



TRANSCRIPT

2UE – Sydney
with John Stanley

Graeme Samuel,
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Subject: Please Explain: National Competition Policy

INTRODUCTION

There are all these issues floating around and I think it is worth trying to enunciate what are the facts, or indeed what is behind so much of what you are hearing.

Yesterday we talked about the dairy industry and the deregulation of the dairy industry. We got, I think, a fairly fair exposition from the National Farmers Federation on how that became about and how you can't shoot the blame for that home to the Federal Government.

The man who has probably been criticised more at the moment than anyone else is the President of the National Competition Council because you constantly hear National Competition Policy being blamed for all sorts of ills - from bank closures to job losses, to virtually everything that is happening in the country.

So I thought we would find out just what National Competition Policy is, and what the National Competition Council does.

And the President of the National Competition Council is Graeme Samuel.

Good afternoon sir.

GRAEME SAMUEL:

Good afternoon John.

JOHN STANLEY:

Are you feeling under some pressure at the moment as everyone blames you for everything?

GRAEME SAMUEL:

Well, I'm not sure everyone's blaming us. I think there are a few little pockets out there that are doing it and they tend to sort of have a loud voice and get a few headlines.

But I am pleased to note that both the Prime Minister and the Opposition Leader, Kim Beazley, are generally indicating that reform, economic reform, should continue but they at long last I think now focussing on the fundamental issue and that is - how we deal with change management, how we deal with the changes that are impacting upon communities particularly in rural and regional Australian and assist those communities to adjust.

JOHN STANLEY:

And yet part of what they are saying is that this National Competition Policy is sweeping the country.

It is sweeping away a lot of the old institutions, it is sweeping away things like dairy farmers who have been on their farms for generations, it is sweeping away old jobs without any real assessment of what the social impact is.

GRAEME SAMUEL:

In fact, that is absolutely sort of a contradiction of what is really occurring.

See, National Competition Policy is actually a bit of a misnomer because it is really 'National Public Interest Policy'.

The policy is founded on the public interest, if you like, both the tip of the pyramid and the foundation of the pyramid is 'what is in the public interest?'.

Let me just give one minute of quick explanation of how this all eventuated.

Back in the 1970's Lionel Murphy, as the Attorney General, introduced the Trade Practices Act and we are all very familiar with that and with Professor Alan Fels. And that impacts upon you, and I, and most of your listeners, out there every day.

But there were segments of the economy including government businesses, I might say, that were exempted from the Trade Practices Act, either through constitutional reasons or, more importantly, because they had a really powerful lobby ability, political lobby ability, to secure exemption from the Trade Practices Act.

JOHN STANLEY:

Organisations such as?

GRAEME SAMUEL:

Oh, the professions because constitutionally they weren't covered. So professions that don't incorporate weren't covered by the Trade Practices Act until this policy came in place.

JOHN STANLEY:

Lawyers, doctors?

GRAEME SAMUEL:

Lawyers, doctors, dentists, veterinary surgeons, right through those areas...architects...so they were all exempted. And then there were segments of the community that managed to get various exemptions from their, if you like, anti-competitive practices, and you mentioned the dairy industry – that was one of them.

What happened in the early 1990's was that all nine Australian governments said that 'look, this doesn't make sense, why don't we subject these same tests that have applied to the rest of us since 1970's?', that is, 'is it in the public interest to retain anti-competitive protections in their favour or should we remove the anti-competitive protections?'

That also applies, I might say, to government monopolies. Is it appropriate that government monopolies ought to continue protected from competition or should they be subjected to restructure so that they are now competitive?

JOHN STANLEY:

Yeah, which is why power companies and other public utilities now have to compete with ones either within the state or within other states?

GRAEME SAMUEL:

Exactly, and of course that is providing for a National Electricity Market.

I should emphasise by the way that competition policy does not require privatisation, that is not part of the policy. Nor does it require contracting out and I note that Opposition Leader Beazley the other day noted how "excessive zeal" I think he said on the part of local government CEO's had resulted in inappropriate contracting out and competitive tendering and I can only but agree with him. We have been saying this for some time now and if local governments will learn these lessons that will be of great assistance to their local communities.

It is about removing privilege, it is about saying, 'your privileges that you have had for the past twenty five years that the rest of us haven't been able to enjoy in terms of protection from competition – they must now be subjected to a rigorous public interest test - are they in the public interest or not?'

Now you can imagine that when you are removing privileges there is an awful lot of people that say 'hey hold on I have had those for years, I have been able to secure them by lobbying with governments and I want to keep securing them'.

JOHN STANLEY:

Let's just take, and we covered it yesterday, the dairy industry.

The dairy industry and the deregulation of that happened largely because the Victorian farmers wanted to sell interstate and because of the constitution there is nothing you can do to stop them. But it was marketed, the breaking down of those regulations, as something that would lead to cheaper milk for consumers. Now there is some evidence of some reductions but nowhere near the reductions that have occurred in terms of what the farmers are getting.

GRAEME SAMUEL:

Well there are two reasons for that. The first is that of course, while there has been a reduction of milk price at farmgate level, there has been an 11 cent levy which has been imposed in order to provide for the \$1.7 billion dairy adjustment scheme.

So, whatever reduction in the price of milk that you are seeing on the supermarket shelves you ought to deduct about another 11 cents per litre off the price, if you like, because that is sitting there, it is hidden in there ...

JOHN STANLEY:

That money is going to the farmers who up to now have been protected but now have to compete with the Victorians and can't?

GRAEME SAMUEL:

Exactly.

Now we also ought to remember that built into the dairy system in Australia has been something of the order of \$500 million a year of subsidy. Now we have been paying this in terms of retail prices.

Now what the ACCC, Professor Fels, is now doing is just examining what has happened in terms of the price of milk.

We have seen some discounts occurring at supermarket level, we know there is an 11 cent per litre built in to fund the dairy adjustment scheme that is payable to farmers and we ought to compare that to the sort of discount that is now being offered to farmers at the farmgate, and see whether there is someone who is creaming off the profits in between. If there is, then steps ought to be taken to deal with that.

JOHN STANLEY:

Yes, see you, in fact, National Competition Policy doesn't require contracting out but if you've got railways that are now subject to competition by other railway organisations, which they weren't subject to before, isn't it then going to put

pressure on them to contract out rather than have employees, say, in workshops, in country towns and therefore then those people will lose their jobs?

GRAEME SAMUEL:

No. Contracting out should not be necessary. Contracting out or competitive tendering is a bit of a test. It is a test to see whether you are doing things efficiently.

What is required now, and I think we would all welcome this, is that our money be spent in the most efficient manner possible but it doesn't mean competitive tendering and it doesn't mean contracting out.

Now, let me give you an example of something that was really stupid that occurred in a local town and I won't mention where it was. It decided that it was going to test the efficiency of its local workers in road building and it went out and it got a competitive tender from a big city firm. The big city firm, of course, loss leaded and cut the price significantly, the local team wasn't given a chance to retrain or reskill, or to compete on any fair basis, and the lowest price was taken and that was it.

Now, what happened was the local team was put out of work, thirty families were seriously dislocated, the town was seriously dislocated, and then guess what happened a year later when the next stretch of road had to be done? The big city firm said the price is double the original price!

Now, that is not competition policy – that is just stupid business management. And it is stupid social management...

JOHN STANLEY:

Yes, but see, National Competition Policy gets the blame for it.

GRAEME SAMUEL:

And it is inappropriately blamed for things that, now I have been on the record as saying over and over again in quoting this example, that is stupid business management and it is not competition policy.

It is neither the, can I say to you, it is not in the public interest that those things be done.

JOHN STANLEY:

OK. So, there are two issues, there is managing change which is one thing – do you think that change has been managed well? Because obviously in that example it hasn't been.

GRAEME SAMUEL:

No, it hasn't been managed well and there are two reasons for that.

The first is because managing change is a very difficult thing to do and neither government nor businesses throughout Australia are adept at doing it. They are not good at managing social change and I am talking about change as it results, not just from competition policy or deregulation, but changing lifestyles, changing technological conditions, changing world trade conditions, there is a lot of social change that is involved there.

So that has not been managed well and because governments and business are not good at managing that sort of change well, they think the easiest and best, and perhaps the only way of doing it is to draw a cheque. Now I have to say a cheque is not enough in many cases. It is really interesting that although we have drawn cheques totalling, over a period of time, \$1.7 billion for dairy farmers in their deregulation, it is clearly not enough. There is clearly a number of dairy farmers that feel cheated, that feel disaffected by what's occurred.

JOHN STANLEY:

Mmm, so bigger cheques by State governments?

GRAEME SAMUEL:

No, not necessarily bigger cheques, but I think certainly two things. One, a lot of explanation about what's occurring and then...

I noticed that the NSW Agriculture Minister, Richard Amery, set up a 'dairy adjustment advisory committee' or 'adjustment assistance committee'.

Now I am not sure what that committee is doing but it seems to me that that is a step in the right direction towards ensuring that we don't simply hand over a cheque and say, "well, now you've been paid off, that's enough". We actually need to assist communities through the change process and assist them in changing what they do on their farms.

JOHN STANLEY:

Is there a problem though, that if politicians haven't managed change well, or if industries haven't managed change well, there is a backlash and the political leaders haven't explained what is going on well enough that they will simply say that "that is National Competition Policy, we've got to slow it down", so you're going to end up being the receptacle for all of the complaints because you'll get the blame?

GRAEME SAMUEL:

Well, that is what has been happening and I think in fairness to the governments which have engaged us, and of course, we are engaged by the nine Australian governments and we have to do exactly as they require us to – but in fairness to them, we have to say, 'this is not competition policy, this is bad change management', we have got to try and communicate the message to the community in general.

JOHN STANLEY:

So, you formulate the policies but don't actually force people to do things do you?

GRAEME SAMUEL:

No. We don't even formulate the policies. See, we are set up as an agent of the Council of Australian Governments, the nine Australian governments, our role is simply to [illegible] the policies that they agree on.

Now, if they change those policies and, indeed in November 3 last year at the CoAG meeting they in fact changed some of the policies and they are free to do that at any time. Our role is simply to carry out their instructions which is to watch what the governments are doing and then to advise the Federal Treasurer whether State and Territory governments are actually doing as they have committed to do.

JOHN STANLEY:

Alright. Well, Graeme Samuel, I appreciate your time today, we have probably only scratched the surface - in about ten minutes - but if we can keep in touch and perhaps when there are issues crop up perhaps we can talk to you about them - we will try and keep people informed as to what is actually going on.

GRAEME SAMUEL:

I'd welcome that John, good to talk to your listeners.

JOHN STANLEY:

Graeme Samuel who is President of the National Competition Council.

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