

Council of the Shire of Jerilderie

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8 December 2003

Transport and Regional Services Committee
House of Representatives
Parliament House
CANBERRA ACT 2600

Secretary: *J. L. ...*

RECEIVED

15 DEC 2003

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

Dear Sir

SUBMISSION NO. 26

PRIVATISATION OF REGIONAL INFRASTRUCTURE & GBE's

Please accept our late submission on the basis that we didn't receive the original request until 10 November 2003 and being remote, required more time to send it to our community and Councillors.

In relation to the above Inquiry and would like to make the following comments on behalf of Council.

i) Terms of Reference

Council is keen to be able to support the Terms of Reference as reported in the Department of Transport and Regional Services (DOTARS) 2001 – 2002 Annual Report and in particular, the second point "Regional communities which have better access to opportunities and services and which are able to take the lead in their own planning and development".

This Council has been proactive in developing self sustainability for its towns and region by making creative suggestions for economic development (Malt Barley Plant), increased tourism (Ned Kelly Project), bus stops and toilets and the re-opening of the railways from Tocumwal to Narrandera. The reopening of the railway from Tocumwal to Narrandera allows future access to the northern States, enabling Darwin, Gladstone, Sydney and Brisbane to be easily linked with the southern States through rail.

Council strongly believes in the model that uses the three (3) levels of Government to identify needs and implement future community strategies. Council considers that transport infrastructure is a particular issue that should be solved in this manner.

ii) Privatisation

Council is aware of the need to have a good balance between privatised and Government-run businesses. There are benefits for both forms of operations. However, it realises that some functions and service delivery may only be performed by Government because of the costs involved, the service expectations made by the public, Government policy promising a particular level of service delivery and the inherent business characteristics (ie cat scanning and other high cost medical services).

Privatisation benefits are numerous and can include efficiencies and effectiveness of service delivery, capital injections from non-taxation sources and the reduction in "red tape" administration.

At the end of the day it is really up to the community to support or reject the level of private versus Government intervention for a community service delivery or benefit.

iii) National Competition Policy

Competitive neutrality was the model used to try and apply a "level playing field" to Government-run business enterprises on the basis of making them equitable with the private sector.

It would be an interesting exercise to determine if these Government business enterprises actually operate like a private company or use some form of standard approach to their overall business or service delivery. It could be the case, like in some Local Government organisations in NSW, that a percentage "on cost" administrative charge has been developed to mimic profit and other business orientated measures such as wholesale and retail prices and/or taxation.

Where Government services are competing with private sector business they should not be allowed to use their influence over the infrastructure, that in many cases they developed, to secure business. Furthermore a central body should be developed to standardise an approach to charging a return on capital and investments as the infrastructure builder/owner appears to have a significant advantage.

iv) Regional Economic and Social Impacts of Privatisation

As previously stated the issue between privatisation and Government service delivery is a matter of the profit motive versus what political promises and hence policies have been made. Privatisation requires efficiencies and effectiveness and services that are simply uneconomic eventually suffer, whereas a Government department may continue with a program because of a particular promise or policy agreed to with the community.

There needs to be a balance between the two as ultimately the community decides during an election.

A process should be developed between the three (3) levels of Government that really identifies the end point in each side ie the parameters. For example, at the Government only end the medical imaging full scan resonance technology may be an essential service with a set budget that basically means a set number of services, and may not ever be able to return a profit. At the other end of the scale there may exist a service such as immunisation for children that could be easily and better performed by the local Doctor. A process could be developed between the three (3) levels of Governments that could see ideas tested with the community and refined for implementation by State and Federal Governments on the levels of private versus Government sector implementation, developed.

v) Emerging Issues of Privatisation

The Commonwealth needs to provide incentives for businesses, and one way of doing this is through GST relief. For example, Jerilderie is currently trying to obtain gas from Finley for its town reticulation system and to attract a Malt Barley Plant. It has been estimated that over \$1m will be needed to cover GST for the construction of the pipeline.

The Federal Government could assist by waiving this as a project in the "community's interest" and/or provide a grant to cover the GST payouts. Private enterprise do need incentives and the best ones are one-off payments and not those that have significant recurrent implications for the future ie like some of the rail arrangements in Victoria. Like most arrangements trying to predict the future, there is always a problem with incentives to do better and assumptions that can be proven to be wrong. This is further compounded when recurrent incentives are used.

Rail transport and gas infrastructure are areas where this community would support any initiative that would speed up a result.

vi) Changing Role of Governments in Infrastructure Provision

In this regard it is part of Government economic strategies to tweak either the private sector or public sector to make a perceived change in the direction of the economy. Infrastructure provision is a major component that will have significant effect and benefit to the economy and community. Some services are just better delivered by Governments due to their nature, experience and demand and other services are far better for the private sector to handle, as true competition will ensure that they are provided in the best manner. The variables are seen in terms of Government promises and policy, demand and community expectations plus an ability to pay by a service recipient.

vii) **Assessing the Consequences of Privatisation**

There are some significant consequences of privatisation and the continual use of market forces to determine service delivery models has some issues.

In the past, agriculture and manufacturing were major components of our GNP (Gross National Product). Now service industries, technology and tourism are probably the major contributors. What happens when "globalisation" and the continual move to privatisation leads to all industries and service delivery moving either to the eastern seaboard towns and cities or offshore? The situation in rural and remote towns is such that the multiplier works in reverse, thus eventually leading to a downturn in medical and educational services and a reduction in regional wealth etc.

A balance needs to be developed where all these issues are revised and some strategies developed to ensure rural and remote areas continue to be viable and can attract businesses whether they are from the private sector or public sector. Technology in the modern world basically allows any business to operate in any location and Governments need to develop strategies within this debate that will help and assist rural and remote towns and their communities. The balance between wealth sharing imports and exports needs to be seen in the light of this "privatisation" and "globalisation" debate.

Council would be more than willing to discuss these matters with your Committee and sees a future for using the three (3) levels of Government to define issues, develop creative solutions, implement agreements and monitor the performance of those agreements.

Yours faithfully



Charles Gentner
GENERAL MANAGER