

TO THE TRANSPORT AND REGIONAL SERVICES STANDING COMMITTEE

On behalf of the Limestone Coast Regional Development Board, I am pleased to take this opportunity to respond to the inquiry into "The Privatisation of Regional Infrastructure and Government Business Enterprises".

This Board has been facilitating economic and regional development in the South East of South Australia, since 1992. During that time the region has experienced steady and at times strong growth in some industry sectors, specifically viticulture and wine production, forestry and timber processing, horticulture, meat processing and transport.

However, growth in those sectors has exposed weaknesses in the capacity to fund new infrastructure and to maintain existing infrastructure and services. It is timely that this inquiry provides an opportunity to comment on regional infrastructure and government business enterprises and the various inter-relationships that can impact or determine both the level and quality of infrastructure service provision.

From our experience over ten years or so, it is also worth reflecting on the more general nature of change in rural and regional areas, resulting from issues associated with the privatisation of Government enterprises, improvements in communications and technology and modern transport systems.

Whilst access to new communications technologies and more efficient transport systems has occurred, the challenge of funding capital investments and service delivery across large geographic areas with low population, is enormous. Our relative disadvantage as a result of that situation, impacts directly on levels of service, as a consequence of capacity to recover costs.

In many cases, regional areas provide "thin markets" for the provision of a range of essential and other services. Such thin markets often create disadvantage under the user pays principle, which is usually associated with the privatisation scenario.

It is with this in mind that we wish to stress that there is an expectation that Governments have a fundamental and key role in the provision of a range of essential services. The move to privatisation as a means of applying competition principles in those thin market areas, continues to have a detrimental effect on access to some of those services, for people and businesses in rural and regional areas.

For example:-

Telecommunications:- Competition in this sector has not yet brought about equal access to improved technologies in some more remote regional areas. Mobile telephony and some broadband services are simply not commercially viable in some of the "thin markets" described above.

Support for unemployed:- The Job Network in a privatised and competitive environment, similarly provides limited access to a wide range of service providers, where volumes are not sufficient.

Electricity:- The national electricity market has not yet brought about improved costs in service/supply, in fact in South Australia generally, consumers are faced with higher charges and limited access to choice of retailer. There are many examples where the cost of extension to supply, especially three phase power, is a constraint on business and industry growth.

In order to simply not focus on some of the problems experienced in regional areas, we put the following points for consideration, in an effort to contribute meaningfully to the inquiry.

(1) **Essential Services:** eg Health, education, energy, communications and transport services, may require Governments to take a viewpoint in terms of whether there is an ongoing responsibility to ensure some certainty of supply and access. Whilst that may mean Governments could take a different role, the need to consider impacts of a more fully privatised service in thin market areas, remains critical.

(2) **A skilled workforce:** Although this may be more the result of less State Government involvement in business enterprises, the critical shortage of skilled tradespeople, can in part be attributed to the reduced intake of apprentices in the traditional trades, through Government utilities. Whilst that training came at a cost, there appears to be no satisfactory replacement mechanism for continuing to foster and supply a flow of skilled tradespeople into the small to medium enterprise sector. Delivery of TAFE and other training services, in a privatised and competitive environment, is not the answer where course numbers (or lack of) can determine whether a service is provided.

(3) **Superannuation:** We would encourage Government to consider the creation of a State based mechanism for directing a small percentage of compulsory superannuation contributions into an infrastructure development fund. It could be argued that 9% compulsory contributions from employers represents a significant amount of a regions available reinvestment capital. If we use the analogy of a typical company growing its business by a mix of say, loan funds and retained earnings, in the case of a region, very little (if any) of the "retained earnings" are returned for supporting growth of the region. (We have provided more thinking on this concept to our South Australian

Minister for Regional Development and would be happy to expand on the subject.)

In conclusion, regional areas contribute significantly to the income generation process in this country and to do so, we rely on access to improved, modern and adequate infrastructure, a range of private sector and Government business services and a skilled workforce. We trust that the comments provided in this submission are constructive and useful in terms of assisting the Committee with this important work.

Yours sincerely

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