



NATIONAL COMPETITION COUNCIL

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MEDIA RELEASE

Competition pays social dividends

The National Competition Policy (NCP) reforms launched in 1995 are starting to pay social dividends in terms of essential services and the environment, says a new report by the National Competition Council, *National Competition Policy: Some Impacts on Society and the Economy*. The Report also finds that NCP has positives for both urban and rural Australia.

Launching the report, Council President Graeme Samuel also argued that fears about NCP causing massive job losses are misguided. "It's true that reform has caused job losses in some of the businesses directly exposed to reform – such as Telstra," Mr Samuel said. "But look at the jobs growth in new businesses entering what were once monopoly markets like telecommunications. Mr Samuel cited two other reasons to be optimistic about the effect on jobs:

- NCP is helping to generate jobs in a whole range of industries benefiting from lower costs for services like electricity and legal services.

- There are emerging signs that policies like NCP are protecting Australian jobs by making our economy more resilient against regional instability such as the Asian crisis.

But Mr Samuel sounded a warning against complacency on unemployment. “The employment gains from NCP are likely to flow unevenly, with expanded job opportunities in many sectors and regions occurring alongside contractions in some others. For this reason, the Council emphasises the importance of implementing NCP in tandem with policies to deal with these impacts – such as education and training programs to improve the vocational skills of unemployed workers and young people about to enter the labour force, and regional development programs targeting urban pockets of unemployment.”

Better delivery of essential services

The Council’s new report also looks at the effects of NCP reform on the delivery of essential services, and gives a strong thumbs up:

- The NCP gas and electricity reforms have been delivering cheaper energy prices, and service standards are being improved or maintained. NSW and Victoria – the States most advanced with electricity reform – now supply the cheapest power in the country.
- The NCP gas reforms played a key role in the construction of a new NSW-Victoria ‘interlink’ gas pipeline in 1998. The new pipeline satisfied emergency gas needs, and averted a long-term collapse of the Victorian gas network, following the Longford disaster last year.
- The NCP water reforms include measures to improve drinking water quality, better monitoring standards and improved catchment policies. The importance of these reforms was highlighted by the crises over drinking water quality in NSW and South Australia last year. NSW announced a package of reforms late last year – including structural reform of Sydney Water – consistent with the NCP framework, to address these issues.

Green dividends

The NCC report points out that the NCP program is environmentally sensitive.

- Decisions to implement many key reforms are subject to a public interest check, which looks at environmental and other impacts of reform.
- One of the most significant areas of NCP reform is a package of measures to halt the degradation of Australia’s rivers and water supplies. Some water prices will rise to make people think about the way they use water and encourage conservation. The water reforms also recognise the environment as a user of water, with a right to a share of water allocations alongside consumers and industry. Under another key reform, the

construction of new dams in future can only be undertaken following appraisal of economic viability and ecological sustainability.

- The NCP energy reforms are also likely to have environmental benefits, including the promotion of 'green energy' trade; an expansion in natural gas consumption relative to coal and petroleum products; and by discouraging unnecessary investment in infrastructure such as power stations.

NCP and the bush

Another area given attention in the NCC Report is the impact of reform on rural Australia. The report concedes that some reforms will impose costs on the bush. For example, removing barriers to competition in petrol supply could contribute to the closure of some petrol stations in outlying communities. In some areas, supply is likely to become more centralised in larger regional centres, bringing cheaper prices due to greater economies of scale. "The Council acknowledges," Mr Samuel said, "that the loss of a valued shop which provides commerce and a focal point for a small community can be a serious social cost, and could provide a case not to go ahead with a particular reform."

"But it's also important to look at the helping hand that reform can bring to rural communities which are suffering from dwindling populations and declining business opportunities for quite separate reasons. In fact, the NCP reforms can help lower the prices of many goods and services to rural communities, and there are better ways to address any associated costs – for instance, community service obligations to ensure that necessary services are provided, and rural development policies."

The report also cites evidence from Victoria that reform of areas like legal services and optometry, may be improving access in rural areas by removing overly rigid regulatory barriers to supply. NCP and related reforms are also helping rural Australia through cheaper costs for freight, imported farm equipment, vehicles, and fertilisers.

National Competition Policy: Some Impacts on Society and the Economy is available on the Council's website at <http://www.ncc.gov.au> or can be purchased from AusInfo Stores for \$14.95.

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