



## Managing Change to Benefit All

Opinion piece by Graeme Samuel, President, National Competition Council

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There is little doubt that Australia has benefited significantly from the economic reforms of the 1980s and 1990s, of which National Competition Policy has been one of the most comprehensive. By the end of 1999-2000, Australia had completed nine years of continuous growth, the longest period of expansion since the 1960s.

Australia, like the rest of the world is undergoing significant change. National Competition Policy is one of the catalysts for this change through the creation of a more flexible and resilient economy. Australia is now better equipped to deal with the phenomenon of globalisation.

The Productivity Commission estimates that, as a result of competition policy, Australia's gross domestic product is 2.5% higher than it would otherwise have been – and in the 1993-94 to 1998-99 period, averaged growth of 1.7 per cent per annum, compared with growth in the 0.5 to 0.9 per cent range over the previous 20 years. This productivity growth has brought with it employment growth and improved living standards with increasing incomes enabling increased leisure, improved health, education and social welfare.

The reforms include:

- governments reviewing their legislation to ensure there are no restrictions to competition (unless there is a public benefits case);
- introducing competitive neutrality arrangements so that government businesses do not enjoy any competitive advantages simply as a result of their public sector ownership;
- establishing regimes to promote access to significant infrastructure such as gas pipelines;
- national water reforms; and
- the creation of the National Electricity Market.

Most Australians have benefited from National Competition Policy reforms. The Productivity Commission found in a 1999 study that, out of 57 regions modelled, all but one is expected to benefit from the reforms in terms of output, and all are expected to benefit in terms of average income per person employed.

While the benefits are ongoing, there may be transitional adjustment costs for those industries, employees and communities that are exposed to reform arising from National Competition Policy.

The challenge is: how to implement a policy like National Competition Policy, which provides demonstrable benefits, while managing the temporary adjustment costs that these types of reform usually produce?

The complexity of many National Competition Policy issues highlights the importance of open and consultative processes and independent and objective analysis in the consideration of public interest matters. These features are essential to maintain confidence that the interests of all in the community have been objectively examined, not just the interests of particular groups.

With the exception of the water reform programs, National Competition Policy includes no explicit obligation for governments to consult with the community or conduct public education programs. Explaining reforms (and the reasons for them) and assisting with adjustment to change when necessary, are integral steps in the successful implementation of any reform program.

In addition to the measures that are generally available to assist people to manage change, including social welfare payments such as unemployment benefits and redundancy arrangements, there are situations in which further assistance may be required to facilitate adjustment to reform.

The key considerations in determining whether adjustment assistance is warranted are the severity, speed and permanence of the effects of change, and whether significant hardship would be likely to result in the absence of assistance. Determining the level and form of assistance is complex because assistance is often required before the full effects of the change are evident.

Assistance need not be monetary but can take other forms such as financial and career advice, retraining and access to other relevant services. Providing adequate support to assist with the transition to change should empower those most affected. Small business operators for example, faced with new challenges of a deregulated and more competitive environment may need to be provided with the ability to act collectively in dealing with substantially more powerful suppliers or customers.

It is important that any assistance provided should be directed to managing and facilitating change – assisting those genuinely impacted by change. Adjustment assistance should be distinguished from the payment of compensation for changes in government regulatory policy, particularly where people have invested largely or solely on the basis of regulatory restrictions. People undertake such investments knowing that government policies can and do change.

However, adjustment assistance is not just a matter for governments. Businesses, too, have a responsibility to the community, including sensible socially responsible change management. This is not to say that business decisions should be guided entirely by social considerations. Indeed, the capacity of business to generate national wealth derives significantly from its ability to respond quickly and innovatively to market conditions. But for decisions likely to impinge on community sensitivities, business needs to account for socioeconomic impacts.

The challenge is about responding to the concerns of those who are exposed to the effects of rapid change *without* jeopardising the path of growth and change which lay the foundations of wealth for the whole of society. This is a challenge that governments – and business – must rise to.

The reform process has to date, encompassed legislative, structural, cultural and attitudinal changes. As we move into the next, and perhaps, final phase of the reform process the emphasis will be on maintaining the cultural and attitudinal shift of the community as a whole. This will ensure the gains of the past six years of National Competition Policy are not eroded but continue to benefit all Australians.

**Mr Graeme Samuel, President of the National Competition Council will present a research paper on Structural Adjustment Assistance as part of his speech *Competition Policy and Economic Reform: The Way Forward* to The Australian's forthcoming conference *Towards Opportunity and Prosperity*.**