a Gnowangerup or a Jerramungup representative were sitting here it would be almost embarrassing for them—considering we got \$9,000 for 30,000 people—as to what their cheque would have been.

Senator LIGHTFOOT—I think the stamp cost has cut out a great deal of it to Jerramungup.

Mr Kelly—Exactly; not to mention that every time they pick up the telephone it is an STD phone call to deal with some bureaucrat in St Georges Terrace or in Canberra. It is just a sad state of affairs.

Senator LIGHTFOOT—Do you think it is the case with the NCP that it has been viewed as the knock on the door and someone saying, ‘Hello, I’m from the government. I’m here to help you’? Do you feel that same apprehension with the NCP?

Mr Kelly—A little bit. I have spoken to my colleague at Jerramungup quite extensively about it. I regard him as a diligent local government officer. I am sure he is trying to comply. I would have no argument with some of my other colleagues whom I know—and I am not about to tell you who they are—are simply politely ignoring what they are required to do, such as advertise their standing orders by-laws for their council to comply with the NCP.

I could go on. It is just crazy when they have to go through some of those processes or, say, put to tender the operation of their sports centre. I was in Kojonup when that swimming pool was built. There is no way that anybody in their right mind is going to come to Kojonup to manage a sports centre, to do their rubbish removal or whatever else it might be.

Senator LIGHTFOOT—So from the point of view of competition, obviously whoever thought up the NCP did not have Western Australia in mind by the sound of it, Mr Kelly.

Mr Kelly—I would agree—certainly with some parts of it. Having said that, I worked in urban local government in Perth, and I was involved with one for nearly 15 years in competition with the provision of waste services in that particular council. They had never ever had day labour—their own work force—in waste services. They did not have that problem of getting in or getting out, dealing with staff and all those union issues. Competition in that scene—before NCP, might I say, they had nothing to do with it—was very successful in providing good competitive services in that framework.

Senator LIGHTFOOT—What about competitive services with respect to tenders? Do you see NCP altering the modus operandi that you have used over the decades—I might say, quite successfully—with respect to tendering and the bias that you show sometimes towards certain tenderers for obviously net value?

Mr Kelly—They are trying very hard to tidy this up. We are almost permitted by law to give bias towards a local tenderer, but certainly we have given many councils—Albany included—a look at tenderers beyond price. The whole approach to tendering will not significantly affect us, because it makes good business sense to go to tender. It is about fairness, accountability and openness. The current limit on tendering in local government in Western Australia is for anything over \$50,000, which is reasonable. So long as the individual local governments have flexibility, other than strictly price—obviously there are the criteria if it is a local supplier—then they should be allowed to do that. The risk with tendering with some of these contracts—and I have seen this; perhaps the supplier would deny it—is that some tenderers buy the contract to start with. In other words, they put in a low price to get in there and, once they get in there, you cannot get rid of them.

Senator LIGHTFOOT—We have had some evidence of that. So you are not going to change terribly much? In other words, you see that the NCP, while not superimposing, is a system that you do not intend to alter to any large degree?

Mr Kelly—No. I have not felt that because of NCP we need to change. We have recently been commended for good practice on the tendering process in the city and the assessment of tendering—the criteria and weighting the criteria and giving certain percentages and setting out that criteria in the first place regarding selection—so I am relatively comfortable about it. It is not just about tendering. It is about getting numbers of quotes—two or three quotes—for amounts under \$50,000. I dealt with one just the other day where I had to go back to the officer and say, ‘You must get three quotes.’

Senator LIGHTFOOT—I have one more question. WAMA was allocated a certain amount of money from the state government, which I assume came out of that so-called first tranche from the federal government. It was to develop guidelines with respect to local authorities. Have you heard anything about it or have you had any input with respect to that?

Mr Kelly—With respect to tendering?

Senator LIGHTFOOT—No, with respect to an allocation of money from the state government to the Western Australian Municipal Association with respect to developing guidelines for the NCP?

Mr Kelly—I am not sure that all our NCP papers are in one file but, if they were, I would suspect it would be very high. I could not deny that we have not seen paperwork coming out of WAMA in this respect. There are other issues that are mixed up in this, of course. We talked about our business service and unit work that we are doing, and that is related to NCP or to contestability. Then you could say it is related to best practice and benchmarking. All those things come into this.

Senator LIGHTFOOT—Perhaps you could take that on notice and let the committee have it in due course.

Mr Kelly—I will.

Senator LIGHTFOOT—Thank you very much indeed.

CHAIR—Thank you very much, and thank you for your kind welcome here this afternoon.

[4.41 p.m.]

BEATON, Mr John Duncan, (private capacity)

HOUSE, Mr Maurice Pell, Chairman, Area Consultative Committee

McGREADY, Mrs Annette Mavis, Committee Member, Great Southern Area Consultative Committee

SCHOUTEN, Mr Duane Brian, Senior Development Officer, Great Southern Development Commission

STOCKDALE, Mr Robert Graeme, Director, Regional Training Services and Director, Skill Hire

WILSON, Mr Ian Wesley, Deputy Chair, Great Southern Area Consultative Committee and Executive Director, Albany Chamber of Commerce and Industry

CHAIR—Welcome. Mr Beaton, in what capacity do you appear before the committee today?

Mr Beaton—I am a business proprietor; I have a small business in town, and I have been invited to come along today by the ACC.

CHAIR—We prefer all evidence to the committee to be given in public, but should you at any stage wish to give part of your evidence or answers to specific questions in private, you may apply to do so and the committee will consider your request. I now invite you to make a brief opening statement, and at the conclusion of your remarks I will invite committee members to ask you questions. Could you keep it to, say, five minutes, Mr House, if it is possible?

Mr House—Mr Chairman, I have an executive summary here, which I will run through quickly. I will give you a copy of it afterwards. We contacted 77 people, and 80 per cent of them were aware of at least part of the national competition policy principles. It appeared from our discussions that there may need to be a public awareness campaign for the benefits and the intentions of the national competition policy and how it is different from general privatisation and other microeconomic reform practices.

The main costs were seen by most people in the Great Southern area to outweigh the benefits. Whilst it has been in process for only a relatively short time, there is confusion between it and other microeconomic reforms. Many reforms were considered to have produced more unemployment, poorer working conditions, inadequate social welfare, unfair practices, and working conditions with less equity and accountability from some subcontractors. The national competition policy was therefore seen as impacting severely on some rural communities. There were some positive comments made, and these should not be overwhelmed by the negative observations.

On a national basis, the national competition policy is introducing competition into areas traditionally supplied by public sector monopolies. These reforms could result in cost structures favouring Perth over regional centres. Some smaller communities are likely to find it increasingly difficult to sustain services unless such things as economies of scale and corporatisation are taken into account. This may raise a difficult problem for government and the land use planning system, as the preferred settlement pattern may not be supported by purely economic calculations of efficiency. This was echoed in our discussions.

The comment was made that the government has lost track of the purpose of the national competition policy. There should be more about better utilisation of the existing infrastructure and making savings that could be passed on to the community through improved economic benefits. Concern was expressed that the government has used the national competition policy to implement a privatisation policy and to cost shift to other agencies.

To address our concerns expressed during our consultations, the government must ensure that the public interest aspect of the national competition policy is expanded and adhered to.

By the year 2001, the vision of the Great Southern region is to have established industries and niche export markets to support and expand the existing economic and employment base. There will be an abundance of expertise in land care issues, particularly in salinity control, pest eradication, consultation and sustainable and innovative farm practices. Expertise has become a sustainable investment opportunity. There is a vision that this should be harnessed for the future good of Australia, and exported into the world market as a major boost to the national economy.

This vision could be enhanced by the fundamental competition principle of developing a fair and open integrated domestic and national market for goods, services and expertise by removing unnecessary barriers to trade and competition. Small business is acknowledged as a major contributor to the economy of this region. Therefore, the development of a vision for regional Australia from your inquiry is required to ensure that small businesses in regional centres are expanded and that all available expertise is harnessed for the future good of Australia. That is a brief reading of our summary.

CHAIR—Thank you very much.

Senator LIGHTFOOT—Mr House, after sitting through several days of questioning witnesses on the merits or otherwise of the NCP, I have to pose the question to you: do you think that the NCP wants erasing and redrafting? Does it want redrawing?

Mr House—Yes. I believe that many people are worried about this. Change is always difficult for people, but change poorly explained is even harder to get through. I do believe that this idea must be better sold.

Senator LIGHTFOOT—There was a certain amount of money set aside for workshops, particularly for local government, through WAMA. Was that utilised here in any way, and if it was, was it in a positive sense? Is NCP unsaleable? That is what I am getting at.

Mr House—It is going to be very difficult to sell in the country areas. I was involved in local government in Kojonup for six years and it certainly seemed to us that it was going to cause a lot of problems.

Senator LIGHTFOOT—The community's understanding of NCP is not comprehensive, but your experience of the 77 people you contacted was that they had an 80 per cent knowledge of at least some parts of it. This means that, whilst there is a relatively broad knowledge of it, that knowledge does not extend to one of being positive in the sense that it is going to enhance their district or their business.

Mr House—I believe that is so. The population in the small towns is of paramount importance to the people who live there. As they see people leave, they see the situation become more difficult for them and then they may go.

Senator LIGHTFOOT—Yes. Being a Western Australian I am only too acutely aware of the difference between Western Australia and the eastern states, particularly the eastern seaboard states. Do you think then that the NCP was not tailor-made in many respects, if at all, for Western Australia?

Mr House—I think it is just a brilliant idea thought up by some people in government who failed to see the full implications of how it would react in communities—particularly small communities.

Senator LIGHTFOOT—Whilst the reaction from small communities is one of thumbs down, from your previous government experience do you think it is possibly an effective process in the metropolitan area—or could be an effective process in the metropolitan area?

Mr House—To a degree it had an effect on the workers we employed in the shire because the thought of contractors coming in and taking over the jobs made them become more efficient. I think they worked harder.

Senator LIGHTFOOT—Is that the ones who live here?

Mr House—I believe that the employment performance of the people who actually lived in the town improved as a result. It is hard to quantify, but that is my impression.

Senator LIGHTFOOT—That improvement in performance is probably an improvement in the bottom line for the people who engage them, I imagine. Mr Kelly, the CEO from your city, mentioned that the bigger companies are coming in; Target is one that he mentioned. Is it not a fact that, in spite of the fact that smaller businesses have sharpened their pencils, Target could act in a very detrimental way to some small businesses?

Mr House—Everyone wants the job done as efficiently and as cheaply as possible, and done properly. At the same time, a lot of people in the country are prepared to have it happen a bit slower as long as they do not lose people from the area.

Senator LIGHTFOOT—Given that only one, as Mr Kelly mentioned, of the major retailers is coming here, isn't that a contradiction of the NCP? Where is the competition?

Mr Wilson—The commercial strategy in the former city council policies and their adoption by the former town and shire allows only one discount department store, with a review after that. Basically there is a moratorium until that first one is built.

Senator LIGHTFOOT—Where is the competition then, Mr Wilson?

Mr Wilson—We could discuss that later, basically. My personal view is that government and local government should not have that say. It is a commercial decision for that operator. If we have to wait for two years for one to be built and then it is delayed for 20 years, we do not get one at all—we are talking jobs.

Senator LIGHTFOOT—There must have been some discussion with respect to small and medium businesses here that, with the advent of a major marketer like Target with its national and international buying ability, it could have an effect on SMEs in your city.

Mr Wilson—The issue of competition is paramount. Referring back to the Katanning situation of 10 years ago when Woolworths came to town, a strong lobby group was set up to oppose that establishment. Now if you said Woolworths was leaving, you would have an outcry.

Senator LIGHTFOOT—Yes. I wonder what benefit, other than to the retailer, Target is going to have on your city.

Mr Wilson—It is the level playing field we are talking about. As far as private sector involvement goes, you would say that they compete Monday to Friday. Buying price, competence and education are required to lift those small enterprises up to that capacity.

Senator LIGHTFOOT—We heard evidence this morning in Perth about a small retailer in Karratha who was buying Coca-Cola cans from the Coca-Cola agent there for \$23 a carton. The big retail house of Coles Myer was selling them at \$13. Is that something you took into consideration with respect to the lack of competition with someone of their own particular size and retail ability?

Mr Wilson—Yes. You have heard from the other speakers today about the importance to regional centres of the cost of freight and all the other things. On top of that, the competition issue is paramount. At the end of the day, you cannot compete with the big boys.

Senator LIGHTFOOT—Notwithstanding, it seems to be a contradiction with respect to NCP.

Mr Wilson—Yes, it is.

Senator LIGHTFOOT—Will your policy change with respect to one big retailer? Is there future planning for someone else?

Mr Wilson—The strategy is up for review in the next six months.

Senator LIGHTFOOT—So it is possible then that at the end of six months a review could conform to the NCP?

Mr Wilson—Certainly, the adoption is a federal policy, implicating state awards, acts and regulations and then flowing on to local government. I presume that will be taken into consideration.

Senator LIGHTFOOT—Yes. Do you see a net gain in employment with, say, Target coming to Albany?

Mr Wilson—Certainly our figures highlighted—in regard to the administration of the fair trading act that is under review for trading hours—from just the five or six general retailers we have in town, Coles, Woolworths, Harris Scarfe, that, if they were allowed to trade on additional days when required, it would be an extra \$50,000 and 400 jobs.

Senator LIGHTFOOT—Yes. I have got the feeling, as we have from most of our other witnesses, that NCP is not working in their area and that it is not going to work in your area. I guess the clearest manifestation of that is that you are going to allow Target—a major national retailer—to set up here with virtually no competition from anyone else of the same size.

Mr Wilson—That is the current policy but, as I said, it is under review.

Senator LIGHTFOOT—Yes. Thank you, I appreciate your time.

Senator MARGETTS—I gather from what you say that your committee has made a substantial effort in gaining information on the awareness of national competition policy, certainly within the business sector of your area, and that you believe a public awareness campaign is needed to explain the benefits and intentions of national competition policy. Some would say, and certainly it is the reports of the Australian Competition and Consumer Commission and the National Competition Council, that they agree that not enough people know of the benefits of NCP, but others would say that the only thing that has ever been said is that this will be of benefit. Do people need to know that there might be a downside or an adjustment side, or that there needed to be these mechanisms that they need to work through?

Mr House—The purpose of the ACCC is to help employment. Our thinking was that this may not help employment. Someone else may care to comment on that.

Senator MARGETTS—So you mean that one of the major goals of the ACCC is to help employment?

Mr House—Yes.

Mr Stockdale—I am not with the ACCC, as such; I am a small business operator here in town. I am one of the 20 per cent who did not know of the NCP, I am afraid. We contract a lot and tender a lot with federal government agencies, and their knowledge of NCP is, from my observations, very limited as well. There is little understanding of what it does, what it is

supposed to do, its impact—I have not got the foggiest. They have never mentioned anything, and I have not seen anything written in any tenders that come out. With the Job Network tender that was out for the first time last year, and coming out again, I do not believe even the exposure draft has any mention of NCP in it. That is a national tender run by the federal government.

If there is no consequence from NCP involvement in that area and no ability for those people assessing that element of NCP inside a tender, where do we stand with it and what can it do for us? It needs to be raised to that level of awareness. Paramount is that bureaucrats assessing tenders and involvement in contracts should be fully aware of it. They should also communicate that in their tender documents.

Senator LIGHTFOOT—So it is business as usual as far as you are concerned, Mr Stockdale?

Mr Stockdale—Yes, currently it is. We have a number of issues with competition and level playing fields, et cetera, which I will be happy to pass on to you. We are out there. We are working. We are doing business. We do not see an impact.

Senator MARGETTS—It has been said by the implementing bodies as well that there is a confusion with many people. They understand there is a lack of understanding in many communities. They believe the fears are, in many cases, unfounded, and that there is a confusion between national competition policy changes and the other wave of economic rationalist changes that have occurred. There may be different opinions amongst the various witnesses we have in front of us, but should we deal with national competition policy in total isolation or should we be looking at the cumulative impacts and trying to see what the total outcome is?

Mr Stockdale—‘Accumulative impacts’ meaning what? In what direction? Can you elaborate, please?

Senator MARGETTS—Whenever communities have complained about outsourcing, privatisation, loss of services—you name it—often the response is that it is not required specifically under national competition policy. But people obviously see that there is a connection between national competition policy. In some cases, you hear state government bodies saying, ‘We have to do this because of national competition policy.’ I am wondering whether it is useful to try to separate those things out or whether we should be looking at national competition policy in terms of the other things that are happening at the same time. I am sorry that is a confusing question, but often we have been told that criticisms are invalid because they might be related to some other element of economic change.

Mrs McGready—One of my concerns in the future of this is that I can see the first round of the large contracts—such as is happening in the state with the main roads—being relatively successful, but because of the capital infrastructure that is required in those sorts of tenders, who is going to compete with whom in the next round? I think they are looking at a 10-year contract. There are not going to be that many competitors around. I can see that, a couple of rounds up the line, instead of looking at government monopolies, we are going to

be looking at private monopolies simply because it is not practical for private enterprise to maintain that sort of infrastructure, to be competitive.

The other thing that has already happened in our region in the roads structure area is that our particular shire has been asked to tender as a subcontractor to one of the major contractors. We have refused, and the reason we have done that is because our capital infrastructure is for the shire use, and it impacts on our normal everyday running if we are subcontracting to a larger company. I can see that happening with more than just things like main roads, but that is one of the examples that I can see. I can also see it happening possibly in the way that our job net type structures are put together because, again, we are in a learning process there. There have been some really good things come out of it, but who is going to be competing with whom in another 10 years time?

Senator MARGETTS—So, if I am reading you correctly, someone with their tick box is saying, ‘Benefits of corporatisation and privatisation of main roads, tick,’ and maybe slightly cheaper quotes at this stage; and ‘benefits of competition policy, tick, the same amount.’ They will perhaps tick both those as benefits of their individual policies. But you are saying that some time down the track there probably will be social and economic spin-offs for the area which probably will not be added into either of those policies.

Mrs McGready—I just see that the competition will disappear, because the contracts are so big—I think they are looking at eight for the whole state, maybe nine. There are nine that have competed to come out of whatever is around at the moment, but next time there is really going to be only the nine, maybe 10, to compete for the nine positions. One of those could take on two regions instead of one. Really, you are on a line of actually defeating the competition aspect.

Senator MARGETTS—If they get so big, and if there are problems on the way, one wonders who will be around to be able to replace this problem.

Mrs McGready—The other thing I see in that, particularly in large government instrumentalities, is: who is going to be the quality control? It is all very well to set your briefs and your specifications and all of that, but if there is not somebody well enough trained who is supervising the actual purchaser of the product, then there is no guarantee that the quality you have specified will be the outcome.

Senator MARGETTS—Is there a feeling of a lack of control about decisions that are being made in this area? Is there that feeling within the community and the business sector?

Mrs McGready—I have not sensed it, because our Main Roads in particular have worked towards this goal quite thoroughly. They have got some very dedicated people there. I think they are doing what most people do with change, working with it as it occurs and doing the best they can. I think that the outcome in the first round will probably be quite sound.

I am concerned for the future as far as training and expertise go, simply because all the government training structures are no longer there. A lot of the consultants we are employing are ex-government trained people who, because of the nature of their own business

structures, are not training anyone else as it is just not feasible for them to be the consultant and to train and carry the costs at the same time.

Senator MARGETTS—It is ironic that people who used to work for the government for government rates are now getting consultancy fees.

Mrs McGready—Yes, and they are enjoying themselves immensely, because they have some freedom and creativity which they did not have before.

Mr Stockdale—On that, I have been in the training industry for the last 12 years as a private training provider. We entered the market as one of the first private organisations of private companies in Australia, and we ended up lasting through that scenario. When we first entered the market, hospitality courses were \$30,000 for six weeks. I think the same hospitality course now is around \$8,000, and it is of a higher quality than what it was then. So competition has effectively—

Senator MARGETTS—That would have to mean that you cannot give as many hours to your teachers?

Mr Stockdale—The structure of training currently has changed from an hour base to a competency base. If someone can prove their competence, they pass.

Senator MARGETTS—What has gone away? If you are going from \$30,000 to \$8,000, where have you found your savings?

Mr Stockdale—I have not found the savings; these are TAFE organisations that have found the savings.

Senator MARGETTS—That is interesting.

Mr Stockdale—There was a lot of money that appeared in the system.

Mrs McGready—That is another hat that I have got. Our TAFE has gone through a huge restructuring again and it is very much product-client orientated. The actual support staff structure is very transparent, and we contract for our student contact hours and things like that. If it does not get delivered, the money is returned. There are good things, and I see that as being good because the TAFE college is very much more effective and more alive, particularly in the staff and the product that it provides. The other thing that I can see coming up again is that, when we go for the contracts, particularly for the outside contracts, we are competing against others. We are going to get to a stage where the core staff that makes the institution work somehow is going to have to be quarantined from that competition, because you cannot cut beyond a certain stage without becoming inefficient.

Senator MARGETTS—A few years ago when I was down in Albany, I was advised that, for price reasons—competition and so on—Albany Regional Hospital had ceased to be a local provider of meals and that you were getting frozen bulk meals from Perth. Does anyone know whether that is still the case? Are there other instances where you can see that Perth contractors are getting the contracts for providing what was a local service?

Mr Wilson—I thought it was also laundry services which were being contracted out, and I think it fell over—we did not go ahead.

Senator MARGETTS—So it was going to be contracted out, and it is not happening?

Mr Wilson—Yes.

Mr House—I presume you have talked to the WA Farmers Federation?

CHAIR—Yes, we had them yesterday.

Mr House—Speaking with my farmer's hat on now, these are some of the worries we see—the restructuring of CBH, of the grain pool. They cost farmers an enormous amount of money. Whether the end results will be any good is in doubt. Someone said to me, 'You should be pleased with that, they're quite respectable grain growers.' But I said, 'I think we've got to look at the figures for the best for every grain grower, not just the larger grain growers.' It will be interesting to see what happens there.

Mr Beaton—As a small business we perceive some concerns regarding community groups and government agencies where more pressure is being put upon them to compete openly with private enterprise. With the community groups we can see now that they are stepping into the arena of business enterprises. We feel it is not a problem at the moment, but we really feel it needs to be monitored—that they have the advantage of grants, subsidies, et cetera

Senator MARGETTS—Can you give us a closer idea of what area you are referring to?

Mr Beaton—Funding. We know of a Landcare group up in the northern region, up towards Perth, that will now openly contract to a couple of local government authorities. The other thing is that they have received quite a bit of funding—I am only assuming here, too—from NHT, so they have been able to establish themselves, buy equipment and set themselves up. They have had an advantage over private businesses that have to fund this infrastructure themselves. We have some concerns about that. At the moment it is not a problem, but we just feel it needs to be monitored. The other area is educational institutions like universities. We saw them as a threat but we have decided now that they are much bigger than us so, if we cannot beat them, we are going to join them. From what we can see there is an opportunity there where certain grants and funds awarded to universities have to entail a partnership with private industry, which we think is a good idea.

I guess that is our main concern. We just feel it should be monitored. We talk about the level playing field. Okay, if these funds and grants are made available to community groups, then maybe they should be made to go into partnership with private industry or there should be some sort of compensation. I think this would mainly affect small businesses.

Senator MARGETTS—So this is a Perth based community group, not a business group?

Mr Beaton—No, these community groups are mainly based in the country.

Senator MARGETTS—So a north based community group is tendering to provide a Landcare service for your area?

Mr Beaton—Not actually. I was at a meeting; I knew it was Landcare. This person was working for a Landcare group that mentioned that their intention was to go out and contract to local authorities in a similar business to what we do.

Senator MARGETTS—Extraordinary.

Mr Stockdale—That is not uncommon, actually, in the industry that I am involved in—labour hire and training. That is quite a common practice. That is, I guess, where my comment comes back to the bureaucrats understanding a competition policy and where it lies, because assessments on tenders are not being considered with any competition. If you look at a base grant of \$100,000 for infrastructure—and that is basically what community organisations receive through government grants; between \$60,000 and \$100,000—that is a pretty good kick-off considering you do not have to earn that money.

Senator MARGETTS—But in those cases I am not sure it is the fault of the community groups. They have been told, in lots of cases, that they have got to go and find their own funding, and that means they have got to find things that they can do that other people are going to want.

Mr Stockdale—I agree. Perhaps those services that are being paid for by those grants should not be exclusive to those community organisations now. Since privatisation of a lot of government services, perhaps a refocus should be looking at saying: ‘Let’s offer the same type of grant of money to the other organisations that are competing in the same arena. As long as they can provide the service, why not give them the money?’

Senator MARGETTS—It is getting a bit tricky and messy.

CHAIR—It is moving into much wider fields now. Thank you very much.

Committee adjourned at 5.15 p.m.

