

Comments on the Draft Competition Review Report – 22 September 2014

About this submission:

The signatories to this submission are all independent, not-for-profit community service providers, located in Victoria. Although there are differences in our service activities, internal systems and processes, we share common values and a strong commitment to the communities in which we operate. It is those communities that established our organisations and provide them with support, governance and our ongoing licence to operate. The agencies that have contributed to this submission are (in alphabetical order):

The Bridge Youth Service (www.thebridge.org.au)

The Bridge provides a range of support programs and services to young people in the Goulburn Valley who are disadvantaged or who are experiencing family difficulties. Support ranges from family mediation where there is conflict, to family reconciliation, homelessness services, reconnection with school and running parenting programs for young people who have or are expecting children.

FamilyCare (www.familycare.net.au)

With its head office in Shepparton, FamilyCare has been the main provider of family and children's services in the Goulburn Valley and West Hume since 1984. FamilyCare also provides targeted aged and disability support services, particularly for carers, as well as a variety of innovative community development activities.

The Independent Agency Network:

A collaboration of four community-based organisations, the Independent Agency Network (IAN) is committed to improving the wellbeing of families and communities through shared knowledge and cooperative effort. By identifying shared interests, the IAN aims to enhance both service capacity and outcomes for its members, their clients and communities. Members of the IAN, who have individually and collectively endorsed this submission are:

Mallee Family Care	www.malleefamilycare.com.au
Upper Murray Family Care	www.umfc.com.au
Oz Child	www.ozchild.org.au
Windermere	www.windermere.org.au

North East Support and Action for Youth (NESAY) Inc (www.nesay.com.au)

NESAY has a proud 30 year history delivering services to families, the disadvantaged, unemployed people and communities in North East Victoria and as a specialist Jobs Services Australia provider. By planning regionally and acting locally, NESAY is committed to social inclusion and has the capability to deliver local outcomes across the region.

The signatory agencies would also like to acknowledge the assistance provided to us in preparing this submission, by Professor Paul Smyth from the School of Social and Political Sciences at the University of Melbourne.

Our comments have been limited to Chapter 10, Human Services. For clarification, or further information about this submission or the agencies that have adopted it, please contact:

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Summary of Observations:

1. The grouping of Human Services described in the Draft Report is too broad and assumes homogeneity that does not exist.
2. There is no recognition in the Draft Report that good social policy and the provision of essential social services are critical policy priorities in their own right.
3. For low income, vulnerable and disadvantaged people the recognition of, access to and ability to enforce their rights as citizens is often a more important priority than consumer choice.
4. Artificially creating markets where no natural commercial imperative exists can produce far greater long-term costs.
5. There is benefit in reconsidering the role of governments as planners, funders, providers and regulators of services however the rationale for this consideration is broader than the creation of markets, or achieving efficiency.
6. The Draft Report fails to recognise the value of grass roots philanthropy and volunteerism and the motivation of ordinary people to donate resources or volunteer their time.
7. The panel assumes that business, government and community services share a common approach to engaging with and competing for markets, without appreciating their fundamental differences.
8. National Competition Policy has been widely perceived as harmful to rural and regional communities.
9. Rural, regional and remote communities face the greatest risk if local not-for-profit community services become unviable.

The approach to Human Services adopted in the Draft Report:

The Draft Report deliberately casts a broad net in its discussion of human services, noting:

(T)he human services sector covers a diverse range of services including health, education, disability care, aged care, job services, public housing and correctional services.¹

The main frame of reference adopted by the Panel is the enhancement or creation of markets. When applied to the broad homogeneity it assumes to exist across human services, the limitations of that lens become more apparent. Human services does not really describe a single sector at all. It is a variety of sub-sectors, where both supply and demand differ dramatically.

Many human services are universal and perhaps better described as social and economic rights of citizenship.² Because the availability of and access to services differs so dramatically it is hard to design a one-size fits all approach. The Draft Report recognises differences and urges caution in transition, but underpinned by a central belief that markets are always the preferred option. That belief is based on the presumption that if a service is needed there will always be someone willing to provide that service to a person requiring it at a price the purchaser is able and willing to pay.

Rejection of presumptions about the value of markets for providing services to vulnerable and disadvantaged people have been a recurring theme in third sector commentary on competition policy in Australia for many years.³ Far from seeing markets as the solution, many providers of not-for-profit community services, particularly those operating in regional and remote areas, exist in part to ameliorate the lack or dysfunction of existing markets. Much more importantly, they exist because those communities share values and expectations about fairness and equity. It is the point at which social policy concerns intersect with and even override economic considerations and it is almost entirely absent from the Panel's draft views in relation to human services.

There can be no proper consideration of how services are constructed to meet the needs of vulnerable and disadvantaged people without some analysis of both the causes and effects of vulnerability and disadvantage. The Draft Report offers neither. Similarly there is no mention or recognition of increasing inequality in Australia, the significant increase in both the numbers and proportion of people, particularly children, living in poverty⁴ and the current debates about the design of welfare policy and sufficiency of benefits. These issues are all critically important to determining what services are needed, by whom, where and how best to deliver them and yet they do not rate a mention.

There is no doubt that well-functioning consumer markets deliver great benefits to the Australian economy and to consumers across the nation. They help to encourage innovation

¹ The Australian Government Competition Policy Review, *Competition Policy Review Draft Report September 2014*, Canberra, page 140.

² In its 2010 report on the Contribution of the Not for Profit Sector, the Productivity Commission notes that market principles do not automatically translate to the community sector, because it has important ethical and social roles, beyond just efficiency.

³ The Australian Council of Social Services, *Submission to the Productivity Commission Review of National Competition Policy*, Sydney, July 2004.

⁴ The Australian Council of Social Services, *Poverty in Australia 2014*, Sydney October 2014, page 9.

and deliver better standards of products and services at competitive prices. When it comes to the social sector and services being delivered on the basis of rights of citizenship, a different organisational logic is called for.

To assume that every service or service system should be assessed against market principles fails to recognise that the reasons for requiring and valuing those services are different. Requiring market transactions to occur where they would be inappropriate and where the users of those services attribute greater value to reliable, timely access than choice may do great harm. The harm may not be identified until after gaps emerge or failures occur, contributing to greater long-term costs.

Additional practical examples of these concerns are provided later in this submission.

Summary of observations relevant to this discussion:

1. The grouping of Human Services described in the Draft Report is too broad and assumes homogeneity that does not exist.
2. There is no recognition in the Draft Report that good social policy and the provision of essential social services are critical policy priorities in their own right.
3. For low income, vulnerable and disadvantaged people the recognition of, access to and ability to enforce their rights as citizens is often a more important priority than consumer choice.
4. Artificially creating markets where no natural commercial imperative exists can produce far greater long-term costs.

The multiple and sometimes conflicting roles of governments:

Recognition that the multiple roles governments play planning, funding, delivering and regulating services can represent conflicts and are problematic, is not new. We agree with many of the observations made in the Draft Report, although would have welcomed a more detailed and informed analysis of how and why governments have assumed these roles.

A strong economy may promote a stronger society but the limitations of trickle-down are clear. Those limitations require governments to invest in public services to ensure safe and fair access for the most vulnerable and to create and sustain flourishing communities. Expressed another way, governments may carry the primary responsibility to foster market efficiency but their responsibilities extend much further.

We would also have welcomed recognition of the value of place and the importance of ensuring the various layers of government connect appropriately with local populations and local needs. Contemporary population planning evidence indicates that locally controlled and

delivered services provide the best building blocks for thriving and resilient communities, in turn ensuring that human and financial capital is reinvested locally.⁵

In relation to appropriate government support for and supervision of not-for-profit services, there is only limited recognition in the Draft Report that this should be a priority in its own right. There is no more relevant example than the current debate concerning the future of the Australian Charities and Not-for-profit Commission (ACNC). The ACNC represents the first purpose specific regulation of charitable and not-for-profit activities in Australia and has been widely welcomed by the majority of community service providers. The sense of concern that some of the most positive developments in building appropriate supervision mechanisms may be lost was well expressed in a recent ACOSS media release by CEO Dr Cassandra Goldie:

Despite reams of reports to government funders, basic questions have gone unanswered for years, like how many organisations, doing what activities, in what parts of the country? The Charity Register has for the first time provided a routine, reliable and nationally comprehensive process to answer these questions, through a modest mechanism for reporting by all charities. Why would we want to do away with a mechanism like that?⁶

Summary observation relevant to this discussion:

5. There is benefit in reconsidering the role of governments as planners, funders, providers and regulators of services however the rationale for this consideration is broader than the creation of markets, or achieving efficiency.

Failure to recognise the importance of volunteers and donors:

The Draft Report makes only limited mention of the importance of volunteers and donors. In the context of this submission the terms refer to ordinary community members volunteering their time or donating resources, monetary or otherwise, to provide assistance or support to other members of the community. Those activities might also include staff in community services mixing paid and volunteer roles, or who make a conscious choice to work for less remuneration than their skills, qualifications and experience might otherwise command, because they have a commitment to providing assistance to others.

In not sufficiently recognising the differences between community and voluntary organisations on the one hand and for-profit businesses on the other, the Draft Report risks repeating many of the failings of the Hilmer review process in the early 1990s. The damage done to the community sector through that process included:

⁵ See for example the emphasis on local population planning evident in the Victorian Public Health and Wellbeing Plan 2011-2015, pages 44-47 (the plan can be accessed at <http://docs.health.vic.gov.au/docs/doc/Victorian-Public-Health-and-Wellbeing-Plan-2011-2015>)

⁶ http://www.acoss.org.au/media/release/reduce_red_tape_not_much-needed_capacity_for_australian_charities

- Fracturing the 'value-add' that community services offer through integration and coordination, rather than commercial confidences driven by competitive tension,
- Devaluing and discouraging volunteering and donations,
- Reducing geographic coverage and accessibility to services,
- Reducing the sustainability of existing services which, in circumstances where those services had evolved to fill gaps, actually decreased access and choice, and
- Decreasing a sense of community connectedness and social cohesion.

We do not in any way seek to diminish the vital importance of larger philanthropic donations, or contributions from corporate donors. For the purpose of this submission however, we seek to underline the importance of building community cohesion and social capital.

The Draft Report does not analyse the importance of local engagement and connectedness, because it is not a market concept. That does not mean engagement and connectedness is not vital, it is simply another reflection that the Panel's consideration is too narrow. To follow are three examples of local communities giving, sharing and donating to improve opportunities and make those communities better places to live.

An example of communities working and giving together:

FamilyCare conducts a community charity Golf Day every year. The event will celebrate its 20th anniversary in March 2015.

Organisation of the event is coordinated by a volunteer fundraising committee, drawn from local residents and business people. The committee meets monthly throughout the year and more often as the event gets closer. Committee members, their friends and family members also assist on the day with the running of the event, which generally involves around 200 participants.

The organising committee and participants appreciate knowing how the proceeds are used. Over the years the golf day has helped to purchase two buses to transport FamilyCare clients, particularly children with disabilities to activities and events; supported the employment of men's counsellors who are an underfunded but essential resource in rural communities; and purchased vital equipment for FamilyCare staff to use in the delivery of services. In 2014, a significant proportion of the funds raised were applied to sporting scholarship grants that FamilyCare has launched in partnership with the Greater Shepparton City Council to help young people in the region participate in sporting activities, where a lack of financial resources may have prevented them from doing so.

The value-add to volunteering

The Bridge Youth Service operates an opportunity shop called REVAMP. Similar to other opp shops, the proceeds of sales from REVAMP are reinvested in the Bridge, supporting its community services and activities.

There is a mix of paid and volunteer staff working at REVAMP and in particular opportunities are reserved for and offered to young people. Many of the volunteers act as mentors for the young people involved in REVAMP, both professionally and personally. The support therefore extends beyond the activities in the shop and over time help to build a much broader sense of community engagement and reinvestment.

Creating Chances for Children:

Spanning 14 years, Mallee Family Care has been working with a variety of local people and businesses to deliver a program called Chances for Children. The Chances program links three funds that:

- *Help young people access tertiary education or trade relevant studies,*
- *Assist young people to remain at secondary school where there is a risk that they will drop out, or be forced to leave, and*
- *Connect children and young people to a wide variety of extra-curricular activities from arts to sport.*

Since its commencement in 2000 Chances for Children has assisted more than 1100 young people with a cumulative investment of more than \$4 million. All of this money has come from the community.

The Draft Report does acknowledge the potential for ill-considered marketisation to do harm:

In considering whether it should recommend change (to the diversity of service providers), the Panel does not wish to discourage or crowd out the important contribution the not-for-profit sector and volunteers currently make to the wellbeing of Australians.⁷

There is no analysis of the value of volunteering or donating, or of what motivates people to do either. How can you ensure that grass-roots philanthropy and community spirit is not discouraged or crowded out if you have no idea how, why or where it exists and no way of measuring what harm might be done if it disappeared?

A current and evolving example of this concern is playing out in the NDIS trial sites. The services provided by volunteers are not recognised in the NDIS framework. Whilst we understand many people are still volunteering, whether they will continue to do so in a

⁷ *Competition Policy Draft Report (ibid)*, page 156.

market that does not recognise or value their contribution remains to be seen. As resources to recruit, train and support volunteers are withdrawn, undertaking volunteer roles will become more difficult and risks will increase for both volunteers and service recipients. Perhaps too much attention is being paid to building a market and not enough in recognising the basis of NDIS thinking is a social insurance scheme.

It also appears implicit in the Draft Report that the Panel considers the motivations of all service providers, regardless of whether they are government, business or not-for-profit community providers will be the same when considering how to design, deliver and resource service provision. There are fundamental differences between these sectors of providers that an entirely market focused discussion does not accommodate. Our concerns about this lack of differentiation are not limited to this review. They exist across a wide spectrum of activities reviewing or reforming the operation and regulation of charities and not-for-profits in Australia.

Too many of these processes are blind to, or minimise the central significance of mission and values in the provision of not-for-profit services. We agree these factors should not be used as a shield from robust and appropriate regulation and transparency. It is important however to design systems that recognise the value in differences. If the Australian not-for-profit sector must become another quasi-commercial sector to be able to operate, there is no evidence that will produce net economic benefit and there is potential it will result in significant social deficit.

Summary of observations relevant to this discussion:

6. The Draft Report fails to recognise the value of grass roots philanthropy and volunteerism and the motivation of ordinary people to donate resources or volunteer their time.
7. The panel assumes that business, government and community services share a common approach to engaging with and competing for markets, without appreciating their fundamental differences.

The specific needs of rural, regional and remote communities:

Rural, regional and remote communities face different challenges to cities and larger metropolitan centres. We welcome the acknowledgement of those differences in the Draft Report.

The way in which rural, regional and remote communities are constructed and engage with and between each other is also different to communities with larger population bases. Historically, National Competition Policy (NCP) has often been viewed as ignorant of those differences, producing considerable harm as a result. In its 1999 review of NCP, the Productivity Commission reported:

NCP is widely perceived as being responsible for the withdrawal of government services, the demise of local businesses, the closure of country bank branches and is

regarded by some as a major factor behind the population decline in parts of country Australia.⁸

The general conclusion of most formal evaluations of NCP is that all of Australia, including regional communities, have benefited from the reforms. There is also general recognition that the benefits and their timing has not been uniform and that some communities have been harmed as consequence.

One of the major problems is that, whilst the benefits of NCP are generally longer-term and spread more widely across the community, the costs of change are often concentrated in a particular area and borne immediately.⁹

The differences between regional and metropolitan settings are also clearly evident in the make-up and operation of not-for-profit community groups. Rural and regional community groups tend to be a more accurate reflection of their communities and more directly connected with and answerable to those communities. Challenges faced are more directly shared and better understood. That deep engagement with community is not easily replicated by outside providers. A commercial comparison point might be the myriad challenges created by fly-in/fly-out workforces, particularly in mining communities. We strongly oppose any replication of those problems in the delivery of community services.

The UK Big Society model of any willing provider is adopted in the Draft Report without sufficient critical analysis. In an Australian context and most particularly in rural, regional and remote communities, the dangers of this approach are not limited to the potential for commercial providers to seek to take over the activities of not-for-profit providers. There are also risks that much larger not-for-profits operating at a state, national, or even international level, will absorb local social service provision. If this observation is considered only as a market issue, it might be reduced to a weighing of the market evolving the best outcome, versus an out-dated form of local protectionism. It is however much more complex and much more important than that type of one-dimensional view will allow.

There is enormous value in local communities sharing an understanding of their challenges and tackling them together. Similarly, there is growing recognition of the value of place-based responses, planning and delivery, particularly in tackling entrenched disadvantage. The now disbanded Australian Social Inclusion Board prepared some very helpful guidance for the development of appropriate governance models for place-based initiatives.¹⁰

Unfortunately, our recent experience has been that local communities are not sufficiently involved in describing the problems they face and in designing cooperative responses to those problems. The result, far from being a place-based response, is often a central policy

⁸ Productivity Commission, *Impact of Competition Policy Reforms on Rural and Regional Australia*, Report no 8, Canberra, 1999, page xxiii

⁹ Smith, Stewart, *Deregulation and National Competition Policy and its Effect on Rural and Regional Areas*, NSW Parliamentary Library Research Service Briefing Paper No 7/01, Sydney 2001, page 33.

¹⁰ Australian Social Inclusion Board, *Governance Models for Location Based Initiatives*, Department of Prime Minister and Cabinet Canberra, 2011

dictate delivered in a series of places, where inherent design faults or communication problems undermine the potential for change and improvement.¹¹

We are concerned that the approach recommended in the Draft Report will further diminish the importance of local input in understanding problems and designing shared responses. The knock-on consequences, referred to earlier in this submission may include a reduction in community cohesion, reduced volunteering and donations and less choice and quality for those who need services than already exists.

Summary of observation relevant to this discussion:

8. National Competition Policy has been widely perceived as harmful to rural and regional communities.
9. Rural, regional and remote communities face the greatest risk if local not-for-profit community services become unviable.

¹¹ How 'place fares in place based solutions' was the subject of an article by the CEO of FamilyCare in the September 2012 edition of the VCOSS magazine Insight:
http://vcoss.org.au/documents/VCOSS%20docs/insight/07/Insight_07_How_place_fares_in_place-based_solutions.pdf