National Farmers' Federation

Inquiry into Infrastructure and the Development of Australia's Regional Areas

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- **All policy deliberations and resulting legislation undertaken by Government must be required to undergo an equity test in terms of its impact on rural and regional Australia.**

Human Capital

In order to improve rural students access to tertiary education, NFF recommends:

- **That primary producers' farm assets be exempt from the Assets test or receive a 100 per cent discount for the purposes of the Youth Allowance/Austudy.**

- **That a Tertiary Access Allowance of $3500 per annum for students over the age of 16, based solely on geographical qualifications free of means and assets tests.**

Rural Health

NFF recommends the critical shortage of rural doctors be addressed through strategies which include:

- **The Commonwealth and State Governments working together to ensure State medical boards recognise the qualifications of doctors trained in the UK, South Africa, Canada, Ireland, Singapore, Hong Kong, Malaysia, New Zealand who have equivalent qualifications to those General Practitioners trained in Australia.**

- **Introduce a scheme that would reward doctors working in rural and remote areas with a rebate or relief on HECS debt, reflecting years of rural service**

- **Establish a benchmark quota be set of at least 20% of medical students at every school of medicine in Australia to be drawn from country candidates.**

- **Introduce strategies to increase the compulsory rural component of medical training for all medical students.**

- **Establish a nationally based scheme to co-ordinate locum relief for rural doctors.**

- **Allocate Medicare Provider Numbers according to population distribution.**

- **Investigate the potential for differential Medicare rebates to be paid to rural doctors in recognition of their heavier workload in comparison with urban based GPs.**

- **Governments at both State and Federal levels have a responsibility to ensure that adequate health infrastructure is provided to deliver basic health care. In some cases this may involve a partnership between one or more levels of Government, including Local Government, medical professionals and the community.**

Telecommunications

- **All Australians wherever they reside or carry on business should have both affordable and reasonable access, on an equitable basis to a digital data telecommunications capability in addition to the standard telephone service**

- **A very high level of coordination of all the Telecommunications social bonus components is necessary, otherwise a less than desirable outcome may occur.**

- **The timing of the provision of rural transaction centres and improved television reception and coverage should be shortened from 5 years to 3 years to coincide with other Telecommunications social bonus initiatives.**

- **An effective tendering process encompassing all aspects of the telecommunications related social bonus initiatives must be employed to ensure the long-term interest of rural and regional Australians are meet.**

- **The Farmwide Point of Presence solution should be seen as a blueprint for the provision of Internet services to the remaining rural and regional Australians that do not currently have local call Internet access.**

- **All Australians should have access to untimed local calls to their nearest service centre.**

- **The guidelines covering criteria relating to the expansion of television reception and coverage must cater for communities and individuals who may consider an aggregated data stream that includes television is a more cost effective than duplicated services.**

- **The specifics of including a 64kbit/s digital data capability in the Telecommunications Universal Service Obligation (USO) and related matters must be clarified prior to proposed 1 July 99 service availability.**

- **The same Telecommunications Customer Service Guarantee (CSG)criteria must apply to both the standard telephone service component and the digital data capability component of the Telecommunications Universal Service Obligation.**

- **Telecommunications services provided as part of the universal service regime, by any carrier who may wish to become a national or regional universal service provider, should be subject to the same minimum quality standards and that the same standards apply for all Australians, irrespective of where they reside or carry on business.**

- **All CSG regulation and legislative changes must reflect a commitment to an upgrade in quality standards of existing services, not merely a maintenance of the status quo.**

- **The current CSG should be altered to reflect:**

  a) The same quality of service and timeframes for all Australians, with the only addition being the specified supply time required for staff travel and other resources;

  b) That the current CSG definitions of metropolitan, rural and remote are redundant;

  c) There is no rationale for a relationship to be drawn between the Telecommunications quality of service and charging zones;

  d) The size of the community where you choose to reside or carry on business has no relationship to the time it should take for connection of a service;

  e) There must be an independent audit of the adherence to the CSG standards by carriers; and

  f) Competition in provision and restoration of telecommunications services should be fostered.

Importance of Water Resources

- **NFF recommends that government invests more funding into the refurbishment and upgrading of water infrastructure. Such investment should be targetted at reducing wastage through leakage and evaporation.**

Road Transport Sector

- **That the Commonwealth establish the appropriate framework to ensure the road infrastructure is sufficient to achieve the economic, social and regional development goals of the nation.**

- **That all fuel excise on both diesel and petrol be removed and replaced with an appropriate road user charge that would cover road investment and maintenance costs.**

- **That the Commonwealth Government abolish indexation of fuel excise.**

Rail Transport Sector

- **The Commonwealth Government completely remove diesel excise from all rail tranport.**

2. INTRODUCTION

Australian agriculture continues to make a significant contribution to the health of Australia's economy and its ability to earn export income.

Over the past seven years from 1990/91 to 1997/98, the value of agricultural production rose from A$24.1 billion to A$31.8 million, an average growth of about A$1.1 billion per year. Over the same 7 years export earnings grew from A$ 14.3 billion (59 per cent of total production) to A$25.1 billion (79 per cent of total production), an average annual growth of over A$1.5 billion per year.

Australian agricultural producers are generally among the most productive in the world as a result of exposure to and a preparedness to move in and out of, markets in response to demand. These factors stand Australian agriculture apart from many others in the international market place who require their governments to protect or subsidise their agricultural products.

Further, agriculture represents the very beginning of the production chain for a large number of commodities. Without an efficient and competitive agricultural sector at the base of the production pyramid, many manufacturing industries would not exist. In the case of many exported goods it is the efficiency of the production process up to the farm gate that makes the eventually transformed product competitive on the world market.

Because farmers, their families and many business from which they buy and sell are located in rural areas, the viability of regional economies will depend on access to modern economic and social infrastructure which most urban dwellers take for granted.

For regional communities to be viable and employment opportunities maximised, they must have strong industries, a vibrant rural sector and equitable and affordable access to social services. The challenge is for governments and communities to work together to plan and deliver services that are appropriate to particular communities' needs.

The role of infrastructure in regional areas is crucial since it underpins development. Cost effective clean water, electricity, affordable quality telecommunications, roads, and rail infrastructure are required for development of communities. On equity grounds rural Australians also need reasonably priced access to certain goods and services over and above those mentioned above such as health, banking and education.

Unfortunately, farmers have over a period of time witnessed a run down of rural infrastructure and services which have impacted adversely on their own rural enterprises and on the associated local communities located throughout rural and regional Australia. In many parts of rural Australia this run down of basic infrastructure has reached a point where the quality of life for those living in these areas has deteriorated markedly.

The cost of providing infrastructure is such that it is beyond the resources of individuals. Therefore, this is a role for Government, often in partnership with private industry and communities, to ensure that there is sufficient infrastructure and services to facilitate establishment of new employment generating activities.

While there is obviously a limit to Government resources and it is not reasonable to expect it to provide a full complement of services in some very small communities, it is reasonable to expect Government to play an active role in the development of infrastructure and to take a long term strategic view about rural communities and agriculture. Further, NFF believes that Governments must recognise that infrastructure should be provided on an equitable basis to all Australians, both in terms of access and affordability. This requires Governments to be innovative in their approach and to analyse all policy decisions, such as the application of competition policy, in terms of their impact on rural communities.

NFF Recommends:

- **All policy deliberations and resulting legislation undertaken by Government must be required to undergo an equity test in terms of its impact on rural and regional Australia.**

3. National Competition Policy and Its Impact on Infrastructure Provision

The National Competition Policy (NCP) process is now five years old, although Australia's focus on "microeconomic reform", of which NCP is an integral part, began much earlier in the mid 1980's.

The NCP program is aimed at lowering business costs, enhancing competitiveness and creating incentives in order to facilitate sustainable economic growth. In other words, NCP is concerned with deriving improved performances from the economy which would allow the economy to sustain faster growth without encountering inflation or balance of payments problems.

Australian agricultural producers are generally among the most productive and efficient in the world as a result of long exposure to world markets, and a preparedness to move in and out of, markets in response to demand.

Agriculture represents the very beginning of the production chain for a large number of commodities. Without an efficient and competitive agricultural sector at the base of the production pyramid, many manufacturing industries would not exist. In the case of many exported goods it is the efficiency of the production process up to the farm gate that makes the eventually transformed product competitive on the world market.

Although the general aims of microeconomic reform are commendable, there is increasing concern over the NCP and its impact both in economic and social terms in rural and regional Australia.

In retrospect perhaps it can be said that the expectations of micro-economic reform have been oversold. The benefits are likely to be more gradual than first thought while the costs are likely to be more immediately felt. Moreover, the benefits have been unevenly distributed.

The aim of competition policy as it applies to agriculture should be to facilitate efficient and market oriented rural and related industries, focussed on export opportunities. The maintenance of a viable commercial sector in regional areas must therefore by an important aspect of NCP. Agriculture and the other business sectors it supports in regional Australia will face a diminished international competitiveness if there is a decline in efficiency in rural areas.

After three years of the application of competition policy, a range of concerns is being expressed in rural and regional Australia. These include fears of a reduction in or increased cost of services, changes to co-operative marketing arrangements, reduced income from export markets, increased farm input costs, (with particular emphasis on water), and an uneven distribution of the benefits and costs with the costs being borne by regional Australia and the benefits accruing to metropolitan areas and big business.

A major concern for people living in rural and regional Australia is that new approaches to infrastructure provision in Australia triggered by micro-economic reform and the NCP process is retarding Australia's infrastructure position.

Infrastructure and NCP Reforms

Infrastructure is a central concern of the NCP process. Equally infrastructure is a vital issue for rural and regional Australia. Two issues traditionally are of the greatest importance:

1. Access to and pricing of infrastructure services; and
2. The adequacy of infrastructure

Pricing of infrastructure services and (particularly under NCP processes) access to infrastructure services are of supreme importance from an international competitiveness viewpoint. As was noted recently: *"…If American farmers have access to better and cheaper transport or cheaper water, that means Australian farmers may suffer an absolute cost disadvantage in competing on world markets."* (Lim & Dwyer 1999)

Historically, infrastructure investment has played a vital role in the economic development of Australia.

Rural Australia is concerned as to whether appropriate levels of investment in infrastructure will continue under this new environment.

A recent phenomena associated with publicly owned infrastructure has been the rise in indirect taxation under the guise of "user charges" imposed by public trading enterprises. These "user charges" reflect "dividend" payments to government by public trading enterprises.

Over time more emphasis has been placed on operating public infrastructure as a "government business enterprise" rather than as an "essential public service". The change in the phraseology marked a significant shift in Treasury attitudes to public finance theory. Treasuries now set dividend requirements and rates of return based on the alleged cost of capital "tied up" in infrastructure such assets are always valued so as to obtain the highest values. Once public infrastructure began to be seen as a profit-making rather than a loss-making concern, it is equally unsurprising that governments and Treasuries would contemplate privatising such infrastructure for one large lump sum from a float rather than waiting for a growing stream of dividends.

NFF is concerned that the establishment of "user charges" which reflect dividend requirements and rates of return based on the asset valuations of capital "tied up" in infrastructure which has already been paid for by taxpayers, represents double dipping by governments and treasuries.

Based on economic theory, pricing for infrastructure services above marginal costs is unjustified and amounts to a tax in the case of government provided infrastructure or the exploitation of a monopoly profit in the case of privately provided infrastructure.

Although there are some indications that NCP processes have in limited cases resulted in lower prices, it is clear prices could fall much further if dividend payments to governments were restrained (and in some cases, if privatised assets had not been excessively valued). In other words, the benefits of reform have been siphoned off to governments for general recurrent spending rather than being passed on to infrastructure users in lower prices. It is also clear that price benefits have been uneven.

This "user pay" mentality fails to take into account any beneficial externalities which the infrastructure may be generating. A failure to take into account the beneficial externalities of infrastructure is likely to lead to under provision of infrastructure by a private sector unable to recoup these externalities.

In the longer term this continuing trend of governments stripping dividends from public enterprises while capital expenditure is being run down is unsustainable but, in the meantime, the damage to Australia's competitiveness of massive "user charges taxation" – to say nothing of seriously depleted infrastructure assets – could inflect severe injury on rural exporters.

An example in the case of electricity. Electricity pricing and quality of supply is vital for farmers, especially those involved in more intensive industries such as dairy, pig and chicken farming, as well as horticulture.

NFF acknowledged that reform has delivered cuts in power bills of 25-30 per cent for some businesses covered by the national electricity reforms. However, metropolitan based large industrial consumers appear to have reaped the bulk of these benefits.

When the National Electricity Market becomes fully contestable, retail electricity prices are likely to fall. However, network charges could rise significantly for rural consumers as the rural cross-subsidy is dismantled and the overall cost of electricity may increase.

NFF is concerned about a situation whereby rural and regional Australians may gain a small retail price decrease but face higher network charges and would be worse off overall.

Competition has ensured that all infrastructure owners focus on financial returns and for rural areas this may create problems. The critical question in these circumstances is whether investments that are economically valuable will continue to be made, or what form of intervention is needed to ensure such investments are made, given the failure of the market to provide sufficient financial incentives.

The new emphasis on competition has sharpened the focus on costs and cost recovery leading to more efficient delivery to service, but risks overlooking the consideration of broader economic benefits. Dairy farms in Western Victoria provide a simple example. Upgrading of the power network may be critical to the development of new dairies in the region. On current approaches to cost recovery such investment will only be marginally attractive at best to the power company. But the major beneficiaries of development of new dairy farmers will not be the farmers, but the processors. Current figures show that value added by milk processors is almost three times the value added on dairy farms. How are these multiplier effects factored into investment decisions to create the environment where new (dairy) farms can be created, or existing farms expanded?

This inquiry needs to make a detailed examination of whether current competition policy is forcing too narrow a definition of costs and cost recovery and overlooking broader economic benefits, thus shutting off investment in rural infrastructure.

Australia Post

Another case which highlights the narrow focus of NCP was last year's review by the National Competition Council (NCC) of the Australian Postal Corporation Act.

NFF believes that there is a social obligation to ensure all members of the community have access to a mail service of basic reliability and regularity at a uniform standard letter postage rate.

The services provided by Australia Post remain vital to people living in rural and regional Australia. There have recently been significant improvements in electronic communications, but these are not yet fully available in rural and regional Australia and do not replace the need for a postal service that allows the interchange of physical items, such as health and educational material to people in remote areas.

In recent years Australia Post's role has expanded to provide a much broader range of services which, in many instances, are no longer offered by other service providers. These include financial facilities such as bill payment, banking services, money orders, passport applications and electronic lodgment of tax returns, in addition to postal related products such as parcel services which in many rural areas may be the only form of courier service.

As a result, rural communities rely far more heavily on the services provided by Australia Post than those in urban Australia.

There is general acknowledgment that Australia Post compares well internationally. The World Bank stated in 1996 that Australia Post ranked amongst the world's best performing postal enterprises, while Australia has one of the lowest basic postage rates in the OECD. A report released in 1998 by KPMG showed that Australia Post continues to improve its on-time delivery performance.

In responding to the NCC's report on Australia Post, NFF expressed concern that the standard of current and future postal services in rural and regional Australia would be put at risk, notwithstanding assurances that the Community Service Obligation (CSO) would be maintained.

The NCC's proposal was at risk of only delivering benefits to a very narrow group within the community - large business users in metropolitan Australia. Small business and residential users in metropolitan Australia along with rural and regional Australia, stood to receive few if any benefits from the proposed reforms.

In turn, as noted in the NCC's report, deregulation of business mail and "cherry picking" of this high profit area would have meant that Australia Post would have difficulty meeting its CSO from internal revenue. NFF strongly opposed the NCC's preferred option of using budgetary funding to assist in paying for the CSO. Such a move put the level of the CSO at risk as a result of budgetary pressures, rather than an objective assessment of the need for the CSO. It would also have greatly increased the uncertainty in the provision of services for people in rural and remote Australia as well as having implications for future investment decisions in the postal network.

NFF also had concerns regarding other funding options, including a proposal to establish an industry levy to pay for the CSO. While the NFF does not oppose in principle such a method of funding, as is the case in the telecommunications industry, such an approach for postal services appears far less practical.

In addition, while we welcomed the NCC's recommendation that service standards for the USO be included in the *Australian Postal Corporation Act* 1989, to be monitored and enforced by the Australian Communications Authority, NFF was concerned that the current USO may not be sufficient to protect rural and regional postal services in a deregulated environment.

In particular, it is essential that the services standards include guarantees in relation to access to mail services, in addition to guaranteed standards of mail delivery. These guarantees in relation to access of mail services should ensure that all Australians continue to have the ability to access the full range of services currently provided by Australia Post in addition to receiving a delivery service if they choose.

Fortunately for Rural and Regional Australia, announcing its response in June 1998 to the NCC's recommendations rejected the NCC's view calling for the immediate deregulation of the business postal market, instead opting for a more gradual approach. In line with the NFF's recommendation, the Commonwealth Government proposals will ensure that the CSO will continue to be funded by way of cross-subsidy.

On 16 July 1998 the Government further announced the introduction of a Service Charter for Australia Post which is underpinned by a set of performance regulations.

NFF also welcomed the Government's decision to maintain the standard letter rate at 45 cents until at least 2003.

NFF has become concerned that NCP to date has taken a very narrow focus, and sufficient regard has not been given to the effect on Rural and Regional Australia as part of the review process.

The intervention and rejection of the NCC's key recommendations by the Commonwealth Government would appear acknowledgment that the NCP review process focus is too narrow with insufficient regard to the potential effects on rural and regional Australia.

At a meeting of the NFF Economic Committee meeting during April concerns relating the NCP were discussed.

While recognised the possible beneficial impact of NCP to the broader economy the Committee felt that the implications of NCP for rural and regional Australia have not been adequately considered.

In particular, the Committee discussed the following recommendations which are currently under consideration by NFF;

- **That the Government recognise that the important economic contribution of rural and regional Australia is fundamentally reliant upon the ongoing provision of infrastructure at affordable prices.**

- **That all owners of infrastructure assets to be required to meet universal service obligations with regards to the provision of these assets to rural and regional Australia.**

- **That the Government recognise that rural and regional Australians together with other users of infrastructure are unfairly disadvantaged and inadequately resourced to fully participate in the rapid and diverse range of review processes that are currently underway. The Government should ensure that adequate funding is made available to user groups so that a balanced debate can take place.**

- **An immediate moratorium on the NCP process while the implications of the introduction of reforms on rural and regional Australia are fully evaluated.**

4. Human Capital

The greatest asset of Australian agriculture as well as the broader community of those living and working in rural and regional Australia is people.

The current Government in particular has focused its attention on encouraging farmers to become more self reliant. The Government has stated its role to include the promotion of new developments and enhance skills so that people are able to respond positively to new circumstances.

The creation of the Action Plan for Australian Agriculture identified skills development and leadership as one of the key elements to achieving more profitable, competitive and sustainable farm sector into the future.

Consequently, Governments have provided funding for programs such as Farmbis, Property Management Planning (PMP) as well as a range of other programs in addition to significant funding for the formal education sector. The aim is to encourage a culture of continuous learning that will enhance the capacity of farm businesses to identify, acquire and apply the skills and information needed to improve their profitability and sustainability.

In addition, support needs to be provided in establishing and providing ongoing support for centres of excellence, cooperative research centres and graduate research programs in fields directly related to industries located in the region.

However, NFF is extremely concerned that the next generation of young people appear to have been forgotten.

Students living in rural and remote areas face many problems in accessing education. These problems increase as the child gets older and eventually seeks tertiary education.

Most rural children can access primary school while living at home, but many have to leave home to access secondary school. Almost all students from rural and remote areas have to leave home to access tertiary education.

The problems are two fold – first, physical access and, second, finance. These two factors result in rural students participating at only two-thirds the national average, according to DEETYA figures.

Unfortunately the continued under-representation of rural and remote Australians in tertiary education has the potential to have negative effects on individuals, households, and communities within the rural sector, including agriculture.

The recent report by the Human Rights Commission – "Bush Talks" identifed that fewer rural students were entering tertiary education, with 25% of rural students entering tertiary education in 1989, compared with only 16% in 1997.

Further, a study into educational equity in the higher education sector in 1995 by the University of Southern Queensland highlights the trends in terms of access for rural and remote students compared with other disadvantaged groups.

Isolated children are well below parity and have remained constant, while those for rural areas are below parity and this access has actually declined in the period 1991 – 1995. This, we believe, is due to the hard economic times and difficulty accessing financial help. In contrast, access to higher education for a number of other disadvantaged groups has improved significantly and actually risen above population norms.

Access to Higher Education for "disadvantaged" Equity Groups

Equity Groups	1991	1992	1993	1994	1995
Isolated	0.66	0.69	0.61	0.64	0.65
Low SES	0.62	0.61	0.60	0.62	0.62
Rural	0.81	0.80	0.78	0.77	0.76
ATSI	0.90	0.99	1.06	1.13	1.18
NESB	1.02	1.13	1.19	1.19	1.22
Females	1.12	1.11	1.11	1.12	1.13

Note: In the table all values have been standardised so that a value of 1.0 denotes parity in relation to the general population. Access is defined as the number of commencing students in each equity group, as a percentage of total enrolments.

Equity Groups are Isolated (students from isolated areas), students from low socio economic backgrounds, children from rural areas, Aboriginal/Torres Strait Islander students, Non English Speaking Background students and Female students.

The Present Situation

Obviously, the high costs associated with rural families sending their children away from home in order to access educational institutions is one of the major reasons explaining the current under-representation of rural and remote people in educational outcomes.

This is recognised by the Government in the provision of Assistance for Isolated Children (AIC) which provides $3,500 per year free of means and assets tests, with a means tested additional allowance until the child turns 16 or finishes secondary school.

Once students turn 16, or go to a tertiary institution, they have to transfer to Austudy/Youth Allowance which is subject to an assets test and an income test and, in most rural families' cases, an Actual Means Test (AMT).

Yet despite the low returns currently being experienced by many farm families due to years of drought coupled with poor commodity prices, and the Asian crisis, many of them still have great difficulty accessing the Austudy/Youth Allowance due to the very capital intensive nature of modern farming. In other words, the Assets test continues to discriminate against farm families.

The Senate Rural and Regional Affairs and Transport References Committee inquiry on the impact of the assets test on farming families in 1995 found the assets test was;

"an inappropriate policy instrument that does not take into account the nature of farm assets and their relationship with income. In essence, the current assets test does not acknowledge that some farmers are assets rich but income poor and that farm assets cannot readily be liquidated without diminishing the viability of the farming unit."

It was estimated by Department of Primary Industries and Energy and the Department of Employment, Education and Training at the time that 5400 students, who would otherwise have been eligible to receive AUSTUDY on the basis of income alone, were excluded because of the assets test.

The National Farmers' Federation believes the solution is two fold, change the Austudy/Youth Allowance assets test, and introduce a Tertiary Access Allowance.

In order to improve rural students access to Tertiary Education, NFF recommends:

- **That primary producers' farm assets be exempt from the Assets test or receive a 100 per cent discount for the purposes of the Youth Allowance/Austudy.**

- **That a Tertiary Access Allowance of $3500 per annum for students over the age of 16, based solely on geographical qualifications free of means and assets tests.**

In line with the recommendations of 1995 review, in the release of ***Reviving the Heartland***, on 5 February 1996, by the National Party Deputy Leader and then Shadow Minister for Agriculture, John Anderson MP, the following commitment was given;

- Relax the Austudy assets test by providing a 75% discount for business-related assets for farmers and small business owners. Non-core business assets will be subject to the normal assets test provisions;

Unfortunately, this commitment has yet to be acted upon.

It has been estimated that if the 75% discount for farm business related assets is introduced, an additional 2500 students from farm families would become eligible for Austudy/Youth Allowance. If all these students were eligible for the maximum living away from home rate the total cost of this initiative would be $17.3 million.

Given that around 80% of families affected by the assets test are farm families, if the 75% discount on business assets was extended to small business in addition to farmers, as the Coalition’s policy suggests, the total number of additional students who would benefit from this initiative would be 3125, and cost a maximum of $21.6 million.

Although the Coalition’s election commitment does not go as far as NFF’s policy, it would represent a significant step in reducing the inequity associated with the assets test for Austudy/Youth allowance.

NFF also urges the Government to introduce a separate allowance based solely on a geographic qualification, without any means or assets test, called a Tertiary Access Allowance.

Under the proposal, students would receive financial assistance on a similar basis to the Assistance for Isolated Children’s allowance. The AIC allowance provides financial recognition of the fact that students have to live away from home to gain equitable access to education.

We believe the amount of the allowance should be $3,500 per annum in line with the basic boarding allowance under AIC.

This allowance would partly compensate rural children for being forced to leave home to study because there is no tertiary institution close to them. It is obviously far better economically to transport the student to the institute rather than establish institutions around the country for the students to be able to access them from home.

This proposal is consistent with the report of the Activating Committee for the recommendations of the National Rural Finance Summit:

A means of defining eligibility would have to be developed. Possible criteria could be the remoteness classification system developed by DPIE and the Department of Human Services and Health, combined with criteria in relation to distance from a tertiary institution. This second criteria could take the form of the criteria used for the current living away from home allowance; 56km from the nearest tertiary institution, or 90 minutes by available public transport. NFF would welcome the opportunity to be involved in the development of a standard.

5. Rural Health

There is a widespread belief that because they have plenty of fresh air and open spaces, people living in rural Australia are healthier than those living in metropolitan areas. This is not true.

Research shows that rural Australians suffer more from serious disease, illness and injury and die earlier than people living in urban Australia. Country people are 40 per cent more likely to die from preventable causes like asthma and diabetes than city people.

In addition, the age profile of rural Australia shows there are relatively more people under 20 years and over 50, compared with the national average. As older people use health services more frequently than those who are younger (eg. twice as many consultations with doctors and three times as many hospital admissions) the ageing of the rural population presents particular challenges if their needs are to be adequately met.

The poorer health status of many people living in rural Australia, demands that significant resources be allocated to address this problem. However, residents of rural communities are being disadvantaged by the limited access to, and further withdrawal of, many health services which are taken for granted in metropolitan areas.

While it is acknowledged that the problems associated with rural health incorporate a wide range of issues, the National Farmers' Federation has decided to concentrate, in the first instance, on the chronic shortage of doctors in rural communities.

NFF believes that the provision of adequate and appropriate General Practitioner and Specialist medical services in rural and remote areas is crucial to improving the health status of people living in rural and remote Australia. It is generally felt once a community has secured the services of sufficient GPs to properly service the population, then other allied health services tend to follow.

In 1998, a report of the General Practice Strategy Review Group to the Commonwealth Government estimated the short fall of General Practitioners in rural and regional Australia was between 750-1000. This means that while there is one GP to every 500 people in Sydney, in country Australia there is often only one GP trying to look after several thousand people.

NFF acknowledges that there are a wide range of factors associated with the issue of attracting doctors to practice in rural and remote Australia. These factors include the financial cost of relocating from the city, lack of professional and personal support, lack of professional and personal support, lack of sufficient allied health services, absence of employment opportunities for partners, broader range of skills required, absence of locum support and absence of ongoing professional training opportunities and rapidly increasing insurance premiums.

In relation to the critical shortage of rural doctors and given the inertia in the existing Australian medical system and the long lead times if strategies involving Australian trained doctors are implemented, NFF believes there is a need to develop a comprehensive national scheme which seeks to address both the immediate short term problem of recruiting doctors to rural and remote areas, in addition to the longer term strategy of increasing the number of students from rural backgrounds undertaking medicine.

NFF recommends that the critical shortage of rural doctors be addressed through strategies which include:

- **The Commonwealth and State Governments work together to ensure State medical boards recognise the qualifications of doctors trained in the UK, South Africa, Canada, Ireland, Singapore, Hong Kong, Malaysia, New Zealand who have equivalent qualifications to those General Practitioners trained in Australia;**
- **Introduce a scheme that would reward doctors working in rural and remote areas with a rebate or relief on HECS debt, reflecting years of rural service;**
- **Establish a benchmark quota of at least 20% of medical students at every school of Medicine in Australia to be drawn from country candidates;**
- **Introduce strategies to increase the compulsory rural component of medical training for all medical students;**
- **Establish a nationally based scheme to co-ordinate locum relief for rural doctors;**
- **Allocate Medicare Provider Numbers according to population distribution; and**
- **Investigate the potential for differential Medicare rebates to be paid to rural doctors in recognition of their heavier workload in comparison to urban based GPs.**

However, in addition to these factors, access to adequate hospital services is recognised as one of the key determinants of whether a doctor will choose to practise in a particular country area.

Unfortunately, many people living in rural communities throughout Australia, have in recent years experienced with withdrawal, rationalisation and downgrading of local health infrastructure. The downgrading of such infrastructure has resulted in many instances where country people have been forced to travel hundreds of kilometres for common medical procedures such as setting of broken limbs, appendicitis, tonsillitis and child birth due to these services no longer being available in their local communities.

Given the GP's role in many instances is to serve as the first point of contact between patients and the medical system, an equivalent distribution of GPs per capita between metropolitan and rural Australia is justified. Indeed, a strong case can be made for the location of more GPs per capita in rural areas, due to the vast distances and relative absence of specialists in rural areas. This means that GPs must, on occasion, perform specialist functions which cannot be delayed by long trips to cities or large regional centres, either because of cost or emergency factors. Yet, clearly, this GP 'need' is not reflected in the current workforce distribution.

Access to other infrastructure, particularly access to education, will of course play a role in influencing the decisions of medical and other professionals about moving to a country town.

In a society which believes everyone should have equitable access to basic heath care, it is unacceptable that access to basic health services of many rural people has been reduced in recent years.

With basic health infrastructure being withdrawn from or downgraded in many local rural communities, transport infrastructure has an increasingly important role to play in ensuring access to medical services. For those people who do not live close to major medical centres, access to adequate roads or public transport impacts significantly on their ability to access primary, specialist and acute health care.

With public transport non existent in many parts of rural and regional Australia. the disadvantage and particularly the elderly must rely on family, friends and others in the local community to drive them to access primary health care. In the case of accessing specialist care, this often involves travelling hundreds of kilometres with the possible added expense of overnight accommodation.

NFF recommends:

- **Governments at both State and Federal levels have a responsibility to ensure that adequate health infrastructure is provided to deliver basic health care. In some cases this may involve a partnership between one or more levels of Government, including Local Government, medical professionals and the community.**

6. Telecommunications

The NFF continues to believe that all Australians must have affordable and equitable access to quality telecommunications products and services, as a matter of urgency, by addressing the following issues relevant to this submission:

- all Australians, wherever they reside or carry on business, should have both affordable and reasonable access, on an equitable basis to a digital data capability; in additional to the standard telephone service;

- the establishment of appropriate processes and timely triggers for penalties and remedies relating to the Telecommunications Customer Service Guarantee (CSG);

- the Commonwealth Government taking all necessary steps to ensure competition for local telephone call and telephone exchange access services; and

- the establishment of clear guidelines for a selection system for competitive telecommunication universal service provision in regional areas.

The NFF is very concerned that rural and regional services and facilities are continuing to be withdrawn. NFF and other research has shown:

- Physical access to a financial institutions is not possible in over 600 rural and regional communities;

- A shortfall of up to 1000 doctors in rural and regional Australia, according to the 1998 General Practice Strategy Review Group;

- Businesses are closing their doors;

- Opportunities for sustainable growth are being missed; and

- Populations are decreasing.

Rural and regional Australians need to be able to communicate with each other and their fellow city based Australians. An informed rural and regional Australia has the ability to make better decisions. The NFF believes that, without affordable and equitable access to quality telecommunications the decline of rural and regional Australia will accelerate.

To this end, the NFF contends that the Commonwealth must specify minimum standards relating to all aspects of the Telecommunications Universal Service Obligation (USO) and that these minimum standards remove all current quality of service inequities. These minimum standards should be specified in the Consumer Service Guarantee (CSG).

Any telecommunications carrier who may wish to become a national or regional telecommunications universal service provider, should tender for the supply of services to the minimum quality standards, as defined in the CSG, and the carriers Universal Service Plan (USP) should clearly and unambiguously outline the obligations of the carrier and how the carrier will ensure the rights of customers are protected.

A telecommunications carrier may wish to identify additional quality of service parameters to those required to meet the CSG, as a market differentiator.

The telecommunications carriers USP should be considered as the service level agreement with the Commonwealth to meet the CSG minimum quality of service standards in fulfilling the telecommunications USO.

The NFF contends that all Australians wherever they reside or carry on business should have both affordable and reasonable access, on an equitable basis to a digital data capability; in additional to the standard telephone service.

NFF welcomes the recent Government announcement to include in the USO a requirement to provide a 64kbit/s digital data capability, on demand, to all Australians.

It is hoped that the specifics of including a to 64kbit/s digital data capability in the USO and related matters are clarified as soon as practical after the legislation is passed and that the revised CSG criteria apply to both the standard telephone service component and the digital data capability component of the USO.

The NFF believes that telecommunications services provided as part of the universal service regime, by any carrier who may wish to become a national or regional universal service provider, should be supplied subject to the same minimum quality standards that apply for all Australians, irrespective of where they reside or carry on business.

The ACA *Telecommunications Performance Monitoring Bulletins* report the service that is provided by the national universal provider in rural and regional Australia is sub-standard. The NFF believes that all regulation and legislative changes must reflect a commitment to an upgrade in quality of service and performance standards, not merely a maintenance of the status quo.

The connection or restoration of a service should not take any longer for a customer in rural and regional Australia than for one in a metropolitan area, with a defined allowance for travelling time of staff and resources from the nearest service centre. That service centre must be:

- within a suitable distance; that does not require more than one days travel; and
- based on "new" local call zone service centres that provide access to prescribed minimum services.

The maximum allowable time for the delivery of the necessary resources (labour and equipment etc) must be specified.

Priority for the provision and restoration of telecommunications services must be given where there is demonstrated dependence on that service. That is, where readily available alternatives, such as a public or nearby telephone, are not easily accessible. This is fundamental to the provision of an equitable service to all Australians.

The definitions of metropolitan, rural and remote are redundant. There is no rationale for a relationship to be drawn between the quality of service and charging zones. The two are completely independent as there is no reason why a customer paying increased call charges in an extended zone should receive a lower quality service, as is currently the case with the differing zone definitions for service delivery.

The size of the community also has no relationship to the time it should take for connection of a service.

The current CSG and therefore the carriers' USP should be altered to reflect the same quality of service and timeframes for all Australians, with the only addition being the specified supply time required for staff travel and other resources.

The disposition of labour and resources must reflect the fault history of the location. For example, the carrier should cater for a regular natural occurrence, such as the wet season in Northern Australia, within the normal servicing provisions. Only where exceptional circumstances or a natural disaster has been declared, should exemptions to those time frames be allowed.

Customers must not be penalised for poor infrastructure provisioning decisions. That is, the maintenance of outdated, sub-standard or congested equipment should not impact negatively on the customer.

There must be an independent audit of the adherence to USP standards by carriers. Random quality checks of services provided to customers under differing circumstances is essential to ensuring the quality and robustness of the assessments of carriers' performance, such as that currently carried out by the ACA.

Similarly, such information is essential to support individual customer complaints regarding quality of service and for the establishment of “systemic” problems.

The definitions and time scales for delivery of services, and the procedures for registration of complaints must be clearly understood by all customers. Criteria and independent assessment of those criteria, for the carriers to explain their available channels of complaint, must be clearly established.

Competition in provision and restoration of telecommunications services should be fostered. There are numerous entities, in a variety of industries, providing cost-effective, quality service to all Australians, regardless of the customers’ location.

The NFF submission to the recent Senate Environment, Communications, Information Technology and the Arts Legislation Committee inquiry on the Telstra and Telecommunications bills strongly suggested that current call charge zones and their associated boundaries within Australia should be questioned, with the view to increasing those boundaries and reducing the overall number of zones and a new approach is necessary to address this social equity issue

NFF proposes that the benefits of the implementation of Telstra’s Future Mode of Operation (FMO) project be realised and that local call zones be based on the new networks approximately 200 local access switches**.**

Previous Commonwealth reports such as “Ringing In The Changes – Telecom’s Zonal Charging Policy” – October 1984 and “ Poles Apart – Telecom’s zonal and charging policies in rural and remote areas” – November 1986 would seem to address very similar issues that still exist today.

Current decisions related to service centres and community call locations would seem to be based on principles from Telecom’s Community Access 80 Policy - July 1979.

One particular recommendation from the Commonwealths “Poles Apart” – November 1986 report was:

“*Report Recommendation 1: Service centres under the Community Access (CA80) Scheme should be defined as centres providing access to the following minimum services:*

- *medical services comprising at least one doctor;*
- *prescriptions dispensing facilities;*
- *schooling to at least primary level;*
- *general provisions (meat, groceries, etc);*
- *banking facilities;*
- *service station facilities (fuel, lubrication and basic repairs) ;*
- *postal services;*

- *agricultural service facilities.*

A statement in relation to the Community Access 80 Plan was:

> *"While the 1974 and 1977 reports maintained the status quo, the outer urban development continued. So again in 1979 telecom review zonal arrangements and introduced in May 1980 Community Access 80. Once again, this internal review also found 'The existing zoning and charging scheme… to be essentially sound and suitable.' Telecom is acting as the judge over its own decisions with regard to zonal charging arrangements. In this situation it is at least arguable that Telecom will have some bias in its judgements."*

These and other recommendations and statements identified in the recent NFF submission to the Senate as well as the factors outlined below clearly questions the appropriateness of zone definitions in the Bills and indicated that the issue of call zones must be revisited as a matter of urgency. Those factors are:

- decline of services available in rural and regional communities;
- historic nature of zonal decisions;
- internal nature of Telstra process related to call zone boundaries and charging;
- dramatic improvements in network technology; and
- intra network cost reductions.

The NFF believes a new approach is necessary to address this social equity issue as the implementation of Telstra's FMO program and the introduction of competition has largely solved the technology issue previously identified as a major inhibitor to call zone reform.

The NFF proposed two amendments to the *Telecommunications (Consumer Protection and Service Standards) Bill 1998*, they were:

- to cause a public inquiry of call zones and related issues with recommendations to be implemented by 1 October 1999; and

- the precise requirements of ongoing processes and procedures be dealt with in subordinate legislation for action by the appropriate entity rather than the responsibility of the national universal service provider.

The NFF was pleased to see recommendation 2 of the recent Senate inquiry into the Telstra and telecommunications bills that *"the government should review the appropriateness of the standard call zones, having regard to demographic and technological change"***.**

NFF looks forward to quick progress being made with the recommendation, and the proposed timeframe for the inquiry and any outline on the inquiry terms of reference.

With reference to the matters previously outlined in the previous section the following are the suggested connection and restoration timeframes that should apply to all telecommunications carriers who may wish to become a national or regional universal service provider.

These minimum quality of service and performance standards should be specified in the CSG and therefore reflected in a carriers USP.

Reference is also made to the ACA – Review of the Telecommunications CSG.

Connections

<u>For “in place” connections</u>

- within 2 working days of the customer request.

<u>For new and additional services (or provision of a substitute service)</u>

Where the customer is within say 100m of infrastructure

- within 1 week of customer request (for all customers)

Where the customer is greater than say 100m from infrastructure

- within 4 weeks of customer request (for all customers)

Fault Rectification

- within 1 working day after customer request plus specified staff and resource travel from the nearest service centre of one additional day.

Customers should be made aware of their relevant connection or service restoration times prior to their request.

NFF Recommends:

- **All Australians wherever they reside or carry on business should have both affordable and reasonable access, on an equitable basis to a digital data telecommunications capability in addition to the standard telephone service**

- **A very high level of coordination of all the Telecommunications social bonus components is necessary, otherwise a less than desirable outcome may occur.**

- **The timing of the provision of rural transaction centres and improved television reception and coverage should be shortened from 5 years to 3 years to coincide with other Telecommunications social bonus initiatives.**

- **An effective tendering process encompassing all aspects of the telecommunications related social bonus initiatives must be employed to ensure the long-term interest of rural and regional Australians are meet.**

- **The Farmwide Point of Presence solution should be seen as a blueprint for the provision of Internet services to the remaining rural and regional Australians that do not currently have local call Internet access.**

- **All Australians should have access to untimed local calls to their nearest service centre.**

- **The guidelines covering criteria relating to the expansion of television reception and coverage must cater for communities and individuals who may consider an aggregated data stream that includes television is a more cost effective than duplicated services.**

- **The specifics of including a 64kbit/s digital data capability in the Telecommunications Universal Service Obligation (USO) and related matters must be clarified prior to proposed 1 July 99 service availability.**

- **The same Telecommunications Customer Service Guarantee (CSG)criteria must apply to both the standard telephone service component and the digital data capability component of the Telecommunications Universal Service Obligation.**

- **Telecommunications services provided as part of the universal service regime, by any carrier who may wish to become a national or regional universal service provider, should be subject to the same minimum quality standards and that the same standards apply for all Australians, irrespective of where they reside or carry on business.**

- **All CSG regulation and legislative changes must reflect a commitment to an upgrade in quality standards of existing services, not merely a maintenance of the status quo.**

- **The current CSG should be altered to reflect:**

a) The same quality of service and timeframes for all Australians, with the only addition being the specified supply time required for staff travel and other resources;

b) That the current CSG definitions of metropolitan, rural and remote are redundant;

c) There is no rationale for a relationship to be drawn between the Telecommunications quality of service and charging zones;

d) The size of the community where you choose to reside or carry on business has no relationship to the time it should take for connection of a service;

e) There must be an independent audit of the adherence to the CSG standards by carriers; and

f) Competition in provision and restoration of telecommunications services should be fostered.

7. Importance of Water Resources

A feature of the spread of agriculture in Australia has been the regulation of rivers to provide reliable water supplies for stock and domestic use and irrigation. Investment in rural water infrastructure has had a high local "multiplier effect" in supporting regional development.

Water is a major national resource and is a critical factor in Australia's agricultural competitive advantage. Governments should recognise that higher water costs and loss of security in supply adversely affect agricultural competitiveness and regional development.

Water availability is crucial to all forms of agriculture. Without a reasonable degree of certainty of water supply, the volume and value of agricultural production can be adversely affected. Farmers need security in their water entitlements (in terms of volume and frequency of supply), so that they can manage their properties sustainably.

A property rights regime for water that is clearly defined, tradeable and provides security of supply is fundamental to the future viability of Australian agriculture.

The Federal Government is driving change in use of water resources through the COAG water reform process. Government policy on allocation of scarce natural resources, such as water has moved toward policies which use price signals to bring about change in use. In the case of the water industry it is thought that pricing changes will encourage the transfer of water from low value to higher value uses.

Government should be conscious of the potential impacts such policies may have in many regions both positive and negative on regional economies, property values and community viability.

Water Markets and Trade

NFF supports the concept of transferable water entitlements under strict conditions, both within and between States. Tradability conditions must take into account the social, economic and environmental impacts that may result from these policies.

Free trade in water should lead to the optimal use of water by industry, but system managers may need to be able to impose limitations on transfer to avoid over-commitment or under utilisation of the water resource

Trade in water entitlements requires an effective system of property rights as well as arrangements guaranteeing that water purchased can be delivered. This in turn requires secure property rights and dependable water management and infrastructure arrangements.

Cost Recovery

NFF does not support the ‘full cost recovery’ approaches adopted under the COAG water reform process. Such policies are inconsistent with national objectives of minimisation of production costs, increasing international competitiveness, increasing Australian exports and reducing the balance of payments deficit.

As noted earlier, economic theory suggests that pricing for infrastructure services above marginal costs is unjustified.

NFF does not support COAG’s policy of requiring cash reserves for asset replacement of pre-existing headworks and distribution systems. It is inequitable and unfair for today’s farmers to pay the full cost of refurbishment of aging schemes, particularly where those investments were based on non-economic government policy.

NFF opposes any suggestion that a real rate of return on capital should apply in cases where there is public investment in aging irrigation schemes. The community has received huge returns on these previous investments. Land rates, income tax, other taxes and charges have effectively recouped a large proportion of public investment. Any move to substantially increase water prices to reflect a specific rate of return objective will depress land values and will impose substantial capital losses on current farmers. It will also reduce equity against which borrowing for adjustment and farm improvements are made.

Investment in infrastructure

NFF does not believe that farmers (or any other single community sector) should have to pay the replacement costs of major infrastructure development such as dams, which have multiple purposes. Given the range of community benefits of major infrastructure development, it is appropriate that all beneficiaries share replacement, refurbishment and maintenance costs.

Until recently, most State Governments have not seen fit to establish or set aside funds to cover eventual replacement needs of headworks for storage or State-operated distribution systems. Instead most State Governments have planned to meet replacement costs as and when they arose by the provision of new loan funds. It is patently unfair for State Governments to now ask the present generation of water users to fully provide for the surge in replacement costs when current infrastructure nears the end of its practical life.

Structural adjustment in agriculture, global market changes and technological innovation underline the need for water users to be fully consulted in decisions about asset replacement. In this regard, it cannot be assumed that previous infrastructure development will remain relevant to future water users.

New investment in long-term headwaters assets intended for irrigation schemes should be financed by borrowing's charged when the costs are incurred. Government contributions may also be appropriate on behalf of the broader community beneficiaries. For new infrastructure rates of return should be negotiated with the community on a case by case basis.

Some States are taking action to corporatise or privatise their water distribution systems. NFF supports privatisation of State distribution systems where this results in greater efficiency and lower costs and does not adversely impact on the farming community.

NFF is concerned however, that governments will try to avoid asset refurbishment or replacement prior to sale. If privatisation precedes refurbishment or replacement, then an appropriate financial contribution from government must be an integral part of any agreement.

Water Wastage

With ever increasing demands being placed on Australia's limited water resources and the growing awareness that one of those demands is the imperative to meet the needs of the environment, government should be investing in reducing the current high level of wastage occurring in water delivery infrastructure.

NFF is concerned by the poor level of investment by governments in rehabilitation and upgrading of water delivery and irrigation systems to minimise delivery costs and reduce water loss through leakage and evaporation. This lack of investment is leading to unsustainable wastage from water delivery systems.

Government should also recognise that savings in water use also have significant environmental benefits, by reducing losses from aging infrastructure and permitting adoption of conservation irrigation techniques, saline drainage can be reduced (helping to address rising water tables and salinity) and more water is available for environmental allocation or other uses.

Allowing such wastage to continue not only adversely impacts on the environment but also limits opportunities for regional development.

Groundwater Infrastructure

NFF supports a voluntary and incentives-based approach to rehabilitation, capping and piping of artesian bores. Sustainable groundwater management practices should be encouraged and supported. This can be achieved with adequate extension, education and incentives. Incentives should also allow for private enterprises to participate in planning and engineering design.

Governments have already recognised that the most effective strategy for conserving water resources in the rangelands is capping and piping. The current rehabilitation program in the Great Artesian Basin is a successful example of management policies supported by the NFF.

NFF supports the Great Artesian Basin Draft Strategic Management Plan which recommends continued investment by governments and land holders on a cost sharing basis in capping and rehabilitation of bores.

Recommendations

NFF recommends that government invests more funding into the refurbishment and upgrading of water infrastructure. Such investment should be targetted at reducing wastage through leakage and evaporation.

8. Road Transport Sector

Transport plays a vital role in the Australian economy. Approximately one-third of the transport task is performed by road. Transport accounts for approximately 10 per cent of the agricultural sector's total operating costs and three quarters of this is spent on road transport. Since much agricultural production takes place away from major urban centres, and due to the bulky nature of its product, the agricultural sector spends more on road transport than other sectors (60 per cent more than mining) as a proportion of the value of output.

The high dependence on and cost of transport in the agricultural sector is a significant factor in its ability to compete in international markets. Accordingly, the efficiency and productivity of the road transport sector will have a profound and pervasive effect across the entire economy, especially where competition is frequently against other exporting nations who face far less onerous transport costs.

Adequacy of the Road Infrastructure

Australian agriculture will continue to be important to the Australian economy. However, farmers ability to capture markets will depend on their ability to supply a quality product on a timely and consistent basis. In order to achieve this it is of utmost importance to agriculture, and the Australian economy generally, that Australia possesses a road network of the highest quality.

It is essential that our rural centres and primary producers are able to move freight in and out of our regional areas all year round. It is inconceivable that as we approach the 21st century, in a westernised country, large parts of regional Australia can be cut off due to the inadequacy of sections of our national highway network.

The benefits of investment in infrastructure, and road infrastructure in particular, are well documented in a number of recent studies in Australia.

Otto and Voss (1993) examined the contribution of land transport infrastructure to the national economy and showed there was a significant positive relationship between investment in road infrastructure and private sector output. The results indicated that a one per cent increase in investment in road infrastructure, would increase private sector total factor productivity (output) by 0.27 per cent.

Otto and Voss (1996) suggest that, while investment in many types of economic and social infrastructure generate positive macroeconomic benefits, on a comparative basis the returns from road investment are higher than for almost all other infrastructure types.

Unfortunately, road and transport infrastructure investment in Australia for many years has been determined for short term budgetary pressures, rather than the intrinsic value of infrastructure to the national economy. This has lead to under-investment in road infrastructure.

The implementation of Higher Mass Limits for heavy vehicles is an example of how the poor state of many rural and regional roads and particularly rural bridges will result in rural areas not benefiting to the extent they would have if the infrastructure was of sufficient standard. Therefore, while the Commonwealth Government has suggested Higher Mass Limits will benefit the economy to the extent of $840 million annually, the majority of businesses in rural and regional Australia will not benefit directly due to poor condition of Australia's rural road network.

While road charges and taxes have increased dramatically since the early 1980s road funding has stagnated in real terms. Figures published by the ABS (Cat. No. 5221.0) reveal that, since 1983, the capital stock of the private sector has increased by around 60 per cent, and the general government capital stock has increased by around 18 per cent. In contrast, the capital stock of the nation's road infrastructure has increased by less than 5 per cent over that period. Therefore, the capital stock of roads is depreciating at about the same rate as it is being built.

Over the same period traffic and economic activity have increased significantly. The volume of freight per capita carried on Australian roads is twice the OECD average (McLean 1994). The static nature of investment in Australian road stock has resulted in Australia's road expenditure per unit of road freight carried being one of the lowest in the OECD. This suggests the current road network is increasingly unable to service the needs of industry and the wider community.

NFF recommends that the Commonwealth establish the appropriate framework to ensure the road infrastructure is sufficient to achieve the economic, social and regional development goals of the nation.

Road Transport and Tax Reform

The tax treatment of petroleum excise forms an essential component of the tax package for the agricultural sector.

Australia uses 50-70 per cent more fuel in transport per dollar GDP than most other OECD countries. The current heavy tax on our competitive weaknesses – distance – puts Australia at a disadvantage and harms our international competitiveness. Existing diesel rebates do not compensate farmers and producers for fuel excises incorporated into off-farm transport charges.

Consequently, the use of fuel taxes to raise general revenue affects Australia's population distribution. People living in rural areas have limited access to alternative modes of transport. This means that simple tasks such as shopping or visiting a doctor involves paying a substantial amount of tax by way of fuel excise. Not only are basic services more distant in rural Australia, users must pay larger taxes in order to access them. To that extent, there is a 'tax on rural living' that can affect where people choose to live and work.

This huge tax burden on rural and regional Australia in the form of fuel excise continues to exacerbate the removal of services from many rural communities. Rural Australians have to travel increasing distances to access essential services.

Reductions in fuel excise and the removal of other taxes on the transport industry will increase competitiveness for Australian industry, boost local industry and that in turn means more jobs.

Research by the Road Transport Forum shows that fuel, tires, spare parts and trucks would be cheaper under the Coalition's tax package. The figures show that fuel would be 35 per cent cheaper, tires 22 per cent cheaper, spare parts 10 per cent cheaper and trucks 15 per cent cheaper. In all, the package would amount to an 18.95 per cent saving in transport costs.

The transport industry is so competitive that we have little doubt that such substantial savings would largely be passed on. In turn, that would mean an improved competitive environment for farmers and other rural businesses.

Lower transport costs would mean lower costs on in-puts on farm, cheaper groceries and more jobs in rural and regional Australia.

While the Coalition's proposal to reduce the diesel fuel excise by 25 cents a litre and abolish the wholesale sales tax will result in significant savings, we are disappointed at the Government's rejection of NFF's proposal to remove all fuel and the introduction of a modest road user charge.

NFF recommends:

- **That all fuel excise on both diesel and petrol be removed and replaced with an appropriate road user charge that would cover road investment and maintenance costs.**

Recently eminent transport consultant John Cox (1997) estimated that replacement of fuel excises with efficient road user charges would increase GDP by about $2.25 billion per year, most of which would be retained in rural areas.

The steep increase in fuel taxes, when combined with other government charges, has resulted in gross over-recovery of costs from vehicles operating in rural regions. According to Cox, rural road users are presently being overcharged by about $1.5 billion per year under efficient user charging principles. In some urban areas, however, he argues road users are not meeting the full economic costs they impose upon society. Congestion costs in urban areas have been estimated at $4.8 billion per annum and pollution costs of road use at more than

$0.9 billion per annum. Cox suggests that road users in Sydney and Melbourne are being undercharged by $980 million and $900 million respectively.

NFF is also concerned that from 1 February, the tax on fuel again increased in line with the Consumer Price Index (CPI). This means that the Federal Government is now raising an additional $81 million per year from its tax on fuel.

None of this additional $81 million per year is to be returned to the states for roadworks. This situation further highlights a lack of commitment to road funding. It also highlights the fact that the Federal Government does not need to go to Parliament to increase the tax on fuel. Increases on fuel taxes can simply be introduced as a matter of course, on a six monthly basis, whenever there is an increase in the CPI.

As a result of continued CPI indexation and growth in fuel usage, total Federal fuel tax revenue (currently $12 billion per annum) has remained largely unchanged, but over the same period, Federal funds returned to road infrastructure have fallen in real terms by one third.

If Federal road investment had simply kept pace with Federal fuel tax revenue over this period, Australian roads would now be receiving $2.4 billion every year instead of the current $1.6 million.

Australia can not afford for the Federal Government to continue to raise fuel taxes without a corresponding increase in the level of investment in Australia's roads.

NFF recommends:

- **That the Commonwealth Government should abolish indexation of fuel excise.**

9. Rail Transport Sector

Australia's railways continue to play an integral role in the transport system. Adequate and competitive rail infrastructure and services is vital to rural and regional Australia where the haulage from the inland of bulk commodities to ports is a key element of the supply chain. Regrettably, Australia's rail infrastructure is severely run down to the point of crisis according to a recent Parliamentary Inquiry.

Rail is of special significance for two of Australia's most valuable export earners, coal and wheat.

All iron ore haulage, 80% of coal and 70% of grain are hauled by rail, including 90% of export coal and 80% of export wheat. Iron ore, coal and wheat comprise 20% of Australia's exports worth $15 billion per year to the nation's export economy.

Efficiency improvements in Australia's railways have lowered the cost of grain transport by 25% over the past ten years. This has significantly improved the export competitiveness of Australian wheat and lowered domestic food production costs.

In addition to coal, wheat and iron ore, rail plays a vital role in transporting other agricultural products. Rail hauls many farm inputs such as fuel, fertiliser and a wide range of general freight commodities. In Victoria, rail transports grapes, oranges, dried fruit and wine from the Mildura and Goulburn Valley. Wine and other export commodities from the NSW Riverina area are transported by rail to the docks in Melbourne and Sydney. Queensland Rail and National Rail Corporation haul fruit and vegetables from North Queensland to southern domestic markets in transit times that are competitive with road. In Queensland, rail is vital to the State's livestock farmers. In Tasmania, the new privatised Tasrail is demonstrating its importance to regional economies by reopening lines and aggressively winning back traffic that had been lost to road. Rail employment in Australia's regional areas generates significant economic benefit by returning millions of dollars in earnings to those areas each year.

Lack of Investment in Rail

Productivity improvements in Australia's rail industry remain hampered by the lack of investment. There seems little disagreement with the view that rail infrastructure requires substantial investment with effort by Commonwealth, State/Territories and by the private sector. Compared with other transport modes rail has fared poorly for investment.

The recently released draft Productivity Commission report Progress in Rail Reform identified lack of investment in rail as a significant constraint on improvements in rail systems' productivity and their ability to operate more efficiently.

Some of the major areas of deficiency which impose on the rail sectors ability to offer a more competitive service include:

- Rail weights along most of the lengths of all corridors are below the benchmark;
- The greater part of most corridors have timber sleepers which results in greater speed restrictions and higher maintenance costs;
- All corridors east of Adelaide are deficient in clearances. These restrict loading heights;
- Some gradient deficiencies exist on all eastern state corridors. Steep grades necessitate greater locomotive power, restrict trailing loads and added to fuel consumption; and
- Curves are particularly bad on the Brisbane-Cairns and Sydney-Brisbane corridors and the Sydney-Junee link. Tight curves restrict speed and increase resistance and wear and tear on track and rolling stock.

Diesel Fuel Excise

The continuing imposition of diesel fuel excise on rail is one of the most significant barriers to further reductions in rail's cost to rural and regional Australia.

The 1991 Industry Commission report "Rail Transport" and the 1994 Industry Commission report "Petroleum Products" both recommended that railways not pay diesel fuel excise because it increases rail transport costs and distorts transport decisions.

The recent announcement as part of the Governments tax reform package to reduce diesel fuel excise for rail and road transport was welcomed by the NFF as a step in the right direction. However, NFF was disappointed that the reform did not go far enough. NFF policy advocates the complete removal of all fuel excise, with the introduction of a road user charge.

NFF is concerned that the remaining fuel excise of around 18 cents per litre for both road and rail continues to place an unfair burden on rail transport.

The National Road Transport Commission has identified that the current fuel excise of 18 cents as a road user charge - or the amount needed to be collected in order to pay for the maintenance and upkeep of the road network.

However, the rationale for maintaining an 18 cents per litre fuel excise for rail is not as clear and places rail at a competitive disadvantage compared with the road transport sector.

The 18 cents per litre fuel excise on rail under the New Tax System will cost grain farmers an extra 18 cents per tonne than if diesel excise was completely removed from rail. Nationally, this will cost grain farmers $20 million per year.

Clearly such a reform would have significant benefits for the rural sector and would also further improve Australian farmers export competitiveness.

NFF recommends:

- **The Commonwealth Government completely remove diesel excise from all rail transport.**

10. Banking

Banking and financial intermediation is a fundamental input to the business of agriculture. The banking system is the major source of finance for rural business in Australia. Banks provide 80 per cent of institutional loans to the rural sector while the proportion of farm debt supported by banks is around 60 per cent.

The three most outstanding features of Agriculture in relation to the financial sector are:

- Agriculture is largely made up of a large number of relatively small businesses.
- The land from which the production is extracted forms a major portion of the asset structure – generally about 75 per cent of total assets.
- Amounts borrowed are generally quite low relative to the total value of assets.

The financial sector provides a diverse range of services to rural Australia, including payments services, borrowing, lending, investment and risk management services.

Agriculture is currently going through a difficult period as a result of widespread drought, generally low commodity prices, international trade wars and the Asian crisis. At a time when it needs support from the banking system, a succession of rural bank branch closures had led many in the industry to assume that the banking system is deserting it.

While technological innovations and the arrival of alternative credit providers may fill the void left by these closures, this is by no means certain and in any case will take a significant period of time.

When banking was deregulated in 1983 there was little or no attention paid to the changes that would be unleased by deregulation. Consumers were unprepared for the fundamental shift in the corporate culture of the banks when they moved, almost unnoticed, from being "service providers" to the "sellers of products".

With this change of culture within the banks, profit became the principal motivation and other aspects of the product mix such as service provision and the availability of bank branches were downgraded.

In order the better understand the issues raised by these changes the NFF published recently a report – *Trends in the Delivery of Rural Health, Education and Banking Services* which looked at the banking needs of rural and regional

Australia. The conclusions reached by this report with regards banking services were:

- There are about 600 communities in rural and regional Australia without access to a financial institution.
- The widest range of banking services is provided by branch outlets.
- A progressive rationalisation of bank branch networks is underway and is likely to continue. This rationalisation of branch network is driven by both internal and external pressures for greater business efficiency, productivity and profitability.
- This tend is exacerbated by bank mergers.
- Banks do not take the needs of rural communities into account when making decisions to close branches, nor the needs of the broader rural sector; decisions are based on the profitability of individual branch offices.
- Rural communities have a preference for face to face banking as traditionally delivered by the branch network.
- When bank branches close, people in rural communities have to travel greater distances to access bank services and deal with the inconvenience and added costs involved. When people travel to larger centres they also conduct other business there, reducing the viability of local businesses and other service providers. The loss of jobs can result in the out-migration of households and the loss of business and participants in community organisations. These economic and social effects place the sustainability of rural communities at risk.
- Banks are promoting the use of electronic banking as an alternative mode of delivery to branch networks. The largest banks in particular regard electronic banking as a panacea.
- Electronic networks provide limited access to banking products and services.
- Electronic outlets are not as widely available in rural communities as they are in urban areas and it is likely that this trend will continue for some time.
- Profitability is a key consideration of banks in decision to install electronic banking services in rural communities.
- Rural people are not keen to use electronic banking facilities because they are perceived to have an adverse affect on people's relationships with their banks and to place local branches at risk of closure.

Provision of banking services is essential to the vitality of rural and regional Australia, however there is concern that banks are not able to provide a service that is deemed appropriate for regional Australia or excessive regional bank closures are imposing costs on these communities over and above the direct loss of employment when the bank closes.

The question also arises as to whether the availability of and access to the cash system which forms basis of transactions in any economy is a fundamental right of all citizen. Just as the Government is called upon to provide education and health services, it can also be argued that universal access to the payment system and the medium of exchange is a government responsibility.

This responsibility has been recognised in the past through such devices as government restrictions on bank product pricing, quantitative lending guidelines, directed institutional lending and government ownership of banks.

These issues have also been raised by various sources. In discussing the issue of rural banking in its submission to the Wallis Report the ACCC noted "….access to financial services is an essential requirement for participation in modern society. All consumers need mechanisms for storing and saving money, and for receiving and making payments to third parties…. In this sense basic banking services have much in common with central utilities services like electricity, gas and water. Barriers to accessing such services due to bank closures can significantly detract from the quality of life and social standing of individuals and families."

In addressing these issues on 24 May 1997, The Federal Treasurer, Mr Costello stated: "Banks have legal obligations and have ethical obligations and the government believes that they should observe both. At the end of the day we take those consumer obligations seriously".

In a paper commissioned by the Prices Surveillance Authority, this notion of social responsibilities of banks was also explored. The paper concluded that "Competition is an insufficient force to ensure good behaviour in all circumstances, there is room for self-regulation and if this fails, outside intervention in the interest of social responsibility."

Within the Australian financial system banks possess some unique features. This include:

- The ability to create credit;
- The existence of an implicit government guarantee; and
- The existence of some monopolies either in markets or via access to the cheque clearing system.

It is possible to argue that these factors alone create a privileged position for banks which therefore should entail a Community Service Obligation (CSO) in the provision of rural financial services.

If a CSO exists, then it would be incumbent on the Government to ensure provision of a reasonable level of banking serivces in rural and regional Australia. If no CSO is found, then it would be left to the market to find solutions.

Wherever a perceived market outcome is deemed inappropriate by the government, it of course is possible and in most cases desirable for the government to enter the market in an attempt to alleviate this failing. Such government action can cover a spectrum from black letter law at one extreme to the sanctioning of industry self regulation at the other.

Even if the existence of a CSO is rejected it can reasonably be argued that banks have a community or social responsibility to act in the interest of these communities when withdrawing services.

Within the area of government regulation a number of options exist. These include:

- Legislation concerning the quality/quantity of rural branches;
- State/region specific licences;
- Rural/regional obligations for foreign banks;
- Direct compensation to rural areas;
- Funding for Credit Care/Other AFFA programs; and
- Divestiture of assets

In the area of quasi – regulation options such as:

- Charter of social responsibility – specifying branch closure procedures
- ACCC monitoring of financial sector competition; and
- Consumer protection for new banking technologies – Codes of practice

If it is decided that no social obligation exists then the issue of the current market for the provision of banking services must be looked at.

In a perfectly competitive market, the number of suppliers would be large with each having a minimum of market power and competing on an equal footing. In contrast the rural lending market in Australia is dominated by a tightly controlled oligopoly of the major trading banks which supply the majority of finance to rural and regional Australia.

Until recently technological constraints have dictated that such a market structure should exist with any new suppliers wishing to enter the market needing a large and broadly based service network. Such pre-conditions dictate that a small number of suppliers would come to dominate the market.

Nevertheless, more recently, new suppliers such as credit unions and building societies have started to enter the market. It is important that these suppliers are allowed to compete in this market on equal footing with the existing major suppliers. In order to foster competition, all impediments confronting new suppliers must be addressed.

The Necessary Markets Requirements for Competition would include:

- A single regulatory regime covering all similar lenders to the rural market. (and a public education campaign).
- Equal access to the payments system for all financial institutions who meeting prudential requirements.

- Competitiveness neutrality in access to government payments and receipts.
- Access to a full range of information on products and prices at a relatively low cost.
- No significant barriers to new entries
- Consumer mobility – particularly with regard to the ability to transfer between suppliers at low cost.

NFF notes that some of these issues were covered in the recommendations of the House of Representatives Inquiry into Rural and Regional Banking Services. These recommendations should be expedited by the Government.

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This report also draws heavily on a number of recent NFF submissions. These include:

1. Stocktake of Micro-Econonic Reform: Submission to the Industry Commission – May 1996
2. Submission to the Parliamentary Inquiry into Federal Road Funding – April 1997
3. Review of the Australian Postal Corporation Act by the NCC – August 1997
4. Financial Institutions and Public Administration Committee Inquiry into the Provision of Banking Services in Regional and Remote Areas of Australia – December 1997
5. Submission to the Senate Inquiry into Regional Unemployment – May 1998
6. Improving Rural Students Access to Tertiary Education – November 1998
7. Productivity Commission Inquiry: The Impact of Competition Policy Reforms on Rural and Regional Australia – November 1998
8. Rural Health Policy – January 1999
9. Submission to the Senate Inquiries on a New Tax System – January 1999

10. Submission to the Senate, Environment, Communications, Information Technology and the Arts Legislation Committee - January 1999

11. Submission to the Australian Communications Authority – February 1999