

National Competition Policy and its impact on emergency management at the local level

by John Wearne, Senior Vice President, Australian Local Government Association

Introduction

The issue of National Competition Policy (NCP) and its impact on emergency management at the local level is a vexed and complex one.

A distinction needs to be drawn between NCP and Compulsory Competitive Tendering (CCT), because there is enormous confusion between these two terms and the implications of each on council services.

One important issue is 'outsourcing' council services, and this has some potential implications for emergency services. There are also issues related to emergency management that Councils should consider in their quest for efficiency and effectiveness.

Local government's involvement in emergency management

As the level of government closest to the people, local government is inevitably in the front line of community issues. This is particularly the case in times of disasters and emergencies. More importantly, councils continue to be involved with many of these issues after the flashing lights have stopped, the emergency service personnel have returned to their homes, and the community is left to face the aftermath.

For councils the major challenges are threefold:

- to plan, anticipate and to avert emergency situations
- to be prepared to respond appropriately to these situations when and if they arise
- to plan and manage the process of rebuilding and restoring the community to a sense of normality and strength, to move forward, and build a brighter future.

From a large scale national disaster to a smaller localised emergency, all aspects of local government's corporate activity can be involved.

For instance, technical service departments can be extensively involved in front-line defence, recovery and restora-

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tion of physical infrastructure. Community service departments, often working with non-government organisations (NGOs), meet the human needs of dislocated families and individuals, addressing issues such as food and shelter, care and welfare needs.

These issues are primarily local issues. All councils throughout Australia work closely with their state emergency service agencies, and local, regional and state arrangements have been established to deal with crises and emergency situations.

To date there has been no pressure within local government to address emergency management as a national issue, although it is an issue for all councils.

Following an approach from Emergency Management Australia, the Australian Local Government Association (ALGA) has obtained funding to undertake a study to determine the scope of local government's role in emergency management. This study will greatly assist us in understanding the role of local government in emergency management, as well as looking at the inter-relationships between stakeholders. From this we hope that ALGA can determine what action may need to be taken at the national level to improve emergency management from a local government point of view.

In addition, this study will provide us with the opportunity to do some work on assessment of risk to communities in northern Australia and will explore some cost effective strategies to address these risks.

This will take some time to do as it is no trivial task, but we hope to be able to report back next year on a way forward for local government in this very important area.

NCP and emergency management

NCP is a set of policy reforms being adopted by governments with the objective of encouraging a better use of the nation's resources.

The thrust of competition policy is to promote efficiency and 'best practice' by introducing competition principles to the business activities of government, removing barriers to entry by alternative providers, and eliminating resource allocation distortions.

NCP was not developed as a policy of 'competition for its own sake'. Rather, the underlying tenet is that competition is generally desirable, unless it can be demonstrated, on a case-by-case basis, that it will not deliver socially or economically beneficial outcomes. As a result, flexibility exists in relation to how certain key aspects of the policy will be implemented. In particular, many of the reforms are to be implemented only if it can be demonstrated that the benefits outweigh the associated costs to the community as a whole.

The Competition Principles Agreement is an agreement between the Commonwealth and States that sets out how governments will apply competition policy principles to public sector organisations within their respective jurisdictions.

The agreement establishes a number of policies to help promote competition, specifically:

- prices oversight
- competitive neutrality
- structural reform of public monopolies
- legislative review
- access to services.

Local government is not a signatory to the three intergovernmental agreements that comprise the NCP. However, State governments were required to consult with local government and publish a statement specifying how competition principles would be implemented in local government. This is referred to as the 'Clause 7' statement.

Having established the desirability of competition policy reforms at a national level, from an ALGA perspective it has been disappointing that a national approach to the implementation of these policies with respect to local government could not have been achieved.

While there are commonalities of approach in the Clause 7 statements, there are also significant differences that cannot be justified solely on the grounds of any structural variations between the States. This factor alone has significantly complicated discussion and understanding of the nature of the NCP reforms for local government practitioners.

In particular, there is continuing confusion emanating from Victoria about the relationship between NCP and CCT, particularly due to the high level of compulsory competitive tendering required of Victorian councils by the Victorian Government. In fact, a number of commentators have observed that much of the CCT process to date has not been fully consistent with the principles of NCP.

It is sufficient to say that NCP *does* apply to local government. However, the implementation of NCP varies from State to State and this is spelt out in each State's Clause 7 statements. Clause 7 statements specifically include reference to competitive neutrality, legislation review, and structural reform of public monopolies.

Competitive neutrality as a key aspect of competition policy for local government

The objective of 'competitive neutrality' is to introduce measures that effectively remove any net competitive advantage arising simply as a result of government ownership of a business entity.

In short, this means that government-owned business units must compete on a 'level playing field' with private sector competitors. One of the key concepts in relation to competitive neutrality is that a public sector business unit should not hold any competitive advantage or disadvantage as a result of being in public ownership.

The Clause 7 statement lists a range of competitive advantages and disadvantages to local government, for example:

- exemption and concessions from taxes and charges
- access to concessional interest rates on government procured borrowings

- effective immunity from bankruptcy
 - exemption from Corporations Law reporting requirements
 - effective immunity from takeover.
- On the other hand there are some examples of competitive disadvantages and these include:

- compliance with varying levels of Ministerial discretion
- compliance with employment terms and conditions (and other government policies) that may be more expensive than those that apply in the private sector
- increased reporting requirements above those applying to the private sector
- social equity considerations.

Within this approach, competitive neutrality is designed to make the true cost and level of performance of government businesses transparent in the hope to facilitate better decisions regarding their operation by both managers and government owners alike.

But, competitive neutrality and competition policy are not meant to override other public policy goals. Indeed, many of the competition principles explicitly call for reforms to be implemented where the benefits outweigh the cost. Where this occurs, government must take into account social welfare and equity, including Community Services Obligations (CSOs).

For this purpose CSOs are local government's obligations to the community that are either discretionary or mandatory, such as those required under legislation. CSOs are non-commercial activities that the government has directed the business unit to undertake. Funding of a CSO will be considered in the context of the budget process.

So I want to stress that competition policy does not require contracting out or competitive tendering. It does not preclude councils from continuing to subsidise particular business activities from general revenue, nor does it require privatisation of local government functions.

However, it does require councils to identify their significant business activities and to apply competitive disciplines to those businesses that compete with private businesses.

The process is designed to make the 'true cost and level of performance' of a council's businesses transparent, and thereby enable better decisions to be made regarding the efficiency and effectiveness of these activities.

Putting NCP and local government into context

There are approximately 740 general purpose councils in Australia. Annual expenditure of local government is in excess of \$10 billion and councils are responsible for and control a significant amount of the nation's public infrastructure.

However, local government is highly decentralised and diverse in terms of population and service delivery capacity. The scale and extent of local government services differ significantly, ranging from the multi-million dollar enterprises of Brisbane City Council to the small services provided by rural and remote councils throughout the bush.

Obviously, some of the activities of local government in Australia are clearly significant businesses. For example the public transport operation of the City of Brisbane is a major undertaking, with a current expenditure of more than \$100 million.

The threshold of a significant business is in a sense in the eye of the beholder. For the purposes of the Western Australia Clause 7 statement, significant business activities are those that attract more than \$200,000. That is, for those particular activities, councils are to undertake a cost benefit analysis to determine the appropriateness of applying competitive neutrality principles. In other states the thresholds are quite different.

What are the implications of all of this for emergency management?

It is important to recognise that not all activities of councils are required to be subjected to NCP processes, and that where they are, it should not necessarily over-ride broader social policy objectives. I hope that I have made it clear that NCP by itself does not have any direct implications for emergency management.

However, we do recognise that there may be some potential implication where a council's traditional services are outsourced (to an external contractor or successful in-house bid) whether as a result of the application of competition policy or by other reform processes.

Take the scenario where a council has outsourced its technical services or community services, under competition policy principles, CCT or any other reform process. Under these circumstances, the councils will have a fundamentally different relationship with the contractor than with their own

workforce. Indeed, the relationship is spelt out in the contract specification.

Under this scenario, it is clear that it is extremely important that emergency management issues are given due consideration. That is, they are adequately dealt with in the contract. Were this not to be so, it may result in variations to the contract at considerable cost to council and the community.

One of the major concerns for councils in Victoria, particularly in rural areas with the introduction of CCT, was the potential impact of losing their capacity to respond to local situations.

For example, concern was expressed about the potential consequences of outsourcing to contractors who were not locally based, or had other contractual commitments in another area. In this case essential plant and equipment that may have normally been located and available to the community at the time of an emergency may not be in the area when required.

This would clearly be an unintended consequence of awarding a contract to a 'low-cost' contractor without adequate

consideration of the potential need in the event of an emergency.

The message is clear. Where services are to be outsourced it is important that contractors are required to make adequate provision for the possibility of emergency situations. But, of course this is easier said than done. Indeed, idle plant and equipment on the grounds of efficiency alone is a waste of resources. What is required, is a careful consideration of the risks of emergencies and the development of appropriate cost effective strategies to address them, including CSOs.

This raises a very important question that confronts all of us who are concerned about emergency management, that of financing.

Local governments do accept that they have a responsibility to respond to community needs and have played their role in emergency management to the best of their ability within their resources for many years. The introduction of competition reforms has the potential to highlight the actual cost of this service.

The funding of CSOs from council general revenue will always be subject to council budget processes. As demand for council services increase and State and Commonwealth governments continue to devolve responsibilities to local government without additional resources, councils are increasingly faced with hard financial decisions.

Planning for and funding emergencies is an inevitable function of local government. Unlike other spheres of government who can leave the scene, local government will be there for the duration.

It is essential that all spheres of government and the community work collaboratively on emergency management, and acknowledge the important role local government plays.

It is essential that the introduction of any reform measures to increase the efficiency of government services does not diminish the capacity of councils to provide for the safety and security of their communities or shift responsibilities and costs to local government without full consultation and agreement.

Medical Displan Victoria: guidelines for prevention of heat injury (cont.)

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10 litres per 24 hours. But, these figures do not take into account workload.

As the body heats up, heat loss is required to keep the core temperature at 37°C. Blood vessels in the skin open up (vasodilation) so that heat can be conveyed from the core to the surface to allow for heat loss primarily by evaporation of sweat. As body water is lost through this process, symptoms of heat injury can develop if cooling is inadequate and the fluid lost is not replaced. (The table on page 23 gives an indication of symptoms as they relate to fluid loss and dehydration.)

In addition to body water loss, sweating also involves salt loss, but as the body acclimatises to heat, which takes 10–14 days, this loss is reduced and sweat becomes less salty. In unacclimatised individuals in very hot conditions, up to 25 grams of salt can be lost in a 24-hour period.

This guideline has only explained the consequences of heat stress in terms of body water and salt loss coupled with the requirement to maintain a constant core body

temperature. Heat stress affects many other, more complex body systems, but by having an understanding of the basics, heat stress may be prevented.

The keys to heat injury prevention

- *Acclimatisation*—a reasonable level of physical fitness with an ongoing exercise program can best achieve this, especially when preparing for warmer months following the colder seasons.
- *Rest cycle*—there needs to be a reasonable work–rest cycle to reduce the impact of a build up of the body's metabolic heat produced by the work. A rest every half hour in hot conditions is considered prudent. In extreme conditions less time at 'work' would be advisable.
- *Adequate water replacement*—opportunity to replace lost body water during rest cycles is a must. Frequent drinking must be encouraged.
- *Adequate salt intake*—The normal diet needs a little more than usual added salt. Note: salt tablets are not easily absorbed and are of limited value. Electrolyte replacement fluids can be used, but after acclimatisation sweat is diluted, thus half strength is more appropriate.

- *Early symptoms of heat stress or dehydration need to be detected*—if these occur, move to a shaded area, remove clothing to cool the body down, fan the body, give fluids as tolerated (water or half strength electrolyte replacement fluids). Do not douse in cold water or ice as this causes constriction of the skin blood vessels (once skin temperature has dropped below 28.4°C) and actually increases heat retention in the body core, even though the skin feels cold and shivering may occur. Seek first aid or medical assistance as soon as possible.

References

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Pearn et al 1996, *The Science of First Aid*, 1st ed., St John Ambulance Australia.

Dr Rodney Fawcett, MSc (Occ Med), MBBS, BMedSci, DipAvMed, FAFPHM, AFCHSE, MRACMA, is Manager of the Clinical Resource Unit, The Geelong Hospital, and a District Medical Officer for St. John Ambulance Victoria.