1997 (No. 31)

PARLIAMENT OF TASMANIA

GROCERY MARKETS & PRICES

REPORT OF THE SELECT COMMITTEE ON, WITH MINUTES OF PROCEEDINGS

Brought up by Mr Benneworth and ordered by the House of Assembly to be printed.

MEMBERS OF THE COMMITTEE

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Mr *Cheek*
Ms *Giddings*
Mr *Goodluck*
Mrs *Hollister*

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1. APPOINTMENT AND TERMS OF REFERENCE

1.1 On Wednesday, 23 October 1996 the House of Assembly ordered that a Select Committee be established to inquire into and report upon issues relevant to grocery markets and grocery prices in Tasmania, including but not limited to:

(1) The contribution of the food and grocery sector to the Tasmanian economy and employment.

(2) The importance of a viable local processing and manufacturing sector to the Tasmanian grocery industry, with specific reference to:-

(*a*) recent trends in local processing and manufacturing capacity; and

(*b*) action needed to prevent any further loss of Tasmanian manufacturing and processing capacity for grocery products.

(3) Opportunities to improve economies of scale in the Tasmanian food and grocery sector, including:-

(*a*) identification of prospects for expansion of local, interstate and international markets;

(*b*) identification of incentives for existing food producers, processors and manufacturers to increase output to meet identified market opportunities; and

(*c*) identification of opportunities and/or incentives for new food producers, processors and manufacturers to establish themselves in Tasmania.

(4) Identifying the factors contributing to higher retail grocery prices in Tasmania, including:-

(*a*) the effect of the decentralised nature of the Tasmanian population;

(*b*) the effect of Tasmania's small population on competition in the grocery market; and

(*c*) the impact of freight and fuel costs on retail prices.

(*d*) identification of potential existing and new markets for clean green food and beverage;

(*e*) identification of opportunities, potential incentives and mechanism to assist in the development and marketing of organic food and beverage;

(*f*) consideration of establishing a government backed Tasmanian clean green appellation scheme; and

(*g*) the need to improve labelling to enable consumers to compare prices and products.

(5) The reasons why the recommendations of the 1989 Prices Inquiry Board Report to the Tasmanian Government on Retail Prices in Tasmania have not been acted upon.

(6) Price monitoring or other legislative action which may be necessary.

(7) And other matters incidental thereto.

1.2 The Committee was comprised of six Members of the House of Assembly, they were:-

Mr *Benneworth* (Chairperson);

Mrs *Bladel;*

Mr *Cheek;*

Mrs *Hollister;*

Ms *Giddings;* and

Mr *Goodluck*.

1.3 The Committee was reappointed with the same Terms of Reference and the same Membership on 11 March 1997, following the prorogation of the First Session of the Forty-third Parliament on 28 February 1997. The evidence taken by, and the Minutes of Proceedings of the Committee of the First Session, were referred to the new Committee and Mr *Benneworth* was re-elected Chairperson.

1.4 The Committee met on eighteen days. The Minutes of such Meetings are Appendix 3.

2 - INTRODUCTION

2.1 - THE NEED FOR AN INQUIRY

2.1.1 The need for this inquiry arose from representations of community concern made to Members in relation to a number of issues, namely:-

- the allegation that the retail prices of goods sold to consumers in Tasmania is excessive, in comparison to other parts of Australia, and in particular, other capital cities;
- the need to establish the factors which affect the general level of retail grocery prices in Tasmania and what, if any, appropriate remedial action ought be adopted;
- what action, if any, followed the report of the 1989 Prices Inquiry Board (PIB);
- what assistance may be provided to give effect to the 'clean, green' image of Tasmanian produce; and
- the need to recognise and promote Tasmanian primary production and manufacturing enterprises with specific emphasis on the 'clean, green' image.

2.1.2 For the purposes of the inquiry, and given the very broad Terms of Reference, the 'grocery sector' was read to include the food industry, and included primary production, manufacturing, wholesale, retail and marketing interests. Regrettably, most of the publicity surrounding the inquiry solely focussed on the prices issue, which was but one of the seven Terms of Reference. The inquiry sought to do more than provide an analysis of comparative grocery prices and the reasons for price variation. Rather, the broad nature of the Terms of Reference enabled the issue of pricing to be placed within the broader context of the dynamics of the grocery sector.

2.1.3 The Committee was motivated by the self-evident importance of the grocery sector to the Tasmanian economy, and the need to formulate positive recommendations to encourage not only accurate analysis of market variations and an understanding of the reasons for such variations, but to identify opportunities for the promotion of local products and the expansion of markets for such products.

2.1.4 The view of the Committee is that the findings of this inquiry are of equal importance to the recommendations. Given that many of the matters dealt with in this report are a consequence of the operation of market forces, it would be inappropriate for the Committee to recommend direct intervention. In such instances, the Committee saw its role as one of highlighting matters of concern in order that market forces may address them.

2.2 - CONDUCT OF THE INQUIRY

2.2.1 The Committee called for evidence in two advertisements in each of Tasmania's daily newspapers and the Internet 'Homepage' of the Parliament of Tasmania. In addition, letters setting out the scope of the inquiry and inviting a submission addressing the Terms of Reference were sent to peak organisations and companies. Persons and organisations having subsequently provided the Committee with a written submission were invited to appear before the Committee to speak to, and respond to question arising from the Committee's examination of their submission. As issues arose during the course of the inquiry, further witnesses were invited to appear to address specific areas of concern/interest to the Committee. The Committee extends its thanks to those persons and organisations who assisted the investigation.

2.2.2 Documents received into evidence are listed in Appendix 1. The witnesses heard are listed in Appendix 2.

2.2.3 The Committee resolved to follow the precedent established by the House of Assembly Select Committee on Victimless Crime in respect to the hearing of evidence with open doors. Accordingly, strangers, including media representatives, were admitted when any witness being heard in public was being examined, five witness sought to be heard *in camera*. The Committee resolved, on three occasions, to hear evidence *in camera*. One anonymous witness was heard *in camera* on two occasions.

3. SUMMARY OF FINDINGS

- *The contribution of the organic production sector of the industry, valued at $3 million, is unable to satisfy local demand, requiring the importation of 65% of product to fulfil the Tasmanian domestic market. Despite seasonal variations, the Committee found this situation to be unacceptable and reports its recommendations in relation to this issue in Chapter 7.*

- *One of the principal values of the local food and grocery sector to the economy and employment is the benefit of import substitution - there is enormous potential to further cater for our own needs in this regard. Again, this matter is further considered and the Committee's recommendations may be found in Chapter 7.*

- *The contribution of the food and beverage processing industry to the Tasmanian economy is substantial. The contribution to GSP is over $1 billion per annum, wages total over $347 million and the industries involved, agriculture, fisheries and manufacturing/processing employ more than 11,000 people.*

Competition from Interstate and Overseas

- *The Committee found that the main sources of competition for the food sector were from Victoria and New Zealand, places of similar climate and competing with like products. Additional competition is resulting from the increased demand for crops of a 'tropical' nature unable to be produced in Tasmania's temperate climate. Such produce is increasing in its market share at the expense of the more traditional, locally produced primary products.*

- *The Committee was made aware of the existence of 'Food Victoria' an organisation formed in 1993 to bring together and co-ordinate areas of government and industry, to identify impediments to the development of the Victorian food industry and to develop strategies to address such impediments. The direction for the organisation comes from the Food Industry Advisory Committee, chaired by the Victorian Premier, whose membership includes the Ministers for Industry and Agriculture* *and representatives of key industry and research organisations. The Committee found that such a partnership arrangement provides additional competitive advantage to Victorian industry.*

- *The Committee found that the employment of casual labour, particularly in primary industries is inhibited by the social security system. Despite a willingness to work, many are not able to take up casual or temporary work because the disincentives in receiving the income derived from such work, far outweigh the benefits.*

- *The Committee found that many producers and processors are totally dependent upon the two major national retail chains. This exposes the relatively small Tasmanian operations to the competitive advantages of the scale economies of the mainland, with the expectation that they be competitive at the national level. To achieve this competitiveness, Tasmanian operators' survival is totally dependent upon reducing their costs of production and increasing productivity. It also leaves the State exposed to the possibility of 'dumping' of comparatively cheaper mainland produced products into the State, usually at a significantly more favourable price to the consumer.*

- *In relation to the operation of the two national retail chains, the Committee recognised that their performance measurement in the state is growth. Despite the significant contribution they make to the local economy, they are in business to make a profit and provide a return to their shareholders. As growth in the Tasmanian market is negligible for traditional grocery lines, the Committee found that the majors appear to be making a concerted push into other areas. This is evidenced by expansion of butchery and bakery services, and moves into florists, newsagency, alcohol, petrol, and wholesaling areas. The negative impact of such expansion on small business affects the skill base and employment due to the 'assembly line' nature of the supermarkets' operations.*

- ***The Committee found that the competition between a benefit to the consumer, through lower prices and the notion of 'convenience', versus the cost of such benefits as outlined above will be determined by the market. It does, however, require the education of the consumer to make an informed choice and to shed the passive price accepting role that they have traditionally enjoyed. They should take responsibility for their actions in the market place and recognise the significant implications of such actions.***

- ***Due to both a small population and limited growth, economies of scale effectively do not exist in Tasmania in terms of the retail trade.***

- ***The Committee notes the Government's recent announcements regarding the intention of Australian Air Express to base a 727 wide-bodied aircraft in Hobart with the capability of holding international size freight containers. This will enable an increase in freight capacity from 7 to 17 tonnes per day. The membership of the Victorian Air Freight Council will allow Tasmanian input into the development of a more efficient air freight industry and hub in Victoria.***

- ***The Committee found that insufficient information was submitted to make a proper assessment of the Tasmanian Appellation of Origin Scheme. The Committee recognises, however, the unique nature of the scheme and found that after five years of operation, a proper review is due and warranted. The only appellation scheme operating in Australia is the Tasmanian Appellation of Origin Scheme.***

- ***The Committee found that there is considerable opportunity for growth in Tasmania's organic food industry. However, the Committee found, that development of the industry is retarded by the fragmented nature of the industry in the State, and lacked direction. This is exacerbated by the inadequate resourcing of the DPIF in regard to the industry. The 'value basis' criterion by which resources are allocated is inappropriate in this instance, a greater concentration of funding and effort is required to realise the apparent potential of this industry to the economy of the State.***

- ***Tasmania's small and decentralised population has a negative influence on grocery markets and prices. The population growth is both the lowest of the states and the most decentralised in terms of distribution, with approximately 60% of the population living outside the capital.***

- ***Local markets are smaller and more disparate than those on the mainland. In terms of opportunities for producers and manufacturers, the imperative is to compete on the so-called 'level playing field' both at national and international levels. The pressure resulting from this requirement is significant. Mainland producers and processors have comparative advantages of: the economies of scale; lower overheads; cheaper transport costs; ready access to major markets; and lower inventory costs.***

- ***The Committee found that the reduction of government services in rural communities through centralisation of services has a detrimental effect on locally owned retail businesses. The effects of movement of government workers and their families from rural areas are compounded by subsequent rationalisation of basic services such as education, medical and police. This ensures the further diminution of the attractiveness of the location.***

- ***The 'north/south divide' exacerbates the problem in that duplication of services is required, consequently high capital and infrastructure costs are inevitably passed on to the consumer in the prices they pay.***

- ***The Committee found that on the balance of probabilities a third new competitor would find it almost impossible to commence operations within the State, principally due to the infrastructure establishment costs. The Committee recognises that in terms of market share, the combined independents have the second position.***

- *While exorbitant costs are charged for the transport of containers by sea, and therefore, are a contributing factor to higher grocery prices in Tasmania; the evidence suggested, however, that these costs do not necessarily apply to transport generally, and in particular to road transport. Considerable weight was given by the Committee to the evidence submitted that the national brand producers/manufacturers, and indeed smaller operators, sell their goods free into store, and therefore freight differentials are not a major consideration.*

- *The Committee found that the Freight Equalisation Scheme is of significant benefit to Tasmanian producers and manufacturers by alleviating the comparative interstate freight cost disadvantage incurred by the shippers of eligible goods to and from Tasmania by sea. The scheme is effectively an administrative instrument, the authority for which is the document "Directions by the Minister for Transport and Regional Development for the Operation of the Tasmanian Freight Equalisation Scheme" and as such is perceived by many in the industry to be unreliable in regard to its terms, conditions and duration.*

- *The need for appropriate amendment of labelling regulations became clear to the Committee during the course of the inquiry. Particularly in the butchery industry there is an obvious disparity between the requirements prescribed for retail butchers and those which apply to the meat sections of supermarkets, to the detriment of the former. An associated issue was seen to be the proper labelling of meat products, with allegations made of the quintessential 'mutton dressed up as lamb'. The Committee saw a need to provide for the appropriate labelling of products both for the convenience of the consumer and to ensure the integrity of the product.*

- *EFTPOS facilities are becoming increasingly demanded by the consumer. The Committee found that the provision of this convenience is not assisted by the banks as might reasonably be expected, rather it has become an imposition to the small retailer in terms both of the additional duties required and the charges applied in order to facilitate the banks' work. With the abandonment of rural communities* *by the banks the retailer has become a de facto bank teller, and paying for the privilege. This matter was found to be a major concern to the Committee. Given the obvious attractiveness of their volumes, the major retailers are effectively paid by the banks, in the order of 2%, to provide the service, as opposed to the small retailer who pays the banks a premium of between 2% for debit transactions and 4% for credit card transactions. This is in addition to the establishment costs of some $3,000 to $3,500 and access fees in the order of $1,500 per annum. The Committee found that inevitably consumers must pay the cost of this service which they are increasingly demanding.*

- *The Committee found that given the dispersed nature of the population, advertising costs will tend to be higher due to the three regional newspapers and the regional nature of television.*

- *The Committee found that wholesale sales tax was inequitable in terms of its application. The Committee found that the inclusion of the costs of distribution in the calculation of the tax to be unjust for Tasmanians, particularly for those residents in regional and rural areas. The Committee was mindful of the current tax debate which would include a review of the tax regime operating within the country, including sales tax.*

- *Land Tax and Payroll Tax were universally cited as contributors to the cost of groceries in the state. In addition, the cost of electricity was cited as being in the order of 26% above the price paid by competitors interstate. These are areas that government can directly affect. Clearly however, despite the best intentions of the Committee, there can be no guarantee that were reductions in these imposts provided to the sector, the subsequent saving would be passed on to the consumer. Indeed it would be naive to expect that result.*

- *For many of the reasons already expounded upon, the cost structures of locally produced goods tend to be more expensive than those imported from interstate. The*

Committee found commendable, the support given to local manufacturers and producers by retailers despite the premium attached to such produce.

- *The Committee found that there is an excess of supermarket floor space in Tasmania. The desire to maintain market share has resulted in the consumer being overserviced. This has contributed to increasing the cost of doing business in the sector. With every new supermarket, the overheads clearly increase. The Committee found it difficult to see the rationale behind the continued construction of new supermarkets given the finite and stagnant nature of the market in terms of the population. It would be difficult not to draw the conclusion that in many instances, stores of the same company are competing amongst themselves to the detriment of the shareholders and the consumer who ultimately pays the cost of these ventures.*

- *The Committee found that the periodic comparisons of prices paid for groceries in the capital cities are unhelpful and inaccurate. Unhelpful because there is generally a lack of public appreciation for the disadvantages that, in this instance Hobart, has to overcome in comparison with the circumstances of Melbourne and Sydney. Such misunderstanding feeds the perception that these comparisons are valid and therefore able to somehow be rectified by some action on the part of the government or business. Such expectations are bound to be unfulfilled due to the structural contingencies that Tasmania faces. The Committee found that if studies need to be made, it would be far more appropriate and informative to look at major regional centres in Victoria and/or New South Wales.*

- *The Committee found that the competition that exists between the two national chains does not manifest itself to any great extent at the level of retail prices. The evidence suggests that competition between the majors is on profitability at the national level. Profitability based upon margins achievable. Because of the dominance of these companies, and the consumers' apparent increasing support for them, the competition that can be applied from small independent retailers is limited. The Committee was appalled to hear the details of the pressure applied to* *producers, manufacturers and wholesalers by the major chains. In the evidence given to the Committee, product supply reviews, or the threat of, were seen as a major concern with regard to competition and fair trading laws. The Committee was satisfied that at worst, such reviews effectively inhibit the chance for genuine competition.*

- *The Committee found that as a result of the effectively static size of the grocery retail market, the only means of increasing market share is to expand into other retail areas. This is amply illustrated by the major chains' expansion into the markets traditionally serviced by small speciality businesses, such as florists, newsagents, bakeries, petrol sellers and the wholesale trade for hotels and hospitals. Such expansion is obviously detrimental to the cost of small business. The Committee found a need to educate consumers to be more discerning and more demanding of the retail sector, as they may find that a passive and accepting attitude towards retail buying may well be to their detriment in terms of quality and service.*

- *The Committee found that as a result of involvement in national and international markets, despite the disadvantages of scale, Tasmanian producers and manufacturers are becoming more efficient. The Committee found that despite these efficiencies the benefits are not being realised by either the producer or the consumer. In the case of the producer, better prices for produce, and the consumer in lower prices. It appears the 'dividend' from these efficiencies is being taken up by the retailer.*

- *The Committee heard evidence that reward schemes may be of dubious benefit to the consumer. Despite the 'reward', the quantum of which is negligible, the cost of operating such schemes may, at the end of the day, be borne by the consumer. The Committee could make no decisive finding on the validity of these assertions.*

- *The Committee found that as the nature of the grocery industry is based upon the movement of volumes, the consumer must accept that their choice and their* *demands are critical to price. If the consumer continues to demand the range of goods that are currently available, they must accept that it comes at a price. Allied to this, if the consumer wants the convenience of their corner store after hours, they may need to support that store during normal shop trading hours.*

- *The Committee found that the attraction of a third major retail competitor to the State will be a commercial decision determined entirely by the demands of the market.*

- *The Committee found that as a group, the independent retailers constitute the second largest competitor in the industry, and that the rationalisation of the 'banners' from eleven to four has resulted in benefits to the group.*

- *The Committee found that the Code of Practice for Computerised Checkout Systems in Supermarkets, whilst not possessing the weight of a statutory instrument, is effective in protecting the interests of the consumer. The Committee is satisfied that ASI member stores are required to ensure the price accuracy of their check-out systems and shelf pricing procedures and that where an error occurs the grievance resolution procedures provide an appropriate avenue for the consumer.*

- *The Committee is concerned however, that non-ASI retailers are not obliged to comply with the Code.*

- *The Committee is not able to support the call for price control mechanisms to be adopted in addition to the safeguards already in place under the authority of the Australian Competition and Consumer Commission.*

- *The Committee supports the facilitation of greater consumer awareness of price structures and variations by the regular conduct and publication of price comparisons. The Committee found that such an activity may stimulate competition within the sector to the benefit of the consumer.*

- *The Committee further found support for the PIB conclusion that a consumer education programme would be of benefit. Consumers armed with knowledge of the effect on grocery prices of differing price structures, promotions, and seasonal variations will be better able to allocate their budgets.*

- *Groceries are the major source of food and nutrition for Tasmanians.*

- *The Committee supports the Tasmanian Food and Nutrition Policy, and endorses the concepts that:*
    - *the food we eat has enormous potential to influence our health and well-being;*
    - *there are close links between health, the environment and the economy; and that*
    - *all Tasmanians have a fundamental right to good health, which includes the right to have access to safe, nutritious, acceptable and accessible food.*

- *The Committee found that some rural and remote communities are disadvantaged in terms of price, variety and quality of food supplied, particularly perishable foodstuffs. The incidence of diet related ill-health is higher in non-metropolitan areas.*

- *Eat Well Tasmania has demonstrated how a small amount of seed funding can facilitate other sectors to work towards promoting healthy eating for the benefit of Tasmanians and the local food industry. Ongoing funding would enable the Eat Well Tasmania campaign to further build on the resources and effort now focussed into understanding how barriers such as cost and availability can impact on the food buying habits of Tasmanian consumers. Ongoing funding would also enable Eat Well Tasmania to assist all sectors to work in a coordinated sense to maximise the opportunities for securing grants to fund nutrition promotion projects, without having to compete for the same funds itself.*

- ***The Committee found that there is a need for ongoing and sustained consumer education - mirroring the targeted advertising strategies adopted by manufacturers and retailers***

- ***The Committee found that there is no evidence to suggest a demand for the increased availability of alcohol. Only one submission, from the AHA, was received on this subject. The Committee does not believe it is appropriate for it to comment on the extension or otherwise of alcohol to supermarkets except to say that it has some concerns with relation to the exposure of alcohol to minors.***

4. SUMMARY OF RECOMMENDATIONS

Preamble The recommendations set out hereunder combine to acknowledge the contribution of the food and grocery sector to the Tasmanian economy, and provide prescriptions for action from government, industry and the consumers to enhance and advance Tasmanian food industries.

- **The Committee recommends that a directorate be established similar to the 'Food Victoria' model.**

- **That the directorate have as its objectives to:-**
  1. **establish the direction of the Tasmanian food industry. Specifically in relation to primary producers and those involved in value adding;**
  2. **coordinate the industry in all aspects from 'paddock to plate';**
  3. **collate, interpret and disseminate to Tasmanian businesses strategic information for target markets;**
  4. **identify target markets in which Tasmania has a competitive advantage and the capacity to supply demands;**
  5. **identify market trends and coordinate industry to accordingly refocus when necessary; and**
  6. **promote the Tasmanian food industry nationally and internationally both in terms of market opportunities and expansion and investment attraction.**

- **The Committee recommends that the Government instigate within the major national population centres an ongoing campaign promoting the virtues of Tasmanian produce. This should include the use of information technology.**

- **The Committee recommends that a Tasmanian food industry overseas 'Sales Table' be established within Tasmania Development and Resources. The service should ensure that all sales people on trading missions to Asia and beyond are fully briefed on all available Tasmanian export products.**

- **The Committee recommends that the State Government increase the allocation of financial resources to progress its proactive policy to support and participate in trade delegations to Asia.**

- **The Committee recommends that a discrete unit be established within the Department of Primary Industry and Fisheries to:-**
  - **develop an industry development plan for the organics industry;**
  - **package and disseminate information specifically oriented to the organic food industry;**
  - **provide extension and consulting services to organic food producers and processors;**
  - **provide assistance to the organics industry in the preparation of funding applications;**
  - **coordinate the provision of expert advice to the industry; and**
  - **facilitate the coordination of the various certifying organisations.**

- **The Committee recommends that the DPIF receive appropriate supplementary funding to resource the organics unit.**

- **Whilst recognising that it is a matter of judgement for the participants in the industry, it is clear the factional nature of the organics industry is the greatest inhibitor to progress. The Committee strongly recommends that Tasmanian organics producers organise themselves into a coherent and representative body.**

- **The Committee recommends that the Tasmanian Appellation of Origin Scheme be retained and that Government funding continue on the current basis.**

- **The Committee recommends that the House of Assembly Environment, Resources and Development Committee investigate the operation of the Tasmanian Appellation of Origin Scheme including, but not limited to:-**
  1. **The effectiveness of the scheme in achieving its objectives.**

2. **The funding of the scheme, including the feasibility of introducing a grape levy.**
3. **Promotion of the scheme.**

- **The Committee recommends that in order to provide certainty, the State Government enter into negotiations with the Federal Government to enact in legislation the Freight Equalisation Scheme.**

- **The Committee endorses the current moratorium on the extension of shop trading hours.**

- **The Committee recommends that appropriate laws be introduced to provide for the following:-**
  1. **Unit pricing of grocery items.**
  2. **Provisions to ensure that the unit price and the price payable for the item are of equal size and emphasis on the item label and the shelf label.**
  3. **Uniform labelling regulation throughout the grocery industry.**
  4. **'Strip' labelling along the entire meat carcase to enable ready and accurate identification of the product.**

- **The Committee supports the *Code of Practice for Computerised Checkout Systems in Supermarkets* and recommends that the Government assess the practicability of having the Code incorporated into legislation.**

- **The *Consumer Affairs Act* 1988 and/or the *Fair Trading Act* 1990 be amended to:-**
  - **(a) provide authorised officers with the power to inspect and test computerised systems for the purposes of determining price accuracy of check-out systems and shelf pricing procedures; and**
  - **(b) provide appropriate sanctions where price accuracy is wilfully distorted.**

- **That the Office of Consumer affairs be appropriately resourced for this purpose.**

- **The Committee recommends that a consultative panel of industry and consumer representatives be established by the Office of Consumer Affairs to set out the guidelines necessary to establish and conduct a statewide grocery price watch. The results should be published on a monthly basis.**

- **The Committee recommends that an appropriately resourced study be undertaken to:-**
    - **(a) describe the food supply system in rural Tasmania and identify the factors influencing the distribution of food;**
    - **(b) define strategies to address factors that impact upon the food supply and identify where they should be implemented; and**
    - **(c) identify areas for investigation/intervention which could best be achieved through a collaborative project between the Department of Community and Health Services, the Department of Primary Industry and Fisheries, Department of Education and the Arts, Office of Consumer Affairs, producers, manufacturers, retailers, and consumers.**

- **The Committee recommends that the Department of Education, in consultation with the Community Nutrition Unit of the Department of Community and Health Services initiate health education programmes in schools in rural and lower socio-economic areas.**

- **That the role of the Tasmanian Nutrition Promotion Taskforce in coordinating the many stakeholders in the food system, both in the public and private sectors, be recognised and supported.**

5. CONTRIBUTION OF THE FOOD AND GROCERY SECTOR

5.1 - OVERVIEW

(1) The contribution of the food and grocery sector to the Tasmanian economy and employment.

5.1.1 The Committee sought to confirm its pre-existing belief that the contribution made to the Tasmanian economy by the grocery sector was substantial by any measure, whether by a calculation of the sector's contribution to Gross State Product (GSP), to wages, or to employment. In response, the Purity/Roelf Vos Supermarkets submission provided valuable graphic representation of such contributions and the so-called 'multiplier effect' of expenditure in this sector of the economy, particularly in regional areas of the State.

5.1.2 In addition, as the inquiry progressed, the value of local production as an import substitute was identified as a factor which further enhanced the standing of the food and grocery sector. In many instances it is necessary to import produce from interstate to meet the needs of the local market, clearly it would be desirable that such demand was met from local producers. An example of which is the egg market where, due to the efforts in achieving efficiencies and being responsive to market forces, the local industry is able to compete and maintain its position against mainland competition with its advantage of volume economies.

5.1.3 The contribution of the grocery sector is such that it is susceptible to be taken for granted by some consumers due principally to a lack of understanding of the complexities of the industry, which only become apparent when there is some negative impact on the consumer. The need for an educative process to be adopted to address this problem is considered in more detail in Chapter 11.

5.1.4 In respect to the contribution of the sector, it became increasingly apparent to the Committee as the inquiry progressed that retailers are becoming providers of services outside their 'core' business. Most significantly as *de facto* bankers through the provision of 'EFTPOS' facilities. The expectation is that services should be maintained with the additional cost to be borne by the retailer. Again this issue will be further addressed later in the report.

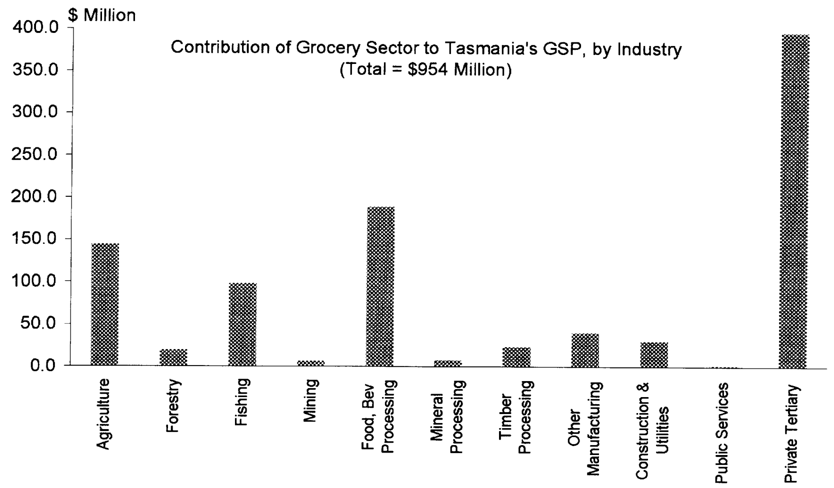
5.2 - EVIDENCE

5.2.1 The evidence received by the Committee in relation to this Term of Reference ranged from grocery retailing to associated primary, processing and manufacturing industries.

5.2.2 As previously mentioned, the submission of Purity/Roelf Vos Supermarkets provided the following analysis of the contribution of the grocery sector to the Tasmanian economy:-

> *"The Australian Bureau of Statistics estimates that Tasmania's supermarkets and grocery stores had a total turnover of $942 million in 1996. Using this figure and the Unitas - TFGA Input-Output Model we estimate the total (direct and indirect) contributions of the grocery sector to Tasmania's economy. We estimate the total contribution of the grocery sector to GSP is $954 million. The following graph disaggregates this total contribution by industry."*[1]

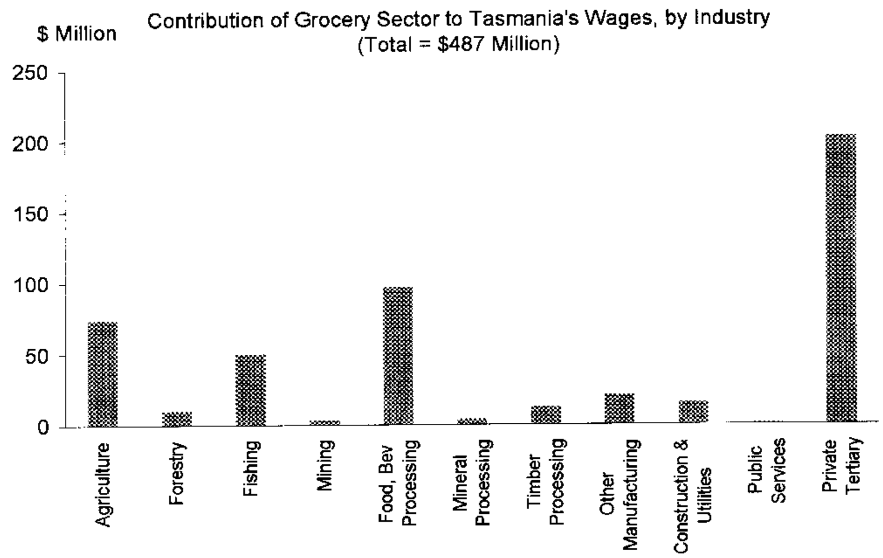
[1] Submission 13, Purity Supermarkets submission dated 27 February 1997, pp. 8-9



Sources: Unitas - TFGA Input-Output Model and the Australian Bureau of Statistics

5.2.3 "Private Tertiary" is the service sector of the economy, privately provided, and includes the grocery sector.

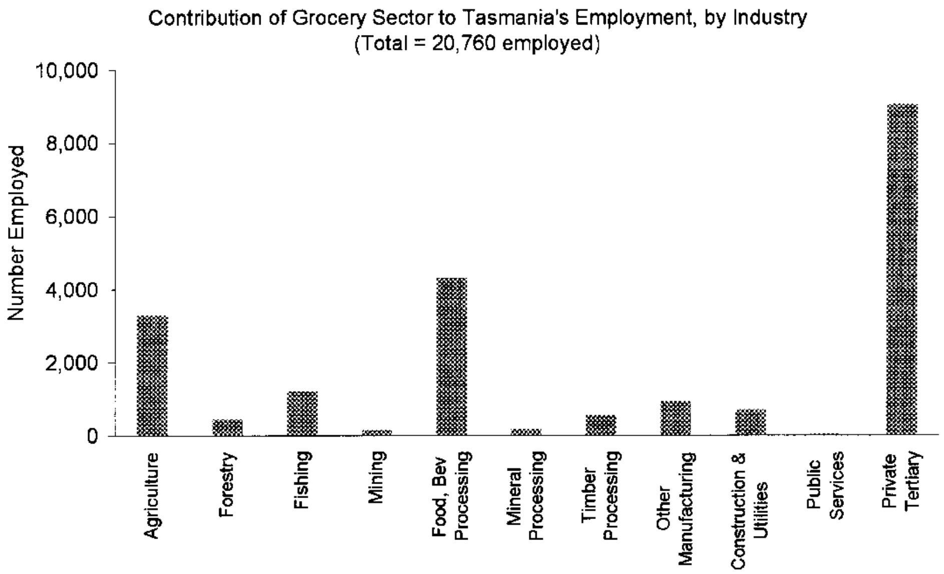
5.2.4 In respect of the contribution of wages, both direct and indirect to the State's economy form the grocery sector, it was submitted that it was in the order of $487 million."[2] The following graph breaks this total wage figure into industry components:



Sources: Unitas - TFGA Input-Output Model and the Australian Bureau of Statistics

[2] Submission 13, p. 10

5.2.5 The submission of Purity/Roelf Vos Supermarkets drew the Committee's attention to the contribution of the sector to employment in the State. Of the approximately 200,000 Tasmanians currently employed, 20,760 of them, over 10%, have employment directly or indirectly attributable to the grocery sector."[3] The following graph provides the industry breakdown:



Sources: Unitas - TFGA Input-Output Model and the Australian Bureau of Statistics

5.2.6 In terms of the contribution of primary industries generally to the Tasmanian economy and employment, it was submitted to the Committee by the President of the Tasmanian Farmers and Graziers Association, Mr John Gee, that the industry, together with the secondary 'downstream' processing of primary produce accounts for 33 per cent of the GSP, and directly and indirectly 35 per cent of the employment of this State[4].

Mr Gee further submitted that:-

> *"...the agricultural industry is a strongly export oriented industry, and the unprocessed agricultural exports constitute 8 per cent of Tasmania's overseas*

[3] Submission 13, p. 11
[4] Hansard 27/8/97 (Gee), p. 1

exports and 4 per cent of interstate exports. Tasmania's food companies sell in excess of 70 per cent of their products to interstate and overseas markets...In terms of total exports to all markets, processed and unprocessed, agricultural exports amount to 31 per cent of Tasmanian exports ... we also then feed the whole of Tasmania."[5]

5.2.7 As an example of the contribution of primary production to the economy and employment within the State, the egg industry serves as an excellent illustration. As an industry it employs 300 people, it is not a large industry in comparative terms, however, most of this employment is located in regional areas of the State where the unemployment rate is high. Although the industry brings little money into the State through interstate or export sales, its presence provides an import substitute and is therefore of value to the local economy. The gross industry turnover is around $11 million.[6] Despite its value in these terms, the egg production industry is an example of a primary industry under pressure from the stringencies of 'National Competition Policy', a matter to be further addressed in the following Chapter.

5.2.8 Similarly, the organic food production industry consists mainly of small producers of whom most are marketing in niche markets or in specialist markets and which are predominantly of an intensive nature. Evidence was received from the President of the Tasmanian Branch of the National Association for Sustainable Agriculture Australia Limited (NASAA), Mr Bruce Jackson, that the value of the organic industry is $3 million to the economy. It was further submitted that 65 per cent of organic produce sold in Tasmania is imported from Victoria.[7] Such evidence prompted further examination of this sector of primary industry in regard to its potential for expansion to replace imported produce. A matter given consideration in Chapter 7.

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[5] Hansard 27/8/97 (Gee), p. 1
[6] Submission 12, Tasmanian Egg Farms submission dated 27 February 1997, p. 2
[7] Hansard 4/4/97 (Jackson), p. 9

5.3 - FINDINGS

5.3.1 The contribution of the organic production sector of the industry, valued at $3 million, is unable to satisfy local demand, requiring the importation of 65% of product to fulfil the Tasmanian domestic market. Despite seasonal variations, the Committee found this situation to be unacceptable and reports its recommendations in relation to this issue in Chapter 7.

5.3.2 One of the principal values of the local food and grocery sector to the economy and employment is the benefit of import substitution - there is enormous potential to further cater for our own needs in this regard. Again, this matter is further considered and the Committee's recommendations may be found in Chapter 7.

5.4 - RECOMMENDATIONS

Preamble The recommendations set out hereunder combine to acknowledge the contribution of the food and grocery sector to the Tasmanian economy, and provide prescriptions for action from government, industry and the consumers to enhance and advance Tasmanian food industries.

6. IMPORTANCE OF A VIABLE LOCAL PROCESSING AND MANUFACTURING SECTOR

6.1 - OVERVIEW

(2) The importance of a viable local processing and manufacturing sector to the Tasmanian grocery industry, with specific reference to:

(a) recent trends in local processing and manufacturing capacity; and

(b) action needed to prevent any further loss of Tasmanian manufacturing and processing capacity for grocery products.

6.1.1 The importance of local processing and manufacturing industries to the Tasmanian economy is regrettably most starkly illustrated when such enterprises are lost to the State as instanced a number of times recently. Consideration of the issue of 'public-good' outweighing the imperatives of the economic rationalist school of thought is particularly relevant to Tasmania generally, and the secondary and tertiary production areas of the food sector particularly.

6.1.2 Evidence presented to the Committee clearly demonstrated the importance of the processing and manufacturing sector to the grocery industry generally and highlighted some opportunities in 'value added' product to enhance the existing reputation of Tasmanian primary produce. This area is also addressed in Chapters 5 and 8.

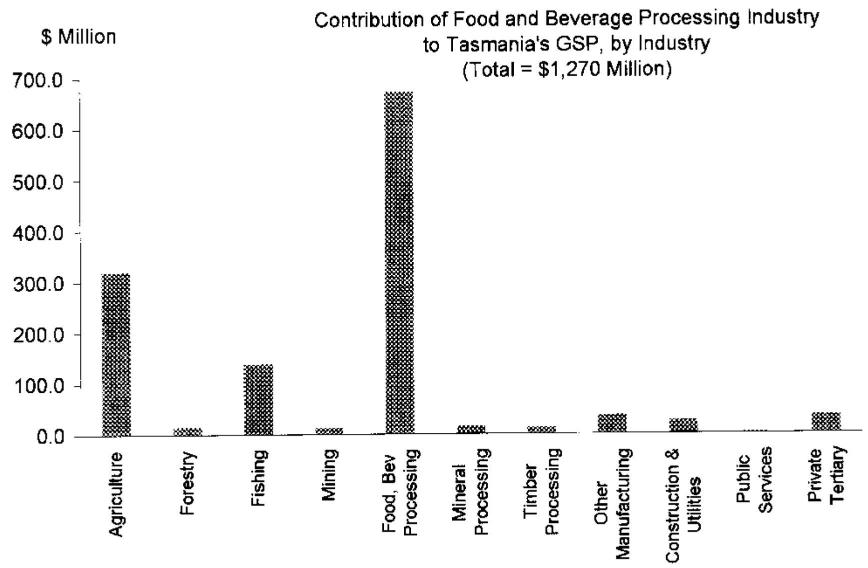
6.2 - EVIDENCE

6.2.1 Again the Committee was grateful to Purity/Roelf Vos Supermarkets who provided in their submission the following analysis of the contribution of the food and beverage processing sector of the industry to the economy[8]:-

[8] Submission 13, p. 16

Food and Beverage Processing Industry, Tasmania:		
Employment	Wages	Turnover
6,000	$165 million	$1,342 million

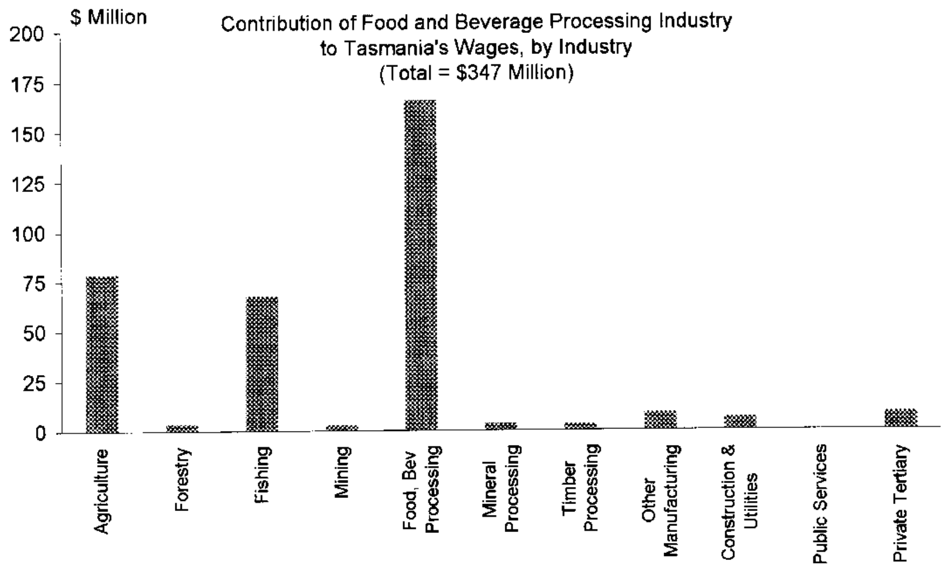
6.2.2 Their use of the Unitas-TFGA Input-Output Model enabled the further break down of these aggregate figures into the direct and indirect effects of the Food and Beverage Processing Industry on Tasmania's major industry groups. The following graph provides a breakdown of the contribution of the food and beverage processing sector of the industry to Tasmania's GSP[9]:-



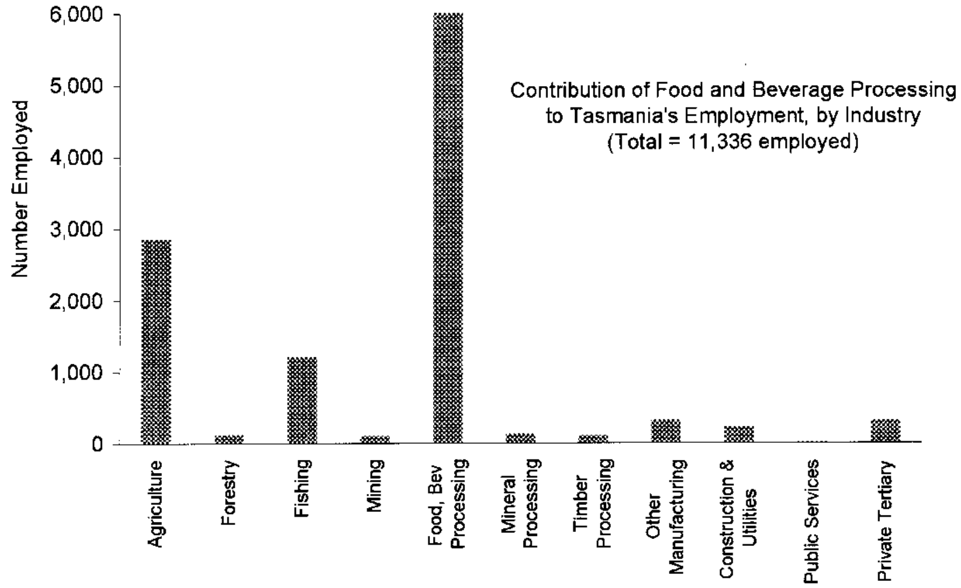
Sources: Manufacturing Industry ABS 8221.0 1993/94 and Unitas - TFGA Input-Output Model

6.2.3 It was further submitted that the food and beverage processing sector's contribution to the economy was through three industries: food and beverage processing, agriculture, and fisheries, as illustrated[10]:-

[9] Submission 13, p. 18
[10] Submission 13, p. 19



Sources: Manufacturing Industry ABS 8221.0 1993/94 and Unitas - TFGA Input-Output Model



Sources: Manufacturing Industry ABS 8221.0 1993/94 and Unitas - TFGA Input-Output Model

6.2.4 The interdependent nature of the primary industries, particularly agriculture and fisheries with the 'downstream' secondary and tertiary processing industries became clear from the evidence presented to the Committee. Having so established the importance in terms of two of the most basic measures, wages and employment, the Committee sought to establish what issues are impacting upon the viability of the sector, and having done so, to form some view as to what remedial action, if any, may be necessary to redress negative trends. The Committee received evidence from processors/manufacturers in the vegetable, egg, meat, dairy and confectionary industries.

6.2.5 Mr Neil Armstrong, Managing Director of Forth Farm Produce, a company marketing fresh Tasmanian vegetables locally, and also as a major supplier to mainland and overseas markets, appeared before the Committee and succinctly identified a number of areas of concern in regard to competition:

> *"The increase in horticultural exports out of Australia has been mainly in tropical areas and fruit…mangoes…avocadoes…grapes…oranges… products that Tasmania is not very strong in. We cannot grow them so we do not have them, and that is why we are falling behind. Coupled with the fact that we are in a very temperate climate and our main competitor is either southern Australia - it is really Victoria - or New Zealand. New Zealand, over the last ten years, have just had a very rapid change in culture growth they are more competitive and we are getting knocked off by New Zealand rapidly"*[11]

When questioned as to the reasons for this competitive advantage, Mr Armstrong identified currency considerations, but principally micro-economic measures:-

> *"their dollar has been very competitive against the Australian dollar. It has come a little bit closer over the last few years which makes it a little bit easier…Their wharves…are half as expensive as Australian wharves. Besides getting into the tax regimes…it is a lot easier doing business and succeeding in New Zealand than it is in Australia."*[12]

> *"The other biggest one* (competitive advantage) *is that all our competitors around the world - whether it be the United States, New Zealand, Chile, China -*

[11] Hansard 27/8/97 (Armstrong), p. 3
[12] Hansard 27/8/97 (Armstrong), p. 3

have all got a labour force that is willing to do manual work. They have pickers, they have packers. In New Zealand, it is not native New Zealanders or Maoris; they allow people to come in from the islands and from India to do that sort of work. In America it is Mexican labour that comes through…Horticulture per se is a very labour-intensive business; you need pickers. Broccoli has to be hand cut; you cannot machine cut it, and apples have to be hand-picked. One of the major areas restricting our growth is the fact that we have the highest unemployment in Tasmania - maybe Australia - along the north-west coast. We cannot get people to pick. It is not because the people do not want to or cannot, and it is not because of the money; it is because we are competing with the social security system. It is just too hard for people to go and pick for a week because they lose too many benefits."[13]

6.2.6 Mr Les Revell, Devonport Plant Manager of Simplot Australia submitted to the Committee that Simplot had addressed the competitive disadvantages of Tasmania by investing heavily in technology and significantly increasing their storage capacity within the state. When questioned by the Committee in relation to the reason for production cost reductions, Mr Revell responded:

"The capital spent - capital and pure production increase. … $7 million has been spent (on capital investment at the Devonport plant) *in the last five years and we have increased by 40 per cent our production. Basically what we have done at Devonport is to become more efficient at 40 per cent more throughput. We have not reduced our labour force; we just put in high-tech equipment to get the product through quicker.*

On the other hand, Ulverstone and Scottsdale have spent $47 million; they have not increased their throughputs. But what they have done basically is they have become more efficient in what they have done, so therefore their costs have come down. So that is how we do it. It is getting to a stage now that there is very

[13] Hansard 27/8/97 (Armstrong), p. 3

little we can do to further increase the efficiencies without going into more production. Where we see the opportunity in the future is the export market for opportunities, simply because the Australian market is basically a plateau-type situation."[14]

6.2.7 Mr Revell supported the evidence of the previous witness in relation to the competition from New Zealand by citing a rather stark statistic, that being, that the raw material into the factory in New Zealand is about two-thirds the cost of what it is into Tasmanian factories[15], presumably for the reasons outlined above, and that the influence on efficiencies brought about by the expansion of large companies such as the McCains organisation will inevitably lead them to "…become as efficient as we are, and they are going to knock us off even further into the marketplace"[16], leading inevitably to more pressure on growers.

6.2.8 The submission of the Egg Marketing Board of Tasmania added to the evidence relating to the importance of microeconomic reform, but argued for the need for a tempered approach to such reform. It was submitted to the Committee that the Board's legislation, the *Egg Industry Act* 1988, will be reviewed in 1999, with any continuation conditional upon the activities of the Board being consistent with government microeconomic reform policies. The Board will be required to demonstrate that public good outweighs barriers to entry by mainland processors.

"Public Good will be argued on the basis that without an Egg Board there would be no administration of on-farm quality assurance programs, no food safety program, no facility to convert second grade eggs to a safe pasteurised form, and no centralised funding base to take up industry issues such as education and improved farm practices."[17]

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[14] Hansard 12/9/97 (Revell), p. 8
[15] Hansard 12/9/97 (Revell), p. 8
[16] Hansard 12/9/97 (Revell), p. 8
[17] Submission 12, p. 1

> *"If egg production and processing are to remain in Tasmania the industries must not be further deregulated solely in the interest of economic rationalism. The local job market will gain no joy from consumers having a slightly cheaper interstate egg..."*[18]

> *"The Board believes that economics should be a tool to help people manage resources, not a discipline that manages people. Tasmania is in danger of being rationalised out of many forms of production, particularly processing industries."*[19]

6.2.9 In terms of local processing and manufacturing in the meat industry the Committee received disturbing evidence regarding current practices which are negatively impacting upon the industry generally, and the butchery trade and the viability of the 'local butcher' specifically. Evidence in this regard was received from Blue Ribbon Meat Products Limited (Blue Ribbon) and from Mr Graeme Pilgrim, President of the Tasmanian Division of the National Meat Association of Australia.

6.2.10 Blue Ribbon is Tasmania's largest producer of meat and meat products, which handles approximately 46% of all livestock processed in the state. It has an establishment of 549 full time equivalent positions, generating a payroll contribution to the Tasmanian economy of $16.6 million. The company also purchases $26.5 million of Tasmanian livestock and a further $14.8 million of various goods and services.[20] In its written submission to the Committee, Blue Ribbon also reinforced the realities of the national perspective that now dominates Tasmanian business and, consequently the disciplines and pressures that apply through involvement and competition at that level. The following extract, although of some length, summarises the issues facing manufacturers and processors in the industry and particularly their relationship with major retailing enterprises. The inquiry process lead the Committee to believe that

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[18] Submission 12, p. 2
[19] Submission 12, p. 4
[20] Submission 33, Blue Ribbon Holdings Pty. Ltd., submission undated, p. 1

the issues illustrated hereunder are common to most if not all processors and suppliers of the major retailers.

> *"As the retail food business is heavily dominated by the major chains in terms of market share, so is Blue Ribbon's business heavily slanted towards these chains."*[21]
>
> *"…the majority of Blue Ribbon's business lies with two customers who by default have enormous influence over the viability of the Company.*
>
> *These two national companies make national decisions based largely on supply and demand factors prevalent in the major population centres. They are also intensely competitive with each other in an ongoing attempt to win market share.*
>
> *This forces Blue Ribbon to be competitive at a national level where economies of scale involve production capacities tenfold that of Blue Ribbon. The sophisticated logistics associated with supermarket food distribution have eliminated the protective barrier that Bass Strait once provided Tasmanian producers."*[22]
>
> *In the case of Coles Supermarkets, all major buying decisions are made in Melbourne where daily decisions involve a customer base of 4 million consumers. It is almost impossible for Blue Ribbon to be considered a competitive supplier into the larger market, but very easy for mainland suppliers to dump into the Tasmanian market.*
>
> *This is obviously to the benefit of Tasmanian consumers but creates a very difficult environment in which to grow a business that is small by national standards.*

[21] Submission 33, p. 1
[22] Submission 33, p. 2

Woolworths has remained a locally managed business where it is easier to access the decision makers. However it can be expected that they are strongly influenced by mainland prices and they are able to use their own national smallgoods producer, Chisholm, as a bench mark for their buying prices.

It is inescapable that Tasmanian food manufacturers will come under increasing price pressure from the national chains and thus the key to survival is to continually pare back the costs of production within the state. In Blue Ribbon's case, this means becoming more competitive and more effective in all aspects of livestock production, processing, storage and distribution.

Food hygiene has also become a major issue with supermarkets, particularly following a number of well publicised issues last summer.

The major chains are applying more and more stringent compliance requirements on suppliers which will lead to a significant rationalisation of the meat and meat products suppliers throughout the country.

Blue Ribbon has implemented the food industry standard programs of Hazard Analysis Critical Control Point (HACCP) and Good Manufacturing Practice (GMP) and is currently preparing for national quality assurance accreditation. The company expects these hygiene related measures to be beneficial to its position despite the fact that supply will move even more towards the larger players in the industry."[23]

6.2.11 As mentioned, complimentary evidence was received from Mr Pilgrim, who was able to give the perspective of the small business operator in competition with the major retail outlets. He advised that the retail meat industry had changed considerably during the last 30 years with the emphasis being on maintaining market

[23] Submission 33, p. 2

share through the production of more 'value added' product. He submitted that the industry was in decline due mainly to:

> *"…the aggressive actions by larger supermarkets. They have seen this industry sector as an opportunity for them to increase their own market shares."*[24]

Mr Pilgrim elaborated upon the implications of this in terms of employment:

> *"…a supermarket meat-room that is turning over about $40 000 in meat per week would employ around about six people - and some of those could be casuals. If that was a retail butcher shop, they would be employing around fifteen. That is the difference.*
>
> *Even with the supermarkets, they have moved away from actually cutting the meat down from carcase form - this is within the supermarket situation - and having it done in boning rooms centrally. So again that cuts their staff level down once again and, because it is in the centralised boning rooms, it is more a Henry Ford production line style of thing. People are losing their jobs within the industry at a reasonably fast rate."*[25]

6.2.12 This evidence supported the perception held by many that the larger supermarket chains are subsuming many small speciality businesses, such as florists, newsagents, bakeries and perhaps, petrol sellers. Accordingly, the Committee questioned the witness regarding the ways in which he has gone about retaining his customers and maintaining a living from his profession. Mr Pilgrim responded:

> *"We…try to give the consumer just more choice. We have pan ready, oven ready; we actually cook roasts for people; we will do anything to try to keep ahead. But over the years, slowly the supermarkets are doing the same. They*

[24] Submission 31A, National Meat Association of Australia, submission dated 27 August, 1997, p. 2
[25] Hansard 27/8/97 (Pilgrim), p. 2

can outsource the supply…everything the retailer does eventually they catch it on…You try to create new business but slowly they sneak in.

At the moment, the largest supermarket chain in the State last week announced they have moved into wholesale. Traditionally butchers have had the clubs and the pubs, restaurants and hospitals or whatever; all sized butcher shops have catered for them and serviced them. Last week when it was announced that this chain has moved into wholesale, where they were offering alcohol, fruit, vegetables, meat and groceries, they can do it as a package for a hotel and so I am lost."[26]

6.2.13 A corollary of this is the affect on the skill level of people within the butchery trade. It was submitted the implementation of a three tiered traineeship system and a desire to maintain low cost structures, would result in the supermarkets only requiring level two trained staff, and never requiring staff qualified to level three, tradesman.[27]

6.2.14 Mr Patrick Curran, Marketing Manager of United Milk Tasmania (UMT) appeared before the Committee and offered evidence in relation to the dairy industry. Again, he advised that in order to increase sales of retail products, UMT has tended to look towards exporting retail products.

"At the moment we are working with butter specifically, and we are exporting in the region of, I think, about eight to ten different brands to markets like Malaysia, Singapore, Hong Kong, and we are working on some business through into the Middle East."[28]

[26] Hansard 27/8/97 (Pilgrim), pp. 5-6
[27] Hansard 27/8/97 (Pilgrim), p. 8
[28] Hansard 5/8/97 (Curran), p. 6

6.2.15 In terms of competition, Mr Curran identified Victoria and New Zealand interests as the principal rivals, again with the competitive advantage of economies of scale.

6.2.16 The pressures of competition are not confined to inter-company rivalry, as was illustrated by Mr Ted Best, Director of Tasmanian Operations, Cadbury Confectionery, who submitted that the deteriorating set of cost factors that exist in the State, place at a disadvantage the Tasmanian operation within the Cadbury group in comparison with other factories in Australasia.

> *"We have two factories in Melbourne and two in New Zealand and we have to maintain, if you like, a competitive situation against their performance, their costs, so that we can maintain the argument that we should have our facility in Hobart, and we work hard on that too."*[29]

6.3 - FINDINGS

6.3.1 The contribution of the food and beverage processing industry to the Tasmanian economy is substantial. The contribution to GSP is over $1 billion per annum, wages total over $347 million and the industries involved, agriculture, fisheries and manufacturing/processing employ more than 11,000 people.

Competition from Interstate and Overseas

6.3.2 The Committee found that the main sources of competition for the food sector were from Victoria and New Zealand, places of similar climate and competing with like products. Additional competition is resulting from the increased demand for crops of a 'tropical' nature unable to be produced in Tasmania's temperate climate. Such produce is increasing in its market share at the expense of the more traditional, locally produced primary products.

[29] Hansard 12/9/97 (Best), p. 6

6.3.3 The Committee was made aware of the existence of 'Food Victoria' an organisation formed in 1993 to bring together and co-ordinate areas of government and industry, to identify impediments to the development of the Victorian food industry and to develop strategies to address such impediments. The direction for the organisation comes from the Food Industry Advisory Committee, chaired by the Victorian Premier, whose membership includes the Ministers for Industry and Agriculture and representatives of key industry and research organisations. The Committee found that such a partnership arrangement provides additional competitive advantage to Victorian industry.

6.3.4 The Committee found that the employment of casual labour, particularly in primary industries is inhibited by the social security system. Despite a willingness to work, many are not able to take up casual or temporary work because the disincentives in receiving the income derived from such work, far outweigh the benefits.

6.3.5 The Committee found that many producers and processors are totally dependent upon the two major national retail chains. This exposes the relatively small Tasmanian operations to the competitive advantages of the scale economies of the mainland, with the expectation that they be competitive at the national level. To achieve this competitiveness, Tasmanian operators' survival is totally dependent upon reducing their costs of production and increasing productivity. It also leaves the State exposed to the possibility of 'dumping' of comparatively cheaper mainland produced products into the State, usually at a significantly more favourable price to the consumer.

6.3.6 In relation to the operation of the two national retail chains, the Committee recognised that their performance measurement in the state is growth. Despite the significant contribution they make to the local economy, they are in business to make a profit and provide a return to their shareholders. As growth in the Tasmanian market is negligible for traditional grocery lines, the Committee found that the *majors appear to be making a concerted push into other areas. This is evidenced by expansion of butchery and bakery services, and moves into florists, newsagency, alcohol, petrol, and wholesaling areas. The negative impact of such expansion on small business affects the skill base and employment due to the 'assembly line' nature of the supermarkets' operations.*

6.3.7 The Committee found that the competition between a benefit to the consumer, through lower prices and the notion of 'convenience', versus the cost of such benefits as outlined above will be determined by the market. It does, however, require the education of the consumer to make an informed choice and to shed the passive price accepting role that they have traditionally enjoyed. They should take responsibility for their actions in the market place and recognise the significant implications of such actions.

6.4 - RECOMMENDATIONS

6.4.1 The Committee recommends that a directorate be established similar to the 'Food Victoria' model.

6.4.2 That the directorate have as its objectives to:-

- **establish the direction of the Tasmanian food industry. Specifically in relation to primary producers and those involved in value adding;**
- **coordinate the industry in all aspects from 'paddock to plate';**
- **collate, interpret and disseminate to Tasmanian businesses strategic information for target markets;**
- **identify target markets in which Tasmania has a competitive advantage and the capacity to supply demands;**
- **identify market trends and coordinate industry to accordingly refocus when necessary; and**

- **promote the Tasmanian food industry nationally and internationally both in terms of market opportunities and expansion and investment attraction.**

6.4.3 The Committee recommends that the Government instigate within the major national population centres an ongoing campaign promoting the virtues of Tasmanian produce. This should include the use of information technology.

6.4.4 The Committee recommends that a Tasmanian food industry overseas 'Sales Table' be established within Tasmania Development and Resources. The service should ensure that all sales people on trading missions to Asia and beyond are fully briefed on all available Tasmanian export products.

6.4.5 The Committee recommends that the State Government increase the allocation of financial resources to progress its proactive policy to support and participate in trade delegations to Asia.

7. IMPROVEMENT OF ECONOMIES OF SCALE

7.1 - OVERVIEW

(3) Opportunities to improve economies of scale in the Tasmanian food and grocery sector, including:-

- ***(a) identification of prospects for expansion of local, interstate and international markets;***
- ***(b) identification of incentives for existing food producers, processors and manufacturers to increase output to meet identified market opportunities; and***
- ***(c) identification of opportunities and/or incentives for new food producers, processors and manufacturers to establish themselves in Tasmania.***

Because of their obvious relationship, the Committee resolved to combine the consideration of the following Terms of Reference with the above.

(4)

- ***(d) identification of potential existing and new markets for clean green food and beverage;***
- ***(e) identification of opportunities, potential incentives and mechanism to assist in the development and marketing of organic food and beverage;***
- ***(f) consideration of establishing a government backed Tasmanian clean green appellation scheme;***

7.1.1 Of the seven Terms of Reference, consideration of the evidence presented in respect of these matters imbued the Committee with a great deal of optimism for the future.

7.1.2 It is clear that expansion of local industry is reliant upon the impact of either of two forces, a growth in the local market, or entry and expansion into interstate and overseas markets. Whilst the former would appear to be dependant upon population growth, the Committee received evidence in relation to expanding local markets through an educative process whereby choosing healthy food alternatives is promoted. This matter is fully examined in Chapter 9.

7.1.3 The majority of submissions advocated the further development and expansion of the organic produce industry with one witness suggesting that the ultimate object ought be the development of "the whole State as an organic fruit and veggie producer" [30]. The Committee was aware of anecdotal evidence in relation to the demand for organic produce, and accordingly, was anxious to identify any prospect for Tasmanian expansion in this area.

7.1.4 It became clear that in many instances it is not so much a matter of establishing new markets but rather recognising and then supplying existing markets. Notwithstanding that, the difficulty is in gaining access to such markets through national and international networks. In this regard Coles, Woolworths and Tasmanian Independent Wholesalers (TIW) have demonstrated the benefits to the local industry through the promotion of local produce in national campaigns through their respective corporate networks. The benefits of trade missions similarly impact upon the sector.

7.2 - EVIDENCE

7.2.1 For the sake of clarity, and to contain each quite different issue, the evidence has been divided into the following discrete categories:-

1. Economies of scale.
2. Expansion of markets/ Incentives.

[30] Submission 5, Mr G. Thomas submission undated, received 30 January 1997, p. 1

3. 'Clean green' market expansion, and the introduction of an appellation scheme.

ECONOMIES OF SCALE

7.2.2 The issues associated with the notion of economy of scale within the Tasmanian retail sector are succinctly summarised in the Coles-Myer submission:

> *"In Tasmania customers have a wide choice of store types - from "no frills" to full service. However, Tasmania's low and dispersed population means that, by national standards, grocery retailing is a low volume high cost business.*
>
> *There are great economies of scale in serving a high population/high volume market. In Tasmania there are great dis-economies of scale.*
>
> *Cities with the greatest population bases, and attendant manufacturing and service industries, tend over time to have the lowest average food prices."*[31]

7.2.3 As has been canvassed above, the means by which such economies can be achieved are through the expansion of the local market or by entry to and/or expansion of interstate and overseas markets.

> *"Increases of local demand will expand production possibilities for local producers and enable them to move down the unit cost curve to achieve cost effectiveness. The difficulty with this solution is that Tasmania's population is growing very slowly, so the market expansion from this source will similarly be realised very slowly, if at all."*[32]

7.2.4 In addressing alternatives to the issue, it was submitted by Purity/Roelf Vos that reliance on population growth is not a realistic solution, an obvious alternative

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[31] Submission 16, Coles Myer Ltd submission dated 12th March, 1997, p. 9

[32] Submission 13, p. 24

methodology to effect the scale economies in such a non-expanding market is to allow greater market concentration. The consequence of which would probably be a reduction in the number of independent retailers and an expansion of the market share of the major retail chains[33]. To their credit they argued this was not to be a tenable solution. Rather they argued that:

> *"…firms involved in the wholesale and retail trade are multi-product companies, so there is an alternative way of increasing efficiency and reducing costs. That is through economies of scope. This involves the spreading of fixed costs across a broader range of products and services. By increasing the scope of operations in this way, consumers may benefit through a reduction of shelf prices. Purity/Roelf Vos sell in excess of 14,000 individual grocery lines, thus promoting these cost savings."*[34]

7.2.5 In respect to the issue, TIW submitted that:

> *"Historically, Tasmanian grocery retailers - like other parts of the small business sector - have faced greater difficulties in achieving sustainable economies of scale. These problems, which are a result of unique factors affecting the State's demographic, geographic and economic bases, are well documented. They include higher transport costs, an excess of supermarket square footage per head of population, a decentralised and small population, a lack of services assisting the overall production and retailing process in regional and rural areas, and slow turnover of volume."*[35]

EXPANSION OF MARKETS/INCENTIVES

7.2.6 The evidence submitted from a cross section of the industry including retailers and producers gave cause for optimism that the potential does exist for the expansion of local, interstate and overseas markets.

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[33] Submission 13, p. 24
[34] Submission 13, p. 24
[35] Submission 11, Tasmanian Independent Wholesalers submission dated 27 February 1997, p. 9

7.2.7 Regarding the expansion of retail markets, both Purity/Roelf Vos and TIW drew to the attention of the Committee initiatives undertaken to promote Tasmanian manufactured produce and grow the market for such produce. The former, obviously with the backing of a considerable national network, submitted:

> *"Together with Woolworths nationally, opportunities have been identified for Tasmanian producers in the national market, as a direct result of supply shortfalls experienced for berry fruits, varietal potatoes and organic products. These shortfalls can be met from Tasmanian sources and Woolworths national Produce office are presently exploring the potential shortfall which will constitute an export market for Tasmanian produce.*
>
> *As a further demonstration of our commitment to promoting Tasmanian producers Purity/Roelf Vos Supermarkets conducted a 1993 promotion, called the Taste of Tasmania. This promotion produced sales of goods ranging from flour, cheese and seafood to beer and wine valued at $2.5 million."*[36]

TIW submitted:-

> *"During 1995/96, TIW has expanded its uniquely Tasmanian brand, Island Fresh, from milk and cream products to include a high-quality smallgoods range. The competitively-priced range of meats has proved particularly popular. All products are wholly Tasmanian-owned and produced - from the farm to the manufacturer to the store to the consumer. TIW plans to expand the brand across a range of fresh and chilled products in the deli and dairycase ranges in the near future.*
>
> *Island Fresh is an example of what can be achieved by working co-operatively and cost-effectively with Tasmanian producers and manufacturers. Initiatives*

[36] Submission 13, p. 25

such as these lead to improved economies of scale and ensure the local processing and manufacturing sector remains viable."[37]

7.2.8 In consideration of opportunities and incentives for the existing retail industry Coles/Myer submitted that there are two clear opportunities. The first to reduce State government charges and taxes, thus providing an opportunity for retailers to pass on the savings to consumers through lower prices. The second to promote competition by removing the discriminatory limits on trading hours which prevent large stores from maximising sales and spreading costs over a larger sales base.[38] The Committee considers each of these proposals more fully in Chapter 8.

7.2.9 The market for primary produce also has significant potential to grow. Again the Asian region was identified as the principal opportunity for expansion of markets in both the medium and long terms. The President of the Tasmanian Farmers and Graziers Association, Mr Gee, gave evidence to illustrate the potential in the region:

"The total income in developing Asia accounts for around 7 per cent of the world income, and will account for 25 per cent in the year 2020, and it will increase dramatically, like 45 per cent, in 2040. They are the figures that are coming through…the growth in demand for food could average 4.5 per cent per year over the next 40 years… (and) *we have quality produce…*(and we) *are unique in what we can supply."*[39]

7.2.10 Mr Gee submitted that such strong growth in agricultural products from overseas will be accompanied by a corresponding decline in their local production due to the urban expansion programmes being undertaken there. It was indicated however, that with falling barriers to trade as a result of the Uruguay round of GATT, there will be strong international competition for these market opportunities from all

[37] Submission 11, p. 31
[38] Hansard 16/6/97 (Mills), p. 3
[39] Hansard 27/8/97 (Gee), p. 2

major agricultural exporters, consequently requiring a significant degree of diligence to maintain existing markets and pursue new opportunities.

7.2.11 For such a strategy to be effective the issue of transportation is of paramount importance. Mr Gee submitted:

> *"What we have been working at quietly is trying to get air freight up for Tasmania. We have been working quietly with people at Geelong…to get Hobart or Launceston airports up with a freight distribution centre. It will not be big for a start but it will be quality frozen products. Maybe it will cost $1.30 or $1.80 per kilo to get it out. But the rest of the world wants what we have, and if we can build on that we have alternative production and systems that we can put in place and build on, which is extremely important."*[40]

7.2.12 Integral to the strategy is the development of freight distribution centres. Mr Gee advised that it was the intention that the centre at Geelong act as a transport 'hub' servicing rail, road and air transport services. Such a system would still require trans-shipping to Geelong via Melbourne at considerable cost[41]. He submitted that ideally, a centre be located in Tasmania thus avoiding the costs and other disadvantages of Bass Strait. He described the anticipated requirements of such a centre as being coolstores with appropriate transport infrastructure, ideally with the ability to have 747 aircraft service the facility[42].

7.2.13 Notwithstanding the aquaculture industry, when questioned as to the main beneficiaries of such an arrangement Mr Gee indicated that the meat industry, with a very large market in Japan, and fresh fruit and vegetable producers would have ready access to Asian markets through such a scheme. The immediacy of the resolution of this matter was clearly illustrated to the Committee when he advised that South

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[40] Hansard 27/8/97 (Gee), p. 3
[41] Hansard 27/8/97 (Gee), p. 5
[42] Hansard 27/8/97 (Gee), pp. 5-6

Australia is shipping out "480 tonne of freight a week… they have cornered the broccoli market in Malaysia. We could have had it."[43]

7.2.14 Having raised the issue of freight, the Committee questioned the witness about the effectiveness of the Freight Equalisation Scheme (FES). Mr Gee replied:

> *"It is doing the job but it could do the job so much better. It needs locking into concrete…that it is there for the benefit of all Australians - not just Tasmania but all Australians - because we supply in excess of 70 per cent of the frozen vegetables to the mainland, and that is a big number.*
>
> ***…*** *and it has to have built in that…competitive edge, that it has to be competitive freight wise too because there is no good getting something locked in in the sense that that is there for ever and a day. Lock it in without having too many reviews in it, but still keep it competitive, because that freight is very competitive at the moment. But it is still costing too much to get Tasmanian produce over - much too much."*[44]

'CLEAN GREEN' MARKET EXPANSION AND THE INTRODUCTION OF AN APPELLATION SCHEME

7.2.15 Without exception, the evidence received in relation to this issue supported anecdotal evidence that the potential market for organic produce is enormous and that Tasmania was in a prime position to take advantage of its well established reputation for excellence in the production of 'clean, green' fresh and value added produce. Allied to the expansion of the market is the growing requirement for certification of products as the market becomes more sophisticated. And so, evidence was sought by the Committee as to the advisability of introducing an appellation scheme or other system of accreditation to provide formal reinforcement of Tasmania's 'clean, green'

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[43] Hansard 27/8/97 (Gee), p. 6
[44] Hansard 27/8/97 (Gee), p. 4

image. The evidence received falls into two categories, the organic market generally, and the introduction of an appellation and/or quality assurance scheme.

7.2.16 A summary of the current position of the organic food market was provided to the Committee by the President of the Tasmanian Branch of the National Association for Sustainable Agriculture Australia (NASAA), Mr Bruce Jackson:

> *"World demand for Organic Certified produce far exceeds supply. This market has been identified and actively pursued by the more innovative countries i.e. N.Z., where food processing companies actively encourage Certified Organic production and are currently exporting. Australia is seen as a viable market by these companies for Certified Organic processed and fresh foods.*
>
> *These markets have been identified, the problem is not wholly the creation of a new market but the servicing of one that already exists."*[45]

7.2.17 Excluding export markets, the total market for organic produce in Australia is estimated to have risen from \$28 million per annum in 1990 to \$81 million per annum in 1995 (an increase of 38% per year) with the number of organic farmers increasing from 991 in 1990 to 1,462 in 1995, with organic agricultural production realising a steady growth of around 10-20% per year. Domestic food sales have increased by 100% between 1990 and 1995.[46]

7.2.18 Tasmania's position within organic agriculture would appear to be secure as we are ideally situated, as a producer of wide range of agricultural products, to access potential export markets for certified organic fresh and processed products. It was argued that with already established and internationally recognised certification organisations such as NASAA the time is right for both the government and NASAA

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[45] Submission 18, N.A.S.A.A. (TAS) Submission to the Tasmanian Select Committee on Grocery Markets and Prices, p. 1

[46] Submission 18A, N.A.S.A.A. (TAS) Submission to the Tasmanian Select Committee on Grocery Markets and Prices, p. 1

to work together to expand the markets in this area. Notwithstanding export potential, the potential for import replacement is illustrated by considering the industry of Tasmania's principal competitor, Victoria, where the organic industry experiences turnover in the order of $70 million per annum in comparison with Tasmania's $3 million worth of business a year More importantly, it was submitted that Tasmania imports 65% of the organic produce sold here from Victoria. [47]

7.2.19 In regard to incentives, the submission argued that, as already indicated, they already exist within the market place in the form of unsatisfied, ready demand, requiring no 'hard sell' providing the produce is of high quality and certified by a reputable organisation. It is recognised that in some European countries, government encouragement for producers to change to certifiable organic production takes the form of financial and technical assistance to facilitate transition to organic practices.

7.2.20 In evidence before the Committee, Mr Jackson drew attention to the fragmentation within the organic farming industry, with various groups and competing interests, and suggested that this was retarding the industry from taking full advantage of the opportunities that exist. The bases of the fragmentation are philosophically based allegiances to various certifying organisations, and unwillingness to consolidate under one regime. He indicated that the restrictions that this placed upon the industry are recognised and attempts are being made at the national level to address the issue by effecting some form of amalgamation, because NASAA sees the joining together of the organic community, growers in particular, as the singlemost important step towards putting Australia as a force in organic agriculture.[48]

7.2.21 The Committee sought evidence from the Department of Primary Industry and Fisheries (DPIF) as to what involvement, if any, the Department had in the organic food production industry. Officers of the Export Market & Industry Development

[47] Hansard 4/4/97 (Jackson), p. 5
[48] Hansard 4/4/97 (Jackson), p. 3

Division confirmed the evidence of Mr Jackson regarding the profile of the industry - consisting mainly of small producers of whom most are marketing in niche markets or in specialist markets and they are mostly of an intensive nature.[49] Also, that any major developments in organic production in the State, need to be market driven rather than production driven. Major production increases need also to rely on premium prices as organic production often results in lower yields and higher inputs.[50]

7.2.22 It was submitted that there is also a need for involvement of professional marketing groups, because whilst some of these larger markets exist for this type of produce, there is a need for professional marketing from groups such as Roberts, Websters or Harvest Moon. Some of that infrastructure already is available in the State but needs to be brought together.[51] They advised that where there exists a desire to convert conventional production systems to organic production, there is a need for some involvement of external consultants.[52]

7.2.23 The officers outlined for the benefit of the Committee the areas of work being undertaken by the Department affecting, directly or indirectly, the organic food industry. There are eight areas of involvement: farm hygiene, quarantine, integrated pest management, pesticide residue testing, market access, quality assurance, land care and a coordination role.[53]

7.2.24 The consideration of the establishment of an appellation scheme evolved as the inquiry progressed to include the issue of quality assurance. This came about for the obvious reason that internationally recognised quality assurance standards if applied across the food industry, together with appropriate labelling identifying the product as Tasmanian, would achieve the objectives of an appellation scheme. The majority

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[49] Hansard 27/5/97 (Baxter/Griffiths/Farquhar), p. 1
[50] Hansard 27/5/97 (Baxter/Griffiths/Farquhar), p. 2
[51] Hansard 27/5/97 (Baxter/Griffiths/Farquhar), p. 2
[52] Hansard 27/5/97 (Baxter/Griffiths/Farquhar), p. 2
[53] Hansard 27/5/97 (Baxter/Griffiths/Farquhar), p. 2

of the evidence dealt with quality assurance generally. Prior to consideration of those issues a submission was received from Tasmanian Wine Education which sets out the issues associated with the operation of appellation schemes generally, and the Tasmanian Appellation of Origin Scheme prescribed by the *Liquor and Accommodation Act* 1990.

7.2.25 The wine and food appellation schemes which, with many variations, operate throughout the world are predicated upon two common themes - guarantee of origin, and quality standards. It was submitted that marketing advantages of an appellation scheme are beyond doubt as they imply quality and individuality. Australia has only one such scheme - Tasmania's, the operation and advantages of the scheme are outlined as follows:

> *"The existence of a Government administered scheme and the fact that it is not industry policed, implies quality and "controlled, monitored, disease free, fraud free" status. This is not to say that the above is necessarily true but this is the impression that "appellation" implies. That is of course among those who know what appellation means. Appellation enhances and reinforces Tasmania's reputation of quality in all areas and is an invaluable marketing tool. It should give Tasmanian wine a competitive edge over wines from elsewhere in Australia in all markets.*
>
> *The current Tasmanian Appellation scheme provides ongoing interaction and involvement of Government and industry which is inherently good for both parties. Industry feels supported and Government is aware of what is happening in the field. Those Government employees actually involved in the scheme enjoy this interaction and derive a great deal of pleasure and job satisfaction. They are keen for this to continue and like all those who are involved with, and have a knowledge of, the scheme they are committed to it's future."*[54]

[54] Submission 6, Tasmanian Wine Education submission dated 16 January 1997, p. 2-3

7.2.26 For an appellation scheme to be effective, it was argued that the buyers, be they retail or wholesale, must be aware of the scheme and what it means. This has been previously identified as the main problem, lack of promotion of what the scheme entails due usually to inadequate funding and the difficulties associated with convincing small producers of the benefits of involvement in the scheme, principally through higher market profile resulting in the achievement of higher prices. Even non-participants gain the benefits from the scheme through the general elevation in perceptions that Tasmania produces premium wines only and therefore charges premium prices.

7.2.27 For a scheme to be successful it was argued that the following elements were necessary:-

- funding must be sourced and promotion undertaken;
- a logo should be used to distinguish retailers, restaurants and their personnel who stock, understand and promote Tasmanian wine;
- consumers also need to be made aware of the scheme and its meaning and the logo should become a recognised and sought after symbol; and
- educate local retailers and consumers of its significance.[55]

7.2.28 Opposing the establishment of an appellation scheme, Mr Jackson suggested that it would work at 'cross purposes' as the finances required could be better spent in encouragement and incentives for producers to change to organic production using the already existing internationally accepted standards. An alternative would be to utilise and expand already existing member-funded certification organisations.

7.2.29 As previously mentioned, given this suggested course, the Committee sought evidence relating to existing standards. The first regime of this kind that the Committee received advice on was Hazard Analysis and Critical Control Point

[55] Submission 6, pp. 3-4

(HACCP) which is a system for prevention; a documented quality assurance system which can be independently audited. It is an internationally recognised system designed to identify food hazards and prescribe preventive action. It also provides manufacturers with self confidence, assurance and brand protection. HACCP is verifiable and auditable; it provides evidence in litigation as far as due care and due diligence goes, and is also recognised by some insurance companies whereby premium reductions are offered where HACCP procedures are in place.[56]

7.2.30 The Committee heard that in so as far as food hazards, there are basically four types:-

1. Biological hazards ie - micro-organisms.
2. Chemical hazards, such as poisons, pesticides, pesticide residues, antibiotics, insecticides within our fruit and meat products and food additives.
3. Physical hazards, such as foreign objects - glass, wood etc. which cause trauma and injury if swallowed.
4. Operational hazards such as when people do not follow the system that is in place, or inadequate training in food hygiene or in food handling and bad health practices.[57]

7.2.31 The SGS Australia Pty Ltd. (SGS) submission argued that the growing world-wide trend toward better risk management processes, along the food chain, will necessitate the utilisation of HACCP procedures. Eventually these will become the minimum requirement for any Tasmanian producer or food processing/distribution company to maintain an involvement in both export markets and domestic market where major buyers are involved. The system involves the integration of key players along the food chain including producers (farmers), processors/packers, transport/distribution companies and retailers.

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[56] Hansard 4/4/97(George), p. 3
[57] Hansard 4/4/97(George), pp. 3-4

7.2.32 In relation to the link with appellation , the submission advised that the introduction of HACCP combined with appropriate 'value added' brand enhancement methodologies provide a competitive advantage. The implementation of which was described as follows:

> *"Step 1 is to get the HACCP/QA approach to managing risk underway quickly. The selling of the need to do this can be made very clear by demonstrating the consequences (ie. loss of customers) if it is not done. Apart from now being a regulatory requirement in some areas (eg. meat) it is also increasingly a customer requirement across the whole food industry. Tasmania already has some "benchmark" companies (eg. Tassal) which are leaders in the Australian marketplace and who could be asked to help sell the message.*
>
> *Properly managed, Tasmania could be the first state to achieve substantial compliance in this area - a critical positioning move.*
>
> *Step 2 is to add to the basic HACCP/QA quality/safety assurance step some key brand enhancement elements (ie. product claims) such as:*
>
> - *clean and green;*
> - *pesticide and residue free;*
> - *regional branding;*
> - *animal welfare;*
> - *organically grown, etc.*
>
> *Claims made in each of these areas need to be 'real' and 'auditable' so that independent third party verification can be used to confirm product claims."*[58]

7.2.33 The Export Market & Industry Development Division of the Department of Primary Industry and Fisheries (DPIF) was able to further the Committee's

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[58] Submission 9, SGS Australia Pty Ltd submission dated 24 February 1997, p. 2

consideration of this issue. In order to assist Tasmanian industry in competition with other producers throughout the world who are also making the claim to be 'clean and green', the State Government has developed a coordinated quality assurance system designed to meet rigorous International Standards (ISO 9000 series). It was submitted:

> *"Currently there is a proliferation of QA Codes. There is the real potential for confusion about the QA requirements, who is responsible for running them and where to access information about them.*
>
> *The Government has developed a whole of Primary Industry Quality Assurance initiative to underpin our Quality Image.*
>
> *The State Government will establish a "Whole of Primary Industry Quality Assurance" system that will provide the state with an identifiable marketing advantage.*
>
> *This co-ordinated approach will aim at establishing International Standards Organisation (ISO) accreditation at a fraction of the cost of having individuals or groups of individuals striving for accreditation. This umbrella will provide branding opportunities for our industries in the future.*
>
> *Benefits of the scheme will include:*
>
> - *A "One Stop Shop" to eliminate complexity and reduce the cost of quality assurance to industry.*
> - *The establishment of links to ISO accreditation instead of each commodity sector having to establish the links.*
> - *The potential of the program to ensure strong linkages with the service sector and downstream processors to meet the needs of the market and thereby ensuring a "paddock to plate" approach to Quality Assurance*

- *Providing branding opportunities for marketing of Tasmanian product under a quality assured banner.*

Responsibility

Carriage of this initiative will be led by the Department of Primary Industry and Fisheries in partnership with the Tasmanian Farmers and Graziers Association and other industry groups.

Cost

The Government already allocates in the order of $5M to supporting the protection of the State's priority industries through a range of quarantine, disease and pest management, and other resource protection and quality assurance programs. This commitment will also be maintained.

In addition the Government will allocate approximately $300,000 over the next three years to facilitate the establishment of a whole of industry quality assurance framework."[59]

7.3 - FINDINGS

7.3.1 Due to both a small population and limited growth, economies of scale effectively do not exist in Tasmania in terms of the retail trade.

7.3.2 The Committee notes the Government's recent announcements[60] regarding the intention of Australian Air Express to base a 727 wide-bodied aircraft in Hobart with the capability of holding international size freight containers. This will enable an increase in freight capacity from 7 to 17 tonnes per day. The membership of the

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[59] Submission 21, Department of Primary Industry - Quality Assurance in Primary Industry - General Summary Document, p. 1-2

[60] Hansard 21/10/97 House of Assembly (Minister for Transport)

Victorian Air Freight Council will allow Tasmanian input into the development of a more efficient air freight industry and hub in Victoria.

7.3.3 The Committee found that insufficient information was submitted to make a proper assessment of the Tasmanian Appellation of Origin Scheme. The Committee recognises, however, the unique nature of the scheme and found that after five years of operation, a proper review is due and warranted. The only appellation scheme operating in Australia is the Tasmanian Appellation of Origin Scheme.

7.3.4 The Committee found that there is considerable opportunity for growth in Tasmania's organic food industry. However, the Committee found, that development of the industry is retarded by the fragmented nature of the industry in the State, and lacked direction. This is exacerbated by the inadequate resourcing of the DPIF in regard to the industry. The 'value basis' criterion by which resources are allocated is inappropriate in this instance, a greater concentration of funding and effort is required to realise the apparent potential of this industry to the economy of the State.

7.4 - RECOMMENDATIONS

7.4.1 The Committee recommends that a discrete unit be established within the Department of Primary Industry and Fisheries to:-

- **develop an industry development plan for the organics industry;**
- **package and disseminate information specifically oriented to the organic food industry;**
- **provide extension and consulting services to organic food producers and processors;**
- **provide assistance to the organics industry in the preparation of funding applications;**
- **coordinate the provision of expert advice to the industry; and**
- **facilitate the coordination of the various certifying organisations.**

7.4.2 The Committee recommends that the DPIF receive appropriate supplementary funding to resource the organics unit.

7.4.3 Whilst recognising that it is a matter of judgement for the participants in the industry, it is clear the factional nature of the organics industry is the greatest inhibitor to progress. The Committee strongly recommends that Tasmanian organics producers organise themselves into a coherent and representative body.

7.4.4 The Committee recommends that the Tasmanian Appellation of Origin Scheme be retained and that Government funding continue on the current basis.

7.4.5 The Committee recommends that the House of Assembly Environment, Resources and Development Committee investigate the operation of the Tasmanian Appellation of Origin Scheme including, but not limited to:-

1. **The effectiveness of the scheme in achieving its objectives.**
2. **The funding of the scheme, including the feasibility of introducing a grape levy.**
3. **Promotion of the scheme.**

8. FACTORS CONTRIBUTING TO HIGHER RETAIL GROCERY PRICES IN TASMANIA

8.1 - OVERVIEW

(4) Identifying the factors contributing to higher retail grocery prices in Tasmania, including:-

(a) the effect of the decentralised nature of the Tasmanian population;

(b) the effect of Tasmania's small population on competition in the grocery market; and

(c) the impact of freight and fuel costs on retail prices.

(g) the need to improve labelling to enable consumers to compare prices and products.

8.1.1 The Committee carried out its inquiry cognisant of the fact that higher retail grocery prices exist in Tasmania, in comparison with the rest of the country. As 'a given', it was not therefore the role of the Committee to establish whether or not prices were higher, as the 1989 inquiry was required to do, but rather, to identify the factors, unique to Tasmania, which contributed to the higher price regime.

8.1.2 Ironically, this Term of Reference was always going to be the least likely to produce a favourable response from the perspective of either the consumer or retailer, given the undeniable reality that we live within a free and open market economy, totally predicated on the principles of supply and demand.

8.1.3 The Committee sought evidence to establish the true position of the Tasmanian market, and, particularly the reasons, legitimate or otherwise, why the price of grocery items is more than mainland markets. Given such a premise, the Committee received no denial from those that chose to make a submission that the prices in Tasmania were higher than those experienced on the mainland. Accordingly, the Committee had to determine why, and if justifiable, what remedial measures may be put into place to redress such treatment.

8.1.4 Finally, the Committee sought to investigate the nature of competition within the sector.

8.2 - EVIDENCE

THE EFFECT OF TASMANIA'S SMALL AND DECENTRALISED POPULATION

8.2.1 The estimated size of Tasmania's population at 30 June 1996 was 474,600, 2.6% of the national population.[61] In the period 1971-72 to 1993-94, Tasmania's resident population growth was the lowest of all the States. In 1991-92, the rate of population growth fell below 1%, falling each subsequent year to less than a quarter of 1% in 1993-94. The 1993-94 rate for mainland Australia was over five times the growth rate for Tasmania.[62]

8.2.2 On a regional basis, the Greater Hobart-Southern region accounted for 48.2% of the population, the Northern region 28.2% and the Mersey-Lyell region 23.7% In terms of population distribution, Tasmania is the most decentralised State with nearly 60% of the population living outside the capital city statistical division.[63]

8.2.3 The consequences of both the small and decentralised nature of the population were drawn to the attention of the Committee in the submission of TIW:

- *"Local markets much smaller than those in other states;*
- *The opportunities for large-scale production in Tasmania are limited to primary and processed products that can compete in mainland or overseas markets;*

[61] Australian Bureau of Statistics Catalogue No. 3101.0, quarterly
[62] Tasmanian Year Book 1996, Australian Bureau of Statistics, p. 85
[63] Tasmanian Year Book 1996, Australian Bureau of Statistics, p. 87

- *Exclusive production for local markets, because it is relatively small scale, is frequently unable to compete with the large scale production of national producers. Tasmania is, therefore, highly dependent upon imports from the mainland for a wide range of consumer goods, including food and groceries;*
- *The regularity of "short shipments" adds significantly to the inventory costs of many Tasmanian consignors and consignees."*[64]

8.2.4 Such implications become more significant when compared with the benefits of having a highly populated capital such as Melbourne. For example:

- *"Cheaper transport costs, due to the close proximity of wholesalers, retailers and other businesses that can be used in the production process or selling environment, all translating in lower overheads in terms of the costs of doing business and therefore lower food prices.*
- *regular access to major markets where producers sell their products and supply is virtually constant depending on seasonality.*
- *Lower inventory costs for the retailer because of the close proximity of the wholesaler and the producer."*[65]

8.2.5 The Committee heard evidence from the Acting Director of the Office of Consumer Affairs, Mr Roy Ormerod in relation to the dangers of comparison of population centres within the State. He submitted:-

> *"We often explain to people who ring us and complain about prices, we explain to them the fact that it is all very well to have a cheap supermarket perhaps located in the middle of Hobart, but it is not much use to anyone living in New Norfolk or the country areas because the cost of getting to that supermarket probably exceeds any savings that would be achieved by being able to shop at that place"*[66]

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[64] Submission 11, p. 28
[65] Submission 11, p. 28
[66] Hansard 16/6/97 (Ormerod), p. 1

8.2.6 In relation to the notion of decentralisation, an additional aspect was added by the manager/owner of Morris' General Store, Swansea, Mr Jim Morris who submitted:-

> *"That State Government policy of centralising all services (and the bulk of employees) in the major cities has contributed to excessive grocery prices, statewide.*
>
> *... the policy has contributed to a major decline in both quantity and quality of locally owned, independent grocery retailers.*
>
> *a. In the regional capitals because increased populations have made it viable for the interstate owned national chains to dominate the market.*
>
> *b. In rural and regional centres because Government workers are no longer resident in the area of their work and thus cannot support local business.*
>
> *c. In rural and regional centres, the decline in working population resident in the area has resulted in a decrease in government services, (schools, police, medical...) available to the local population. In turn this makes the rural/regional centre less attractive to the general public as a residential option. And is compounding the problem."* [67]

8.2.7 The submission of Purity/Roelf Vos argued that a north/south disparity exists in approximately equal proportions (52 per cent and 48 per cent respectively), giving effect to comparatively high capital and infrastructure costs, and comparatively low margins in such a regional market.

8.2.8 Following that which has already been submitted, Coles argued that:-

> *"... Tasmania's low and dispersed population means that, by national standards, grocery retailing in the State is a low volume high cost business.*

[67] Submission 2, Morris' Store submission dated 25th November, 1996, p. 3

There are great economies of scale in serving a high population/high volume market. In Tasmania there are great dis-economies of scale.

Cities with the greatest population bases, and attendant manufacturing and service industries, tend over time to have the lowest average food prices."[68]

"These price differences are caused by a combination of:

- *the level of competition in an area*
- *fixed overheads at store locations*
- *shrinkage factors*
- *differing cost of supply."*[69]

8.2.9 Coles argued that a new third competitor in Tasmania would not gain sufficient market share to warrant the investment required for operation. If a company were willing to enter the market, they argued that the experience in other States has indicated that there would be a period of fierce price cutting as the new competitor tried to gain market share, followed by a period of price stability, and a subsequent return to the current level. They argued that they believe their Tasmanian customers accept that the unique geographic location brings with it lifestyle benefits, but at a cost.[70]

8.2.10 Regarding the implication of the size of the population on the internal trading dynamics of the industry the owner/manager of Ralphs Value Plus Supermarkets Mr Ralph Caccavo submitted:

"A store in Queensland roughly the same size in area as mine was doing three times the turnover that I am doing. That is the difference; we come back to the

[68] Submission 16, p.9
[69] Submission 16, p.11
[70] Hansard 16/6/97 (Mills), p. 2

lack of population. But also what happens … is that you do have a tremendous lot of other wholesalers, so you do not necessarily have to buy just through one; you have other avenues. The manufacturers are there; they are going to offer you the deal."[71]

8.2.11 Mr Caccavo submitted that a further implication of the size of the population was the effect on representation of companies within the State:

"One of the greatest tragedies … if I recall back fifteen years ago … almost every major manufacturer had a little depot; they had a manager or a State rep; they had a merchandiser; they had a little delivery guy, and they had a store. So almost for every manufacturer there were five jobs. What is happening now …they do not have a State rep any more.

Sanitarium, Kellogs - there have been heaps where they have closed down and now they find - and I do not blame the companies - it is cheaper every six weeks to put a guy on a plane, send him down here. He only has got three major accounts. What they do, they either work through a broker down here, or they will work with a merchandiser. The merchandiser just comes around and makes sure the product is still there. But that has created a tremendous loss of jobs, and of course money in the State… and I do not blame them, because it comes back that there are only three accounts, whereas before it was not quite as condensed as this."[72]

THE IMPACT OF FREIGHT AND FUEL COSTS ON RETAIL PRICES

8.2.12 Consideration of the impact of transport costs on the price of groceries was perhaps the most contentious issue faced by the Committee. Contentious because of the range of views that were presented and the weight that the Committee had, at the end of the process, to attach to such views. Bass Strait, often proclaimed to be the 'most expensive stretch of water in the world', clearly has the perception of being one

[71] Hansard 25/9/97 (Caccavo), p. 10
[72] Hansard 25/9/97 (Caccavo), pp. 17-18

of the main causes of the price differential that exists between Tasmania and the mainland. An example of which was submitted by Mr Caccavo:

> *"Unfortunately that stretch of water is most expensive; it is a killer. I will give you an example. When we had Caterers Market, I ordered some Italian peeled tomatoes, because tomatoes were very, very short and we need it for the catering. It cost me $1 800. The peeled tomatoes left Naples, they went to Amsterdam to Port of Melbourne, and it cost me $1 800 for freight. To get the same container from Melbourne to Hobart cost me $1 600."*[73]

8.2.13 One of the main issues was that of a 'free into store' (FIS) policy of the majority of national brand manufacturers. Investigation of this issue was made difficult by virtue of the reluctance of manufacturers to respond to the Committee's requests for information. Indeed of the 5 companies written to in relation to this, only one, Colgate-Palmolive Pty Ltd responded. The Director Customer Services & Logistics, Mr Bob Boucher advised as follows:

> *"I confirm that Colgate-Palmolive Pty Ltd currently maintains a national list price structure. Product list prices are uniform across all Australian States and territories. Goods are supplied on a FIS basis, therefore, freight differentials are not an issue with regard to comparative Tasmanian retail prices for Colgate-Palmolive products."*[74]

8.2.14 The Director of Tasmanian operations of Cadbury Confectionary, Mr Ted Best in evidence before the Committee, confirmed that Tasmanian selling prices are based on a freight-free structure so that Tasmania is not in any way disadvantaged. He indicated that Cadbury deliver direct to the warehouses of Tasmanian customers, being mainly Coles, Woolworths, Statewide - and the wholesalers, Rattrays and Network Foods. He said that the trade with the major customers may vary according

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[73] Hansard 25/9/97 (Caccavo), p. 15
[74] Submission 37, Correspondence from Mr Bob Boucher, dated 24 July 1997, p. 1

to joint promotional activities, but these are all arranged on a national basis so that they are consistent throughout the country.[75]

8.2.15 The Committee received evidence to lead it to the view that such a 'national list price structure' exists for most of the national brand manufacturers. Excluding promotions, whereby products are discounted as 'loss leaders' to penetrate new markets and establish a presence, national list price structures ensure that prices are uniform throughout the country.

8.2.16 It was submitted that the FIS policy does not extend to independent retailers as they are not recognised as wholesalers.[76] The argument of the major retailers is that effectively the FIS policy is a myth in that the majority of mainland manufacturers factor into their price a freight component. Purity/Roelf Vos submitted:

> *"… it is conservatively estimated that 41.4% of total purchases, which includes the purchases made from mainland manufacturers 70% of whom load their prices to Purity/Roelf Vos with freight & handling charges specific to Tasmania, carry a freight component built into the price.*
>
> *This figure is likely to be higher in fact as the many smaller manufacturers have not been directly considered.*
>
> *To demonstrate this point we studied the 40 products which Choice magazine used for its annual Price Watch survey. We found that 22 of these products - 55% - were price loaded when landed in Tasmania, compared to Victoria.*
>
> *This means that these products are loaded with a higher price when destined for Tasmania compared with destinations on the mainland for the same*

[75] Hansard 9/9/97 (Best), p. 2
[76] Hansard 25/9/97 (Caccavo), p. 13

products. The difference in price covered the costs of freight and the additional handling of the products both at their source and at their destination."[77]

Coles submitted:

"Transport costs for groceries to Tasmania are 332% greater than the average cost over similar distances on the mainland.

The 1987 Centre for Regional Economic Analysis Study on Transport prepared for the Tasmanian Government showed that the freight disadvantage was equivalent to a 33% tax imposed on Tasmanian companies operating within the state. Similarly this freight disadvantage imposed a "tax" on Tasmanian consumers of slightly less than 3%.

The lack of backloading opportunities adds to the freight costs.

Area-by-Area Distribution Costs

The problems caused by Tasmania's decentralised population centres are obvious. Transport costs per carton for a minimum load of grocery (or other) items moved from Launceston to Hobart are 46.8% higher than for the same trip from Launceston to the North-West Coast.

They are also 353% higher than that applicable to a local Launceston area delivery. Similarly, freight costs between Launceston and the North-West Coast are 209% higher per carton compared with a local Launceston delivery.

The decentralised nature and low base of the state's population, together with the need to provide an increased range and quantity of goods for the 14 Coles

[77] Submission 13, p. 37

Supermarkets stores across the state, means economy of scale cannot be achieved."[78]

8.2.17 For the purposes of balance, the Committee heard evidence from the General Manager of Tasmanian Freight Services Pty Ltd (TFS), Mr Kerry Gibson, in relation to the cost of freight. TFS, whilst not the largest freight service provider, is the largest company serving Tasmania by a 'road mechanism', ie semitrailers, and utilising the TT-Line service to traverse Bass Strait. Mr Gibson addressed himself specifically to the evidence of Coles abovementioned. The relevant text of the Committee's examination of Mr Gibson follows:

Mr GIBSON *- The bulk of our consignments come by road, by actual wheels - by semitrailers themselves.*

CHAIRMAN - *On the 'Spirit of Tasmania'.*

Mr GIBSON *- We would be the 'Spirit of Tasmania's' biggest customer by a country mile.*

CHAIRMAN - *Right, okay. So you just pack it on the semitrailer in Melbourne, bring it across the water and keep it coming.*

Mr GIBSON *- Yes, that is exactly right. We do do containers, but not as many containers as our opposition. We specialise in trailer freight. Those figures that I read that were relating to another supermarket chain mentioned road freight, and that is exactly what we are - road freight.*

CHAIRMAN - *Did I send you a copy of that?*

Mr GIBSON *- The figures that were mentioned?*

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[78] Submission 16, pp. 13-15

CHAIRMAN - *Yes.*

Mr GIBSON - *I got the cutting out of the paper, I think it was, which were in the high 300s and what have you. I think if you just refer to those figures at the top part, which is LCL cargo, you will note the difference between Melbourne to Tasmania and Melbourne to Brisbane is only about 17.5 per cent. It is not all that great at all. I think, as I mentioned to you on the phone - and I cannot verify this, obviously I can only put it before you for something that you may follow up at a later date - a lot of the major suppliers of groceries deliver their goods into Tasmania for no additional cost; vis-a-vis they would deliver their groceries to the wholesale warehouse in Hobart or Launceston for the same price that they would deliver those same groceries to the wholesale warehouse in Mulgrave in Victoria. So a lot of those majors do not charge any additional freight across Bass Strait.*

Mrs BLADEL - *Are you sure of that?*

Mr GIBSON - *Well, it is something which you could take up with some of the major companies. I cannot speak for those, but we carry some of their products.*

Mrs BLADEL - *But you believe that to be true?*

Mr GIBSON - *It has been relayed to me by more than one company.*

CHAIRMAN - *That is manufacturing companies?*

Mr GIBSON - *Yes, vis-a-vis your big companies. Maybe there could be some coffees you drink, or some sugar you put in your tea or whatever, without mentioning names.*

CHAIRMAN - *Yes. So you are saying to us that company x which makes, say, sugar - or use it as an example; it is not a good one, I know - will deliver same price into a warehouse in Mulgrave as a warehouse in Launceston?*

Mr GIBSON *- Exactly.*

Mrs BLADEL *- And would be true for, say, cornflakes or soap powder?*

Mr GIBSON *- I cannot vouch for cornflakes and soap powder. But you are talking about major companies, and I would be very surprised if major companies do not all follow the same. You also have the very smaller operator, the smaller manufacturer. He would not be in the same league and be able to do that because Sydney and Melbourne technically are subsidising that freight to Tasmania in these instances.*

Mrs BLADEL *- But the major products -*

Mr GIBSON *- The actual major supermarket chains buy to quantities, so they get a price for this amount of freight and a different price for that amount of freight, and so it goes on. So if they were to buy a 30-pallet order, for argument sake, they get a price. If they buy a 100-pallet order, they get the lower price, of course.*

Mrs BLADEL *- Another price.*

Mr GIBSON *- But the more they buy, the cheaper they get.*

CHAIRMAN - *And who pays you, the freighter?*

Mr GIBSON *- The national companies.*

CHAIRMAN - *You are paid by Coles and Woolworths, or are you actually paid by Kelloggs or -*

Mr GIBSON - *By the actual manufacturer.*

CHAIRMAN - *I just really want to get this straight. Here I am, the orderer of Purity in Launceston, or Roelf Vos in Launceston; I am the bloke who orders the stock. I ring up company x in Victoria and say, 'I want a pallet full of cornflakes'.*

Mr GIBSON - *Or whatever, yes.*

CHAIRMAN - *He quotes me a price of $100 FIS.*

Mr GIBSON - *Okay, yes - free into store.*

CHAIRMAN - *That is free into my warehouse.*

Mr GIBSON - *Free into your store.*

CHAIRMAN - *So I do not even know you are carrying it, let alone get a bill from you. That has nothing to do with it.*

Mr GIBSON - *That is correct, and that is the way they have gone purposely because they do not want hundreds of bills from hundreds of different carriers, do they? They prefer not to get any carrying bills.*

CHAIRMAN - *So I then send a cheque to company x for $100. I have my cornflakes; presumably you have been paid as the carrier -*

Mr GIBSON - *Mostly.*

CHAIRMAN - *Mostly - and we're all happy. Are you saying to me then that Mrs Bladel, who is now the buyer in Mulgrave, she gets quoted the same $100.*

Mr GIBSON *- From most of the national suppliers, yes.*

CHAIRMAN - *Okay. And she just sends in a cheque too, the same as I do?*

Mr GIBSON *- Yes."*[79]

8.2.18 The final matter dealt with briefly under this item is the Tasmanian Freight Equalisation Scheme (TFES), dealt with previously in the Report. The Committee sought to clearly establish what, if any, are the benefits of the TFES were to the consumer. This was necessary as the Committee was aware of a perception within the community that the consumer benefited from the scheme.

8.2.19 The aim of the TFES is to assist in alleviating the comparative interstate freight cost disadvantage incurred by the shippers of eligible non-bulk goods to and from Tasmania by sea. The Scheme is administered in accordance with the 'Directions' issued from time to time by the Federal Minister for Transport and Regional Development.

8.2.20 The Scheme comprises two components:

(a) the northbound component, covering eligible goods produced or manufactured in Tasmania for use or sale on the mainland of Australia; and

(b) the southbound component, covering eligible non-consumer raw materials, machinery and equipment for use in manufacturing, mining, agriculture, forestry and fishing industries in Tasmania.[80]

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[79] Hansard 16/6/97 (Gibson), p. 4

[80] Tasmanian Freight Equalisation Scheme - Ministerial Directions, Commonwealth department of Transport and regional Development, pp. 1-2

8.2.21 The scheme is clearly then of no benefit to Tasmanian consumers of grocery items. The benefit to Tasmanian producers was illustrated for the Committee by Mr Best:

> *"Our freight cost disadvantage of manufacturing in Tasmania - we work the sums out from time to time - compared to a hypothetical operation in Melbourne, is about $4 million net of freight equalisation, and freight equalisation is worth, at the moment I think, something like $1.5 million per year in reduced freight costs to Cadbury. Obviously it is a very important thing to us because anything of that size - $1.5 million - is an important cost factor. If we did not have that, we would be that much more in jeopardy…*(so) *the $4 million is the disadvantage. It would be $5.5 million or thereabouts if it were not for freight equalisation."*[81]

THE NEED TO IMPROVE LABELLING TO ENABLE CONSUMERS TO COMPARE PRICES AND PRODUCTS

8.2.22 The question of labelling contains a number of issues which were addressed in evidence presented to the Committee, such as:-

- current industry practices;
- unit pricing of grocery products; and
- labelling to credit the Tasmanian link with products.

8.2.23 Purity/Roelf Vos Supermarkets advised of their current practice in relation to labelling:

> *"In what is believed to be an Australian-first initiative, Purity/Roelf Vos have been trialing since May 1996 a new shelf price ticket to enable customers to more easily compare prices. It is often the case that competing brands in identical product categories are in fact different sizes and therefore difficult to compare on price alone to determine value.*

[81] Hansard 12.9.97 (Best), p. 4

Under the Purity/Roelf Vos system, the shelf price ticket indicates the products' price per kilogram, so that customers can make a more informed choice based on a common denominator.

In addition, in October 1996 we agreed to a request by the Buy Tasmania Association to introduce shelf price tickets that identify Tasmanian produced products."[82]

8.2.24 The Committee informed itself as to the basis of 'unit pricing'. It is as described by the abovementioned submission, that is that a 'unit price' is the price for a standard unit of measurement, eg $ per 100 grams or $ per litre, with such price displayed on the product label and shelf along with the price payable for an item. The Committee is given to believe that the technology already exists as supermarkets already provide unit prices for many goods, usually those of random weights and packaged by the supermarkets themselves. Common examples would be pieces of pumpkin and meat. It would be feasible to therefore extend the system, as Purity has done, to all items.

8.2.25 The President of the Tasmanian Division of the National Meat Association of Australia, Mr Graeme Pilgrim presented the Committee with another point of view on 'unit pricing':

"At the moment in Tasmania, and most other States, you are not allowed to sell, for example, a leg of lamb for $9.00; it has to be per kilo. That is not a real problem looking at it just like that. But when you look at a supermarket, and I have to have a tray of rump steak for $10.99, but they have a tray of meat with one slice of rump steak for $2.00 - theirs was probably $11.99 - but the print per kilo, who is looking for that anyway; I only want to know how much that piece of rump steak is. If the legislation could be changed that I could have a tray of rump steak and a sign there saying 'average cost per slice $2.00', but I cannot

[82] Submission 13, p. 44

> *do that as it stands…They (the supermarkets) cannot sell rump steak on an individual slice, but … are selling them prepacked on a tray as an individual slice … And of course the tray price is in bold writing; the per kilo price is not bold…It could be, because you look at it and say, 'Oh well, there are four chops on that; there are two of us for dinner tonight; that's enough and it's $1.50' - not that it is $20.00 a kilo; it does not mean a thing to you. So that is a problem."*[83]

8.2.26 Many submissions touched upon the merits of a 'Tasmanian logo' attached to products produced in Tasmania. Many producers and retailers alike when undertaking promotions both interstate and overseas have taken advantage of the reputation that Tasmania already possesses.

8.2.27 In terms of the law relating to labelling, the situation appears to be somewhat in flux. Labelling requirements are prescribed by the Commonwealth *Trade Practices Act* 1974. Over the past five years there have been a number of proposals put forward as to origin of produce. In 1994 a Bill was introduced to amend those provisions relating to country of origin. The Bill was designed to prevent misleading or deceptive claims on product labelling and provided that "Product of Australia", "Produce of Australia", or "Made in Australia" would be used to specify origin, effectively precluding the use of "Product of/Made in Tasmania". This measure was strongly opposed by Tasmanian producers and allied organisations. That Bill was not successful.

8.2.28 The Federal Government is considering an amendment to the Act to introduce a new test which will be fair to consumers and give suppliers greater scope to include the claim on labels. A result is not expected to be known for some months.

8.2.29 One further aspect of labelling was brought to the Committee's attention by Mr Pilgrim:

[83] Hansard 27/8/97 (Pilgrim), p. 5

"… What a lot of people do not understand is there is meat and there is meat. Most smaller retailers like to use yearling - we talk beef - beef because of the chances of it being tender and all those things … good quality. But the larger chains, they will have a buy on rump steak. Rump can be yearling; it can be anything from thereon - from old cows. It is still rump steak. We do not have any legislation within this State to say that this is yearling rump, this is steer rump or cow rump; we do not have any of those sorts of things … We still have problems with mutton being sold as lamb. It is part of the industry, and has been ever since the industry began. If we had legislation, say, for strip-branding of lambs so they were branded from one end to the other as lambs or mutton, that would look after the consumer because if one outlet has legs of lamb for $2.99 a kilo, another has legs of lamb for $5.99 a kilo, and one is mutton and one is lamb, you have a problem."[84]

OTHER FACTORS AFFECTING PRICE

8.2.30 There was sufficient evidence relating to 'other factors' contributing to the higher retail grocery prices in Tasmania to warrant an additional section. The matters dealt with in the section are:

- ◊ the cost of 'doing business' in Tasmania;
- ◊ Government imposts (taxes and charges);
- ◊ the premium cost of locally produced goods;
- ◊ supermarket floor space;
- ◊ capital city comparisons;
- ◊ competition;
- ◊ product supply assessments;
- ◊ loyalty programmes;
- ◊ competition for the traditional food dollar;
- ◊ shop trading hours; and
- ◊ number of grocery lines/volumes.

[84] Hansard 27/8/97 (Pilgrim), pp. 3-4

The cost of 'doing business' in Tasmania

8.2.31 The most inclusive summary of the perceived factors affecting the operations of the retail sector within Tasmania was provided by TIW who submitted that the cost of doing business is, to a degree, widely regarded as a major impediment to further reductions in Tasmanian grocery prices. The recognised additional excessive costs are:-

- transport including freight;
- advertising;
- payroll tax.
- comparatively low and slow turnover of volume;
- the obligation to carry a larger proportion of slow-moving lines in stores;
- the need to post "specials" more frequently than interstate;
- growing competition for the retail food dollar;
- high power costs;
- high and inequitable government imposts such as wholesale tax and land tax;
- excessive red tape, regulations and bureaucratic controls;
- unfair trade practices;
- tenancy problems; lack of access to capital;
- high workers compensation and other associated employment costs; and
- excessive bank fees such as EFTPOS operation charges and closures of branches.[85]

"When combined, all these cost disadvantages play a major role in the grocery price variations between Tasmania and interstate.

[85] Submission 11, pp. 13-14

Recent changes to banking practices, increases in fees, the push towards EFTPOS transactions and the closure of branches have imposed additional hardship and costs on TIW stores, particularly those in regional and rural areas.

Fees are spiralling out of control for those who choose to do over-the-counter banking as consumers are herded into electronic banking - an area that is still not user-friendly for many people in our community, especially the elderly. In this regard, banks have shirked their corporate governance responsibility to the community by shifting this area of banking service on to the shoulders of small retailers.

A consequence of this short-sighted approach is that EFTPOS machines in shops are the location where people end up making many transactions because impersonal ATMs do not satisfy their needs. This, in turn, places the small retailers under increasing pressure to have EFTPOS machines to ensure they remain competitive with the bigger outlets. Most, however, are charged exorbitant fees for the privilege of installing and operating such a service."[86]

8.2.32 The factors so indicated were representative of the issues, in whole or in part, submitted by other witnesses to the inquiry, including, secondary industry. It was submitted by Mr Best, of Cadbury Confectionary, that in relation to the comparative disadvantages of operating in Tasmania:

"…We want to see maintained as competitive an environment in Tasmania for manufacturing, because whether it is a long-established company like Cadburys - we have been here now 75 years - or developing companies, their ability to operate as grocery manufacturers in this State and, in many cases, export to the mainland is going to depend, in the long run, on the basic cost structures that are existent in the State."[87]

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[86] Submission 11, pp. 13-14
[87] Hansard 9/9/97 (Best), p. 3

8.2.33 Regarding advertising, the Committee received evidence from Coles, who submitted that:

> *"The per capita cost for press advertising in Tasmania is up to 11% higher and catalogue distribution cost up to 50% more than the mainland markets because of the impact of freight costs.*
>
> *Tasmania's widely dispersed population means more media must be used. In Tasmania it is necessary to prepare three advertisements for three newspapers compared with one in Victoria.*
>
> *Marketing costs in Tasmania, as a percentage of the sales, can be as much as 70% more than the national average"*[88]

This evidence was supported by the Retail Traders Association.

8.2.34 The growing demand by the consumer to have the EFTPOS facility available for the payment of goods and services has come at a cost to the retailer. In regard to this matter, the Committee heard evidence from Mr Richardson, who, when questioned as to the cost of the service submitted:

> *"My understanding is that Woolworths are paid 2 per cent from NAB* (National Australia Bank) *to conduct that EFTPOS business. But you have to equate that to the fact that they probably do 70 per cent of the service provider work because they just hand it to NAB on a - not on an individual basis; they do quite a bit of work before it gets to NAB. But my belief is 2 per cent that NAB pay Woolworths for that. My stores are charged anything from - the best on credit card is around about 3 per cent … on the debit, which is a cash transaction, they have been charged anything from 10 cents up to 35 cents per transaction.*

[88] Submission 16, p. 19

I am currently negotiating a rate at the moment, but with the pushing and throwing, the best I can get at the moment is 3 per cent credit and a sliding scale debit cash transaction."[89]

8.2.35 This evidence was corroborated by Mr Morris and Mr Caccavo. Mr Caccavo submitted:

"The other areas where the big boys have it over us in particular is the EFTPOS. If you take EFTPOS I am paying $125 per month rental on each terminal. That includes the dedicated line that you have to have. Also we pay a percentage; with American Express it is 4 per cent and most of the others it is 2 per cent. They reduced it about four months ago after TIW really put pressure and the ANZ Bank brought it back. So it is a minimum 15 cents a transaction - depending on whether it is a credit card or debit card - or it can be as high as 3 per cent. I have it on pretty good authority that Woolies in particular pay nothing, but also the ANZ Bank pay them 2 per cent for providing the service. It is a pretty big slice out of my turnover."[90]

8.2.36 In evidence before the Committee Mr Kent challenged the accuracy of the percentage margins quoted above:

"It is again like everything else, volume - I would not argue with the volume aspect of it - it is a bit like groceries, the more you buy the cheaper it is, to a point. I do not see that any different with EFTPOS at all … It would not surprise me at all but I think his TIW in this State, that is part of their responsibility to look after those fellows to get the best possible price. That is why they joined banners and banner groups, it is not to the individual because he would never be able to get in the marketplace with the amount of volume that he would put through in an EFTPOS."[91]

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[89] Hansard 6/5/97 (Richardson), pp. 32-33
[90] Hansard 25/9/97 (Caccavo), p. 3
[91] Hansard 27/5/97 (Kent), p. 26

Government imposts (taxes and charges)

8.2.37 In the evidence submitted to the Committee, a number of matters were raised concerning the involvement of 'government', directly or indirectly, in the sector, such as taxes, power costs, and regulation. Of these, the method of application of Commonwealth wholesale Sales Tax was of most obvious concern.

8.2.38 TIW submitted:

> *"The impact of wholesale sales tax is far more insidious. The current arrangements mean that it is not applied in a fair and equitable manner for small and big grocery retailers, particularly those in Tasmania. Although the tax applies across Australia, Tasmanian independent grocery stores are clearly at a disadvantage compared to the nationally interposed supermarket chain operations of Purity and Coles…Our concern relates to the fact that sales tax is levied at the point of "the last wholesale sale". As a consequence of the positioning of this taxing point, retailers such as those among the TIW membership pay sales tax calculated on the <u>full selling price</u> of the goods. That full selling price includes, for example, the additional costs to TIW of importing and warehousing goods in Tasmania. By comparison, the interposed wholesale operations of Purity and Coles pay the tax at the point of sale with the manufacturer. The goods are then passed on to their retail divisions (the supermarkets) free of the sales tax component. In summary, TIW stores pay tax on the warehousing costs, but our competitors do not."*[92]

8.2.39 Mr Morris submitted:-

> *"One of the first points that I think I tried to make in the submission was how Tasmania and other distant locations are disadvantaged by the policies of the Federal Government in their application of the sales tax legislation."*[93]

[92] Submission 11, pp. 20-21
[93] Hansard 27/5/97 (Morris), p. 1

"Federal Government will move to a consumption tax at some stage in the future and, hopefully, committees such as yours, and the people in the remote areas, will be able to influence that decision at least to the extent of removing the cost of distribution from that proposed consumption tax if it does come."[94]

"Current Federal Sales Tax legislation provides for a scaled rate up to 33% to be applied to 'The last wholesale price' of a broad range of products. Over the last ten years, the range of products included in scales one (12%) and two (22%) and which are a significant proportion of the standard 'grocery parcel' has progressively increased. These include products which are by modern standards considered 'essentials', such as soaps, washing powders, soft drinks and foods deemed primarily as pet foods.

The application principle of these taxes is such that all costs of distribution are included in the taxable amount. Thus Tasmanians as well as residents of other regions remote from the major production centres, pay significantly more Sales Tax than residents of the major cities." [95]

8.2.40 The Committee pursued the question of the alleged advantage the application of sales tax law gave to Purity Supermarkets over the independents. In a supplementary submission to the Committee, Mr Kent advised that as a result of a study by Price Waterhouse commissioned by Purity, the conclusion was that the difference between sales tax verses sales tax deferred is virtually negligible.[96] To consider if an advantage arises or otherwise in paying sales tax at the warehouse door the following matters need consideration:

"- *value of tax included in the stockholding - the greater the tax component the more the disadvantage in purchasing stock*

[94] Hansard 27/5/97 (Morris), p. 1
[95] Submission 2, p.1
[96] Submission 40, Correspondence from Mr Michael Kent, dated 16 July 1997, p.1

inclusive of sales tax from the supplier because increased funding is required.

- *interest foregone due to being taxed at the point of payment to suppliers rather than the 21st of the month following the sale.*

- *the proportion of wholesale sales to total sales. The greater the sales from a company owned warehouse to our retail divisions the greater the disadvantage of being taxed at the 'sales door'.*

- *the length of time stock is held - the longer the stocks remain unsold the higher the cost of funding the stockholding.*

- *Any advantage to be gained from rebates is dependent on the negotiating powers of the buyers. If they can claim deferred rebates based on the invoice value inclusive of tax then an advantage is gained.*

- *efficiencies of operating will also influence any benefits, ie the higher the stock turnover the greater the advantage of the 'warehouse door' method.*

The main financial reasons in determining the advantage of the current arrangements are:

- *absence of sales tax payable on the added value of goods sold through our warehouse to our retail divisions.*

- *level of stockholding and stock turnover. The more efficient the stockholding and the higher the stock turnover the greater the advantage.*

The above are the financial reasons to consider in determining if an advantage or otherwise arises in paying sales tax at the warehouse door. In addition there are commercial/tax/legal considerations for choosing to be taxed on the warehouse door basis."[97]

8.2.41 In terms of taxes and charges excised at the state level, land and payroll tax, together with the cost of power were universally cited by witnesses to the inquiry as significant contributors to the cost of groceries within the state. It was argued that a recent cost comparison with Victorian supermarkets conducted by Purity/Roelf Vos on electricity charges revealed a price premium of some 26%, equating to an additional $1 million to the annual cost of doing business in this state.[98] This figure of 26% was cited also by the General Manager of Statewide Independent Wholesalers, Mr Graham Nott.[99]

The premium cost of locally produced goods

8.2.42 Not surprisingly, given the range of matters already considered in the Report in respect to the additional costs of operating in Tasmania, many transpose directly to the production sector of the industry, retailers argue that such costs are passed to them and subsequently to the consumer. The importance of the patronage of local industry has been examined in detail in Chapter 6. The specific references to the cost effect of local produce to the retailer and the consumer are dealt with in this part.

8.2.43 Purity/Roelf Vos submitted:

"…the figures show that locally produced products, in particular market leading brands or goods, are more expensive.

[97] Submission 40, p.3
[98] Submission 13, p. 40
[99] Hansard 6/5/97 (Richardson/Nott), p. 13

However, we recognise that our continued support for local producers is absolutely fundamental to the viability of Tasmanian producers, and the welfare of the Tasmanian economy…

Conversely it must also be understood that some locally produced items are indeed cheaper in some mainland centres eg. Royal Tasmanian smoked salmon. This is as a direct result of the local suppliers delivering directly to our stores rather than to a central distribution point as is the case in supplying mainland retail grocery chains."[100]

TIW submitted:

"High cost of local production -

Food and grocery items grown, processed or produced in Tasmania are, in most cases, more expensive than on the mainland. The causes of this include the cost of bringing goods and equipment used in production to Tasmania and a relative inability to achieve economies of scale due to the smaller size of the local market and distribution. Action is needed to reduce these costs in order to improve economies of scale and prevent any further loss of Tasmanian manufacturing and processing capacity for grocery products. Cheaper production costs would have flow-on benefits to consumers."[101]

Supermarket floor space

8.2.44 The Committee was given evidence to lead it to believe that Tasmania had an excessive amount of square metres of supermarket floor space per head of population. The Coles submission brought to the attention of the Committee a survey conducted by *Inside Retailing*, an industry journal which showed that in Tasmania there are 382 stores trading under 13 major banners and a host of smaller independently owned

[100] Submission 13, p. 39
[101] Submission 11, p. 26

stores. Coles operates 14, Woolworths 29, and the following stores supplied by Statewide Independent Wholesalers:-

- 8 Festival IGA supermarkets;
- 34 Value Plus supermarkets;
- 22 Riteway supermarkets;
- 14 Fabulous supermarkets;
- 35 Cut Price Sam supermarkets;
- 48 Four Square supermarkets;
- 130 Family Care, Family World stores;
- 43 independent banner stores; and
- 3 Cash 'n Carry divisions.[102]

8.2.45 Indeed, Mr Kent offered the view that Tasmania may well be serviced by the highest floor space for the retail sector <u>generally</u> in the Southern Hemisphere:

> *"I think it is fair to say, clearly in my view, the supermarket scene as we know it in all probability is saturated almost now. There will not be another supermarket built in Tasmania that I can foresee, apart from one we have being built in Legana in Launceston. I certainly have not got any on my books and I do not believe our sister company in the north have - apart from Legana - and I cannot speak for our competitor. But clearly Tasmanian supermarkets - as we know supermarkets as opposed to food markets and convenience stores - are at saturation point almost now and I think it is fair to say that by the year 2000 the same applies to Australia. By the year 2000 supermarkets will be saturated in Australia."*[103] (At the time of the Tabling of this Report, the Legana supermarket had not commenced construction)

8.2.46 When questioned by the Committee as to whether this would bring about a strategy of reducing stores, he replied:

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[102] Submission 16, p. 9

[103] Hansard 27/5/97 (Kent), p. 8

"…I doubt it. I think what has happened in the past and it is still happening throughout Australia, if there are very good successful independents out in the marketplace and they want to sell their businesses I think the national companies will pick them up. But, again, I think it is all related to population - the more people you have the more opportunities you have got in retail."[104]

8.2.47 TIW argued that the excess of supermarket floor area added to the cost of business through a higher rate of capital investment and a broader spread of the finite volume across a small and decentralised population. Every new supermarket increases the cost of doing business with little increase in market share.[105] It was submitted that nearly all independent grocery retailers would sell their businesses providing they could obtain a fair price and alternative employment. Further, that some recent store purchases have come about through the redundancy process whereby people effectively are buying a job.[106]

8.2.48 The following exchange succinctly details the difficulties involved should a rationalisation of floor space be considered:

"Mr RICHARDSON - *The name of the game now is protection of market share, it is not expansion of market share. The plaza* (recently completed Roelf Vos supermarket at Prospect) *that you spoke of up here was really nothing more than a protection of market share, it is not an expansion. The same thing will happen when another supermarket goes up at Legana; it is Coles and Woolworths protecting the market share and increasing their cost of doing business at the same time. That is the problem. The cost of doing business in Tasmania in such a limited population is one of the major factors that was not taken in to the 1989 inquiry.*

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[104] Hansard 27/5/97 (Kent), p. 8
[105] Submission 11, p. 29
[106] Submission 11, p. 29

CHAIRMAN *- I agree with you wholeheartedly that it is in fact a major component but is there anything that can be done about it?*

Mr RICHARDSON *- There are too many of us too, do not let me be one-sided about it. There are too many independents. We have four banners in one town.*

CHAIRMAN *- But if in theory - this is really what I want to get to - if in theory you could close down three major supermarkets in the City of Launceston, five in the City of Hobart, 25 little blokes in Launceston, and 35 little blokes in Hobart, would the consumer be paying less for his or her product? Yes or no.*

Mr RICHARDSON *- Yes. But let us be practical also, Mr Chairman, we live in the real world and that is not going to happen unless, as is happening now, my little blokes are being frozen out especially in rural areas where there is no development and what have you. Unfortunately every time I think maybe one has gone by the wayside, somebody will come along with a redundancy and set up again and that means that my other two stores in that town are still under pressure."*[107]

Capital city comparisons

8.2.49 The periodic publicity given to capital city comparisons of grocery prices by various media, stimulated evidence from some witnesses. The Committee heard from Mr Ormerod in this regard in that he provided an independent and objective view of the subject:

"I think also it is important to realise of course that Tasmania cannot be compared to Melbourne or Sydney or Adelaide. I think it would be more accurate

[107] Hansard 6/5/97 (Richardson), pp. 28-29

to describe Tasmania as an economy similar to country New South Wales, and therefore perhaps we should look at our price comparisons to what is being charged in places like Tamworth, Armadale or Geelong, south of Melbourne - other areas like that. I think from an economic point of view they are more accurate indicators on comparative economies to Melbourne or Sydney."[108]

8.2.50 Other evidence received in regard to the comparative advantages enjoyed by other capital cities has been dealt with already, particularly in consideration of scale economies.

Competition

8.2.51 The matters already discussed have given some explanation of the factors, predominantly negative, impacting upon the retail price of groceries in Tasmania. Given that all these matters combine to form the subject of this inquiry, the Committee saw it necessary to consider the nature and operation of competition.

8.2.52 The relative stakeholdings of the three main competitors have been detailed above, but in respect of the two national chains there was evidence to question their competitiveness. Mrs Rosemary Cramp, of the National Council of Women, summarised the issue:-

> *"Competition, or lack of, is also blamed* (for higher prices). *To be honest, I find it rather fascinating that the big supermarket operators would put that forward as a reason because it seems to admit that if somebody else came in they would be prepared to lower their prices. So is their margin higher now?"*[109]

8.2.53 Two of the most quoted phrases of the inquiry were the suggestions that Tasmania was the 'jewel in the crown' of the majors and the '5% margin state',

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[108] Hansard 16/6/97 (Ormerod), p. 2
[109] Hansard 27/5/97 (Grant/Cramp), p. 2

descriptions arising from the PIB Inquiry. The Chairman of the 1989 Prices Inquiry Board, Mr Stephen Estcourt, explained the origin of such descriptions:

> *"…they* (Woolworths) *acknowledged that grocery prices were higher in Tasmania, but that did not mean that they were excessive. They were the true price of the goods but the fact was the true price could not be achieved anywhere else except in Tasmania because there was too much competition everywhere else."*[110]

Mr Estcourt submitted further that the assumption the Board made, and the finding they arrived at, was that Coles and Woolworths simply do not try very hard to compete with each other because they do not have to. Mr Estcourt indicated that Woolworths submitted in the course of the PIB inquiry that 'our operation in Tasmania is the jewel in our company's crown; we can achieve these prices in Tasmania that we cannot achieve elsewhere and this is the price', and he asked rhetorically 'Why would Coles want to compete terribly with that?' Mr Estcourt suggested that there would be no reason at all, so they do not, rather they might go under Woolworths on some items at some times, but they are not going to go under very far and they are not going to lock themselves into a price war with each other. Mr Estcourt submitted that it is 'just nonsensical - two major operators who have control of the market will not cut each other's throats by going into a price war'.[111]

8.2.54 In respect of the prices achievable in the market place Mr Ormerod submitted that:

> *"… we understand clearly that in retailing there is a common well-known expression - and that is, 'charge what the market will bear' - and whatever the market will bear, that is what you will get away with. There is nothing wrong with that; I think we have to accept the fact that retailers are in there to please*

[110] Hansard 4/4/97 (Estcourt), p. 2
[111] Hansard 4/4/97 (Estcourt), p. 6

their shareholders and, at the same time, provide good service to their customers."[112]

8.2.55 The Committee sought to establish why Tasmania was regarded as the 'jewel in the crown'. It was submitted that there was considerable competition amongst the major chains in their dealings with producers and suppliers, what may be described as the 'pre-retail' level of the industry. The margins were achieved by the chains' uncompromising buying policies. They could afford to be so, given the national buying power they possessed. The effect of these dealings was to give them access cheaper goods - cheaper goods achieved by producers' increased productivity through improved work practices and capitalisation programmes.

8.2.56 In evidence to the Committee, Mr Gee submitted that the benefits of the retail prices being achieved by the nationals are not finding their way back to the farm gate. He argued that the primary producer is becoming more and more efficient in producing more cheaply, but that neither the farmer nor the consumer is benefiting from the lower price. Rather, it goes to increase the margin for the retail chains. It is , as he said, the nature of "big business".[113]

8.2.57 The following exchange illustrates the situation as Mr Gee argued it:

"CHAIRMAN - *So who is making the money? If the farmer is missing out, and we suspect that poor old Mr and Mrs Housewife are missing out - the consumer - are you really saying that the bloke in the middle is grabbing an ever bigger slice of the cake?*

Mr GEE - *Yes. Let us have a look at the beef industry. This coming September - and we are into it next week - that is two years down price in the beef industry. We have been wearing it and it is a real shock. We might get*

[112] Hansard 16/6/97 (Ormerod), p. 2
[113] Hansard 27/8/97 (Gee), p. 11

85 cents in the yard for cattle; that is $1.45 or $1.50 at the meat works. Meat is being offered now wholesale at $1.70 or $1.80. You go to buy it out of the shop and see what you pay. It is extraordinary that difference. We are not actually being able to eat our way out of a beef slump. We are not giving the community the chance to buy cheaply because they are saying, 'If we move it down, when it goes up we'll have a job to move it up'. What an answer that is!

CHAIRMAN - *So who is keeping that dough?*

Mr GEE - *The big supermarkets have 60 per cent of the trade so they are keeping it. They are saying because of the price of lamb being up a bit, beef is subsidising that. But that is not even an answer either … But we have not given our consumers in Tasmania a chance to have cheaper meat, or the restaurant trade or anywhere. They have held it up. There has been massive profit taking in that, but that is something we attack."*[114]

8.2.58 To further illustrate the point, the Committee received other evidence to suggest that one producer of a staple food category had achieved efficiencies of 5% since 1990 through investment in capital equipment. In evidence the question was posed - "Now you are telling me that when you go into a supermarket they are selling the goods 5 per cent cheaper?" Clearly the answer was negative. It was submitted that this efficiency was picked straight up by the retail chains in their margin. Moreover it was indicated that it was necessary to discount products further in order to have the chains take the product, obviously further contributing to the margins of the retailers.

Product supply assessments

8.2.59 Illustrative of the enormous power wielded by the two major chains in terms of buying power is the operation of product supply assessments by the chains. These

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[114] Hansard 27/8/97 (Gee), p. 11

reviews are assessments undertaken of the range of goods supplied by a particular producer or manufacturer, for the purpose of determining future supply needs. Obviously if such a review by national chains resulted in a downsizing or cancellation of orders particularly from small and medium sized producers and wholesalers the result would potentially be devastating to that business.

8.2.60 In evidence received by the Committee it was suggested that when the major retailers become aware that they are being undercut on a product by other retailers, they initiate, or threaten to initiate a review of the supply of <u>all</u> goods produced or supplied by the relevant manufacturer or producer. The motivation for such a review could result from a noticeable decrease in their own sales of such products, due presumably to the ability of competitors to offer those products at a lower price. It was submitted that the threat of such action is usually sufficient to ensure that the producer/wholesaler either maintains the price, or stops supplying to the other retailer at the lower price.

Loyalty Programmes

8.2.61 The introduction of 'loyalty programmes' by retailers has been a recent phenomenon to attract consumers' custom. The principal schemes currently operating in the state are the 'Frequent Shopper Club' (FSC) of Purity, recently extended to Roelf Vos, and the national 'Fly Buys' scheme of Coles. Foreshadowed is the introduction of a discounted petrol operation by Purity/Roelf Vos.

8.2.62 In evidence to the Committee Mr Kent submitted:

> "(The scheme is) *an absolute benefit to the consumer. It is a loyalty program and it is a way that we see, as a retailer, that we can retain our customers by giving something back to our customers. So we see it as a benefit. Clearly, within a month of introduction we had in excess of 100 000 members in southern Tasmania and we still have those 100 000 members today. Clearly the customers see it as a benefit and I do not think it will be very much longer throughout*

Australia if there is not a form of a loyalty program put in by our major parent company of some form. I think, again, we talked about petrol - I am convinced that is a form of loyalty to Woolworths' customers; if it was not they would have the thing on artery roads where they would pick up the truck driver going past and all those issues."[115]

8.2.63 The Committee received further evidence in relation to this matter which maintained that rather than a benefit, in the case abovementioned a 1% discount, the net result of such schemes would result in higher prices. It was argued that the cost of running such schemes was funded by the price of goods weighted accordingly to fund the 'reward points' together with the administrative costs. Illustrative of this, it was submitted that prior to the introduction of the scheme to the Roelf Vos Supermarkets, the northern chain was generally three per cent cheaper than their southern counterparts operating the FSC, Purity. Since the introduction of the FSC to Roelf Vos Supermarkets, however, prices have achieved parity.

8.2.64 In relation to this matter Mr Caccavo submitted:

"The other thing of course is the current advertising with all the give-aways like Frequent Shopper, Fly Buys - what is the last one they got, some bargain thing or whatever. That unfortunately in real terms is costing the consumer around about 2 to 3 per cent. That is what it is costing. That really was highlighted when the price inquiry started because there was a difference in price between north and south, even though they are being controlled by the same chain, and the prices apparently now have changed; they do not have statewide prices. But now it depends for how long they are going to keep them because I know that they have dropped 2 per cent basically in southern Tasmania. Now that the Frequent Shopper and quite a few of the Coles Fly Buys et cetera have been introduced, I think it is only a matter of time before you will find the prices will

[115] Hansard 27/5/97 (Kent) pp. 24-25

gradually start coming back up, because it is costing them a minimum of 2 per cent to service it.

We originally looked at - and I was the first one with Frequent Shopper; I still have it in my computer - but when I looked at the cost of service I said, 'No, forget it', because at the end of the day, what are you really giving the customer? You are not giving them really anything; $20 in $2 000, and it is probably costing me $40 to service. So I said, 'No'. It is still sitting there; it is still one of those programs that I bought. But it sounded good at the time. It is expensive and the consumer is paying for it; there is no risk."[116]

Competition for the traditional food dollar

8.2.65 TIW submitted that the traditional food dollar is being consistently eroded by other industries. These include, the growing number of fast food outlets and the introduction of electronic gaming machines (EGMs) in Tasmanian pubs and clubs.

"EGMs, in particular, are having a detrimental impact on turnover at stores in regional and rural areas. While many retailers are reporting lower sales, the true impact is unknown. One report to TIW put the reduction in bread and milk purchases at Triabunna as high as 30% since the introduction of EGMs in that town. Clearly, the impact of EGMs on the food industry and food prices must be properly assessed. TIW has urged the State Government to carry out a social and economic impact study of EGMs but, to date, no action has been taken in this regard."[117]

Shop trading hours

8.2.66 It was argued by Purity/Roelf Vos that the deregulation of shop trading hours has increased consumer accessibility to the full range of the market's supplies and services with no evident substantial reduction in the number of independent retail outlets. They argued that the benefits of deregulation have been overwhelmingly

[116] Hansard 25/9/97 (Caccavo), pp. 6-7
[117] Submission 11, p. 26

positive.[118] Further to this, in evidence given to the Committee, Mr Kent indicated that the so-called deregulation of shop trading hours had brought about increased employment within his organisation. When questioned as to further extensions he indicated that the criterion would be profitability - "…if we cannot make any money out of it, why would we do it?"[119]

8.2.67 The Retail Traders Association submitted that the extension of shop trading hours had not led to lower grocery prices, nor had it negated the need for small independents in the market place.[120]

8.2.68 In relation to shop trading Mr Caccavo submitted:

> *"…there are quite a few independents that have actually rang me and they really want to expand their business. But the reason they are reluctant is because I guess we have been bitten once with the Saturday trade and, as we are all aware, every few months the Sunday trade comes in, and quite a few of them are not prepared to do it because there has not been a real directive from the Government saying, 'We will not look at Sunday trade for the next five years' or 'We've got to do it in two years or whatever' or 'Okay, we have the referendum, until next year'. A lot of them have said, 'Well, we're not prepared to do that'.*
>
> *… I am a little bit reluctant as well to spend the money to expand there just in case the Sunday trade does come in. That, I think, is stopping a lot of the locals from taking that next step into it … If we all know that it is going to come in next year, then if you are smart enough you allow for it - you know, if the heat gets too hot in the kitchen, well you get out. But this way it is the uncertainty."*[121]

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[118] Submission 13, p. 49
[119] Hansard 27/5/97 (Kent), p. 17
[120] Submission 14, p. 2
[121] Hansard 25/9/97 (Caccavo), pp. 5-6

Number of grocery lines/Volumes

8.2.69 The pivotal nature of sales volumes and its relationship to profit and viability of wholesalers and retailers became most apparent during the course of the inquiry. It is clear that slower moving lines generally have a higher gross margin than high volume lines in order to effectively 'pay their way' in terms of the costs incurred in holding them.

8.2.70 The issue is tied to the issue of scale economies as already discussed. TIW submitted:

> *"It is a fact of life that stores and warehouses fold if they do not turn over sufficient volume. In this regard, it should be noted that a number of the smaller wholesalers have closed in recent times. … These closures have occurred because the operations were unable to maintain a sufficient economy of scale in their volume.*
>
> *The comparatively low and slow turnover of volume is related to the small and decentralised nature of the State's population ... Of the 11,000 - 12,000 dry grocery lines accessed by TIW stores, 600-700 account for 43% of sales. That is, 5.2% of available lines produce 43% of sales. Therefore, our independent retailers carry a 95% range of lines on their shelves for a considerable amount of time before selling."*[122]

8.2.71 Purity/Roelf Vos argued that through economies of scope, fixed costs are able to spread across a broader range of products and services. It was argued that by increasing the scope of operations in this way, consumers may benefit through a reduction of shelf prices, Purity/Roelf Vos sell in excess of 14,000 grocery lines.[123]

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[122] Submission 11, p. 22
[123] Submission 13, p. 24

8.2.72 Another aspect of the stockholding issue was presented to the Committee by Mr Kent, who, when questioned as to whether a reduction in retail prices of groceries would be achieved were Purity/Roelf Vos to reduce the number of lines carried from 14,000 to 10,000 replied:

*"**Mr KENT** - I think you would, clearly on the basis of your money tied up, your stock holdings sitting in warehouses being unutilised and you have not got the stock turns. Again, I have to say you are in an area where it is a competitive market. If we go to ten and our major competitors have fourteen, we are out the door.*

***Ms GIDDINGS** - So in all of this the consumer is suffering because of competition then. That is basically what it is, is it not?*

***Mr KENT** - Yes."*[124]

8.2.73 In relation then to this aspect of catering to the demands of the consumer, Mr Ormerod placed the matter into perspective:

"We do wonder what influence price does have on choice, because I think there is an awful lot of brand loyalty out there too, and people often support brand rather than price. From an individual aspect, I do not think the average person really knows how much they pay for individual items. They look at the bag of groceries at the end of the day, or the end of the week, and say, 'How much does that impact upon their weekly budget?…I think that is a challenge for all of us because it has become too easy for people to go to the supermarket shelf and take things off the shelf and throw them in a trolley and walk off and pay for them without really knowing what they are paying for individual items"[125]

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[124] Hansard 27/5/97 (Kent), p. 10
[125] Hansard 16/6/97 (Ormerod), p. 3

8.2.74 In relation to customer demand Coles submitted that Tasmanian consumers have the opportunity to reduce their overall grocery costs without lowering their quality standards. Their generic brand range it was submitted is equal in quality to national brands but competition checks ensure they are always priced below the comparable national brand.[126] Further, it was indicated that:

> *"In the U.S.A. and Europe, there is an increasing demand for premium quality private labels, similar to Farmland, offering high quality at competitive prices. … It also offers an unconditional money back guarantee."*[127]

8.3 - FINDINGS

8.3.1 Tasmania's small and decentralised population has a negative influence on grocery markets and prices. The population growth is both the lowest of the states and the most decentralised in terms of distribution, with approximately 60% of the population living outside the capital.

8.3.2 Local markets are smaller and more disparate than those on the mainland. In terms of opportunities for producers and manufacturers, the imperative is to compete on the so-called 'level playing field' both at national and international levels. The pressure resulting from this requirement is significant. Mainland producers and processors have comparative advantages of: the economies of scale; lower overheads; cheaper transport costs; ready access to major markets; and lower inventory costs.

8.3.3 The Committee found that the reduction of government services in rural communities through centralisation of services has a detrimental effect on locally owned retail businesses. The effects of movement of government workers and their families from rural areas are compounded by subsequent rationalisation of basic

[126] Submission 16, p. 24
[127] Submission 16, p. 25

services such as education, medical and police. This ensures the further diminution of the attractiveness of the location.

8.3.4 The 'north/south divide' exacerbates the problem in that duplication of services is required, consequently high capital and infrastructure costs are inevitably passed on to the consumer in the prices they pay.

8.3.5 The Committee found that on the balance of probabilities a third new competitor would find it almost impossible to commence operations within the State, principally due to the infrastructure establishment costs. The Committee recognises that in terms of market share, the combined independents have the second position.

8.3.6 While exorbitant costs are charged for the transport of containers by sea, and therefore, are a contributing factor to higher grocery prices in Tasmania; the evidence suggested, however, that these costs do not necessarily apply to transport generally, and in particular to road transport. Considerable weight was given by the Committee to the evidence submitted that the national brand producers/manufacturers, and indeed smaller operators, sell their goods free into store, and therefore freight differentials are not a major consideration.

8.3.7 The Committee found that the Freight Equalisation Scheme is of significant benefit to Tasmanian producers and manufacturers by alleviating the comparative interstate freight cost disadvantage incurred by the shippers of eligible goods to and from Tasmania by sea. The scheme is effectively an administrative instrument, the authority for which is the document "Directions by the Minister for Transport and Regional Development for the Operation of the Tasmanian Freight Equalisation Scheme" and as such is perceived by many in the industry to be unreliable in regard to its terms, conditions and duration.

8.3.8 The need for appropriate amendment of labelling regulations became clear to the Committee during the course of the inquiry. Particularly in the butchery industry there is an obvious disparity between the requirements prescribed for retail butchers *and those which apply to the meat sections of supermarkets, to the detriment of the former. An associated issue was seen to be the proper labelling of meat products, with allegations made of the quintessential 'mutton dressed up as lamb'. The Committee saw a need to provide for the appropriate labelling of products both for the convenience of the consumer and to ensure the integrity of the product.*

8.3.9 EFTPOS facilities are becoming increasingly demanded by the consumer. The Committee found that the provision of this convenience is not assisted by the banks as might reasonably be expected, rather it has become an imposition to the small retailer in terms both of the additional duties required and the charges applied in order to facilitate the banks' work. With the abandonment of rural communities by the banks the retailer has become a de facto bank teller, and paying for the privilege. This matter was found to be a major concern to the Committee. Given the obvious attractiveness of their volumes, the major retailers are effectively paid by the banks, in the order of 2%, to provide the service, as opposed to the small retailer who pays the banks a premium of between 2% for debit transactions and 4% for credit card transactions. This is in addition to the establishment costs of some $3,000 to $3,500 and access fees in the order of $1,500 per annum. The Committee found that inevitably consumers must pay the cost of this service which they are increasingly demanding.

8.3.10 The Committee found that given the dispersed nature of the population, advertising costs will tend to be higher due to the three regional newspapers and the regional nature of television.

8.3.11 The Committee found that wholesale sales tax was inequitable in terms of its application. The Committee found that the inclusion of the costs of distribution in the calculation of the tax to be unjust for Tasmanians, particularly for those residents in regional and rural areas. The Committee was mindful of the current tax debate which would include a review of the tax regime operating within the country, including sales tax.

8.3.12 Land Tax and Payroll Tax were universally cited as contributors to the cost of groceries in the state. In addition, the cost of electricity was cited as being in the order of 26% above the price paid by competitors interstate. These are areas that government can directly affect. Clearly however, despite the best intentions of the Committee, there can be no guarantee that were reductions in these imposts provided to the sector, the subsequent saving would be passed on to the consumer. Indeed it would be naive to expect that result.

8.3.13 For many of the reasons already expounded upon, the cost structures of locally produced goods tend to be more expensive than those imported from interstate. The Committee found commendable, the support given to local manufacturers and producers by retailers despite the premium attached to such produce.

8.3.14 The Committee found that there is an excess of supermarket floor space in Tasmania. The desire to maintain market share has resulted in the consumer being overserviced. This has contributed to increasing the cost of doing business in the sector. With every new supermarket, the overheads clearly increase. The Committee found it difficult to see the rationale behind the continued construction of new supermarkets given the finite and stagnant nature of the market in terms of the population. It would be difficult not to draw the conclusion that in many instances, stores of the same company are competing amongst themselves to the detriment of the shareholders and the consumer who ultimately pays the cost of these ventures.

8.3.15 The Committee found that the periodic comparisons of prices paid for groceries in the capital cities are unhelpful and inaccurate. Unhelpful because there is generally a lack of public appreciation for the disadvantages that, in this instance Hobart, has to overcome in comparison with the circumstances of Melbourne and Sydney. Such misunderstanding feeds the perception that these comparisons are valid and therefore able to somehow be rectified by some action on the part of the government or business. Such expectations are bound to be unfulfilled due to the structural contingencies that Tasmania faces. The Committee found that if studies need to be made, it would be far *more appropriate and informative to look at major regional centres in Victoria and/or New South Wales.*

8.3.16 The Committee found that the competition that exists between the two national chains does not manifest itself to any great extent at the level of retail prices. The evidence suggests that competition between the majors is on profitability at the national level. Profitability based upon margins achievable. Because of the dominance of these companies, and the consumers' apparent increasing support for them, the competition that can be applied from small independent retailers is limited. The Committee was appalled to hear the details of the pressure applied to producers, manufacturers and wholesalers by the major chains. In the evidence given to the Committee, product supply reviews, or the threat of, were seen as a major concern with regard to competition and fair trading laws. The Committee was satisfied that at worst, such reviews effectively inhibit the chance for genuine competition.

8.3.17 The Committee found that as a result of the effectively static size of the grocery retail market, the only means of increasing market share is to expand into other retail areas. This is amply illustrated by the major chains' expansion into the markets traditionally serviced by small speciality businesses, such as florists, newsagents, bakeries, petrol sellers and the wholesale trade for hotels and hospitals. Such expansion is obviously detrimental to the cost of small business. The Committee found a need to educate consumers to be more discerning and more demanding of the retail sector, as they may find that a passive and accepting attitude towards retail buying may well be to their detriment in terms of quality and service.

8.3.18 The Committee found that as a result of involvement in national and international markets, despite the disadvantages of scale, Tasmanian producers and manufacturers are becoming more efficient. The Committee found that despite these efficiencies the benefits are not being realised by either the producer or the consumer. In the case of the producer, better prices for produce, and the consumer in lower prices. It appears the 'dividend' from these efficiencies is being taken up by the retailer.

8.3.19 The Committee heard evidence that reward schemes may be of dubious benefit to the consumer. Despite the 'reward', the quantum of which is negligible, the cost of operating such schemes may, at the end of the day, be borne by the consumer. The Committee could make no decisive finding on the validity of these assertions.

8.3.20 The Committee found that as the nature of the grocery industry is based upon the movement of volumes, the consumer must accept that their choice and their demands are critical to price. If the consumer continues to demand the range of goods that are currently available, they must accept that it comes at a price. Allied to this, if the consumer wants the convenience of their corner store after hours, they may need to support that store during normal shop trading hours.

8.4 - RECOMMENDATIONS

8.4.1 The Committee recommends that in order to provide certainty, the State Government enter into negotiations with the Federal Government to enact in legislation the Freight Equalisation Scheme.

8.4.2 The Committee endorses the current moratorium on the extension of shop trading hours.

8.4.3 The Committee recommends that appropriate laws be introduced to provide for the following:-

1. **Unit pricing of grocery items.**
2. **Provisions to ensure that the unit price and the price payable for the item are of equal size and emphasis on the item label and the shelf label.**
3. **Uniform labelling regulation throughout the grocery industry.**
4. **'Strip' labelling along the entire meat carcase to enable ready and accurate identification of the product.**

9. 1989 PRICES INQUIRY BOARD REPORT

9.1 - OVERVIEW

(5) The reasons why the recommendations of the 1989 Prices Inquiry Board to the Tasmanian Government on Retail Prices in Tasmania have not been acted upon.

9.1.1 The Board of Inquiry established in 1989 was, in short, charged "to report as to whether the retail prices of specified goods, sold to consumers in Tasmania as compared to other parts of Australia, and in Hobart as compared to other capital cities in Australia, are excessive as to be unreasonable and, if so, why"[128].

9.1.2 Clearly then, the Board was charged with reporting its assessment in respect of its Terms of Reference, not with recommending any remedial action. Accordingly, the Committee took the view that of the Board's seventeen "Conclusions" in relation to the specifics of its reference, only three were couched in a way which could be interpreted as requiring some form of subsequent remedial action, and therefore reviewable by the Committee in this inquiry as 'recommendations'. Such conclusions of the Board were as follows:-

> *"8. …All possible encouragement should be given to the permanent establishment within the State of both a third major and wholly independent grocery wholesaler and a third major retail chain."*[129]

> *"13. …A code of practice for grocery retailers using computerised check-out systems should be adopted clearly and publicly by all retailers using*

[128] Prices Inquiry Board, The: Report to the Tasmanian Government on Retail Prices in Tasmania in Relation to other Australian States, p.xix
[129] Prices Inquiry Board, The: Report, p.xxii

scanning technology and should be adhered to in order that legislative controls remain unnecessary."[130]

"17. …Public education about the reasons for periodic price variations and price increases in the food and grocery industry would with the provision of limited funding assist the consumers in better utilising their budgets and minimise feelings of distrust in the community concerning the subject of prices."[131]

9.2 - EVIDENCE

9.2.1 A third wholesaler, 'Davids', entered the Tasmanian market in August 1989, but closed its operation in November 1991. It was submitted by Purity/Roelf Vos that this was a clear indication that Tasmania's small wholesale market could not support another major participant.[132] Despite this it was argued that the competitiveness of the wholesale market has improved markedly since the PIB inquiry to the benefit of small independent retailers.[133]

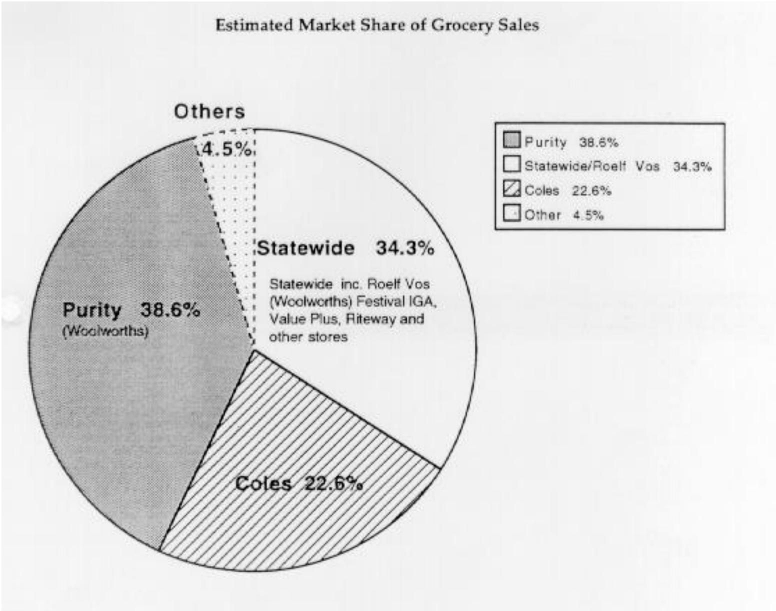
9.2.2 It was submitted that the current wholesale market participants are:
Purity (supplying its own stores);
Statewide (supplying Roelf Vos and independent stores);
Coles (supplying its own stores); and
Davids (supplying a small number of independents direct from Melbourne).[134]

9.2.3 It was argued that the wholesale grocery market is becoming increasingly concentrated with recent Tasmanian developments paralleling mainland trends where the wholesale market is viewed as being contestable and competition within

130 Prices Inquiry Board, The: Report, p.xxv
131 Prices Inquiry Board, The: Report, p.xxvi
132 Submission 13 p. 46
133 Submission 13 p. 46
134 Submission 13 p. 46

the market is becoming more intense. The major obstacles facing new entrants at both the wholesale and retail levels are the dispersed and comparatively thin nature of the regional markets, the comparatively high capital and infrastructure costs, and the comparatively low margins in the regional markets.[135]

9.2.4 In terms of the retail sector, Tasmanian consumers have a wide choice of store types. The following graph illustrates the current market situation:[136]



9.2.5 Recent innovations in retail grocery markets have operated on the basis of higher volume turnover and lower operating margins than currently apply in the supermarket industry. It was argued that the market is not large enough to support new operations without impairing the viability of existing market participants.[137]

9.2.6 The *Code of Practice for Computerised Checkout Systems in Supermarkets* was published in January 1995 having been developed by the Australian Supermarket Institute (ASI) in consultation with the Trade Practices Commission, State and Territory consumer affairs agencies, and consumer groups and is supported by the major retail organisations in each State. The Code was designed to encourage retailers

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[135] Submission 13 p. 47
[136] Submission 16, p. 10
[137] Submission 13 p. 48

to develop in-store disciplines to ensure price accuracy and to provide quick, accessible and inexpensive redress for customers on those occasions where errors have occurred.[138]

9.2.7 The Code is subject to review by the Trade Practices Commission, which found in the last review, that the Code works to the benefit of customers' interests.

9.2.8 The education issue is dealt with in the following Chapter.

9.3 - FINDINGS

9.3.1 The Committee found that the attraction of a third major retail competitor to the State will be a commercial decision determined entirely by the demands of the market.

9.3.2 The Committee found that as a group, the independent retailers constitute the second largest competitor in the industry, and that the rationalisation of the 'banners' from eleven to four has resulted in benefits to the group.

9.3.3 The Committee found that the Code of Practice for Computerised Checkout Systems in Supermarkets, whilst not possessing the weight of a statutory instrument, is effective in protecting the interests of the consumer. The Committee is satisfied that ASI member stores are required to ensure the price accuracy of their check-out systems and shelf pricing procedures and that where an error occurs the grievance resolution procedures provide an appropriate avenue for the consumer.

9.3.4 The Committee is concerned however, that non-ASI retailers are not obliged to comply with the Code.

[138] Submission 43, p. 1

9.4 - RECOMMENDATIONS

9.4.1 The Committee supports the *Code of Practice for Computerised Checkout Systems in Supermarkets* and recommends that the Government assess the practicability of having the Code incorporated into legislation.

9.4.2 The *Consumer Affairs Act* 1988 and/or the *Fair Trading Act* 1990 be amended to:-

- **(a) provide authorised officers with the power to inspect and test computerised systems for the purposes of determining price accuracy of check-out systems and shelf pricing procedures; and**
- **(b) provide appropriate sanctions where price accuracy is wilfully distorted.**

9.4.4 That the Office of Consumer affairs be appropriately resourced for this purpose.

10. PRICE MONITORING OR OTHER LEGISLATIVE ACTION

10.1 - OVERVIEW

(6) Price monitoring or other legislative action which may be necessary.

10.1.1 Price monitoring as a means of redressing the perceived disadvantages suffered by Tasmanians as a result of higher retail prices for groceries received consideration from the Committee. The evidence presented fell into the two obvious categories of support and opposition to the introduction of such measures, and also extended to the question of price control.

10.1.2 The Committee pursued its investigation of this matter within the broader context of consumer education about the nuances of the operation of the grocery market and the factors affecting the final determination of prices. Greater consumer awareness of such factors may contribute to a reduction in the antipathy many consumers feel towards grocery retailers and encourage competition within the sector.

10.1.3 The Committee also had regard to the conclusion of the PIB in relation to price control:

> *"While price controls may seem to be an obvious response to excessive prices they are fraught with theoretical and practical difficulties . These include supply shortages, withdrawal of supply by manufacturers, the creation of respectable price havens for goods which ought to be cheaper and the need for a bureaucracy (the cost of which would ultimately be borne by consumers) to set prices, process applications for increase and deal with supply shortages."*[139]

[139] Prices Inquiry Board, The: Report, p. 369

10.2 - THE EVIDENCE

10.2.1 Purity/Roelf Vos, Coles, the Retail Traders Association (RTA) and TIW supported the conclusion reached by the PIB, quoted above. The Purity/Roelf Vos submission adequately summarises their common view in which it was argued:

> *"We support the recommendation of the PIB in relation to price monitoring/controls - that is that such controls are both theoretically flawed and practically difficult to administer and enforce. There was found to be no evidence that the Victorian Prices Peg Program then in place had any demonstrable effect in Victoria."*[140]

10.2.2 The RTA argued further that any action to artificially decrease prices through means such as a cap would send many of the independents into bankruptcy.[141]

10.2.3 The National Council of Women of Tasmania supported the introduction of a ceiling on profit levels on basic commodities to offset the lack of competition as was operated during World War 2. They argued further that supermarkets adopted the approach of keeping low the price of items which are the subject of comparative surveys.[142]

10.2.4 Notwithstanding the written submission of Purity/Roelf Vos, the Committee questioned Mr Kent as to the practicability or otherwise of introducing price monitoring programmes. Mr Kent replied:

> *"Well, I think it depends on the motivation of your committee. I think there have been politicians in the past to price check purely and simple for political motivation. I think one of the closest probably is the Choice magazine where they clearly come up and weight the products on what they believe the average family*

[140] Submission 13, p. 51
[141] Submission 14, The Retail Traders' Association of Tasmania submission dated 5th March 1997, p. 2
[142] Submission 10, National Council of Women of Tasmania submission dated 27 February 1997, p. 3

require and I think that is about the closest. I think the parameters need to be clearly defined in so far as the price checks on the products need to be done at the same time in the same stores, whether it is daily, weekly, monthly or yearly. There are too many fluctuations during the course of a week, too many things that happen in the marketplace; there are a number of changes that happen in the marketplace on a day-to-day basis. So clearly you have to have the people to go into the stores on a given day and then you have to determine whether you are going to take specials into consideration, temporary price reductions, all those issues that go along with it. So it can be done, there is no question about that, but it has to be done in a sequence."[143]

10.2.5 In terms of methodology, *Choice* magazine assesses the price of around 40 items for each of the brand-name and cheapest available baskets in supermarkets in 24 locations around Australia. All capital cities are covered and a number of larger cities and regional centres. Fresh meat, fruit and vegetables are excluded on the basis that not all supermarkets sell them and to compare prices for fresh produce, it must be of the same quality. Products are priced in the size most commonly sold and then adjusted to what a family of two adults, one child, a dog and a cat would consume in a week. This 'weighting' allows historical comparison, even if a manufacturer has changed the size of a product over time.[144]

10.3 - FINDINGS

10.3.1 The Committee is not able to support the call for price control mechanisms to be adopted in addition to the safeguards already in place under the authority of the Australian Competition and Consumer Commission.

10.3.2 The Committee supports the facilitation of greater consumer awareness of price structures and variations by the regular conduct and publication of price

[143] Hansard 27/5/97 (Kent), pp. 4-5
[144] *Choice* September 1996, p. 7

comparisons. The Committee found that such an activity may stimulate competition within the sector to the benefit of the consumer.

10.3.3 The Committee further found support for the PIB conclusion that a consumer education programme would be of benefit. Consumers armed with knowledge of the effect on grocery prices of differing price structures, promotions, and seasonal variations will be better able to allocate their budgets.

10.4 - RECOMMENDATIONS

10.4.1 The Committee recommends that a consultative panel of industry and consumer representatives be established by the Office of Consumer Affairs to set out the guidelines necessary to establish and conduct a statewide grocery price watch. The results should be published on a monthly basis.

11. OTHER MATTERS

11.1 - OVERVIEW

11.1.1 The matters discussed in this section: nutrition, diet and education; and the sale of alcohol, whilst relevant to specific Terms of Reference abovementioned, were determined by the Committee to be of sufficient importance to be dealt with as discrete issues for report upon.

11.1.2 Many of the Terms of Reference addressed the contribution and importance of the grocery sector within economic parameters and indicators, such as G.S.P., wages and employment. Notwithstanding the relevance of such measures, another equally important contribution to the State of this sector is to the health of the population. The Committee heard evidence in relation to this issue from representatives of the Community Nutrition Unit of the Department of Community and Health Services, and the 'Eat Well Tasmania' campaign, run by the Tasmanian Nutrition Promotion Task Force.

11.1.3 A submission from the Tasmanian Branch of the Australian Hotels Association (AHA) was received in relation to the sale of alcohol, more specifically, the expansion of this market into the retail grocery sector.

11.2 - EVIDENCE

Nutrition, Diet and Education

11.2.1 As mentioned, the Committee's attention was drawn to the significance of the impact on the health and well-being of Tasmanian consumers by the grocery sector as the major supplier of food. It was submitted that despite the burgeoning take-away/convenience food sector, approximately two-thirds of all food is consumed inside the home and comes from the groceries market. Having regard to this, the

Committee determined that a review of the grocery sector would be incomplete without consideration of the price, availability and nutritional quality of food, and the nexus which these factors have with diet related disease. The cost of which:

> *"…exceeded $2.267 billion in 1989, which extrapolated on a per capita basis to Tasmania represented an estimated $50 million/annum impost on the state economy (calculation based on direct and indirect cost of diet-related disease)."*[145]

11.2.2 The Committee initially sought to identify the issues involved in consumers' access to safe and nutritious food and the promotion of healthy food choices, and more particularly, any barriers to access or choice.

11.2.3 The submission of the Community Nutrition Unit of the Department of Community and Health Services contained the following summary of issues:-

> *"1. Price differences*
>
> - *It is generally acknowledged that Tasmanians pay more for a standard groceries basket than interstate populations.*
> - *Rural Tasmanians pay more for their groceries than their urban counterparts.*
> - *Price differentials exist at the point-of-sale for healthier food items (eg. Low fat milk vs normal milk) and this acts as a disincentive for healthier food choices by Tasmanian consumers.*
>
> *2. Quality of food/groceries (particularly in relation to fruit and vegetables*

145 Submission 20, Community and Health Services, Community Nutrition Unit submission dated 1 May, 1997, p. 2

- *Rural communities are often disadvantaged in terms of the quality of grocery items such as fruit and vegetables, despite being the major producers of these products.*
- *Tasmanian consumers often have limited access to quality fruit and vegetables because of export imperatives, which have a negative effect on local consumption.*

3. Availability of groceries

- *Rural communities have reduced choice of grocery products (particularly foodstuffs) compared to urban counterparts.*
- *Differences in availability have also been reported between regions presumably because of the different socio-economic and demographic make-up of the market base.*
- *Differences in availability of healthier foodstuffs (ie. limited healthier food options) is an obvious barrier to broader community purchases and consumption."*[146]

11.2.4 Given that these factors affect the ability of consumers to adopt more healthy dietary habits, with its subsequent economic impact of diet related disease on the state economy, the Committee turned its attention to what steps, if any, may be taken to alleviate these barriers to healthy food choice. The Co-ordinator of the Community Nutrition Unit of the Department of Community and Health Services, Mr Roger Hughes submitted:-

"*... One of the things that the Community Nutrition Unit* (is undertaking) *... is to look at the differences in price and availability and quality of food, particularly fruit and vegies, in different parts of Tasmania ... and obviously we would be looking to do it in different seasons - for example, winter and summer - and hopefully make that part of that monitoring and surveillance*

[146] Submission 20, pp. 2-3

system that can keep track of how things are going and what effect that has on the diet of Tasmanians."[147]

11.2.5 It was indicated that whilst the majority of the fruit and vegetables in Tasmania is produced in rural areas, the design of the distribution system is such that products are transported to central markets in Hobart or Launceston and then transported back to the community from where they originated. This deficiency needs to be addressed when consideration is given to the development of strategies to keep food locally where it is appropriate, or keep a section of the fruit and vegetables in the groceries market that is produced locally.

11.2.6 Mr Jackson submitted that whilst there may be valid reasons for a difference in price between Tasmania and the rest of the States, given that the estimate of diet-related disease in Tasmania is something in the order of $50 million per annum, attention must also be internally focussed to determine why rural communities are disadvantaged compared to urban consumers.[148] In order to address this problem, the Food Nutrition Policy makes clear that nutrition is a whole-of-government responsibility. The rationale is that it incurs phenomenal costs to the economy and society generally. Different sections of government, such as Consumer Affairs, Health Department, Education Department - even Primary Industry have a significant role to play in improving the nutrition of Tasmanians.

11.2.7 Mr Jackson reported that the outcomes from the policy are:

"…very much starting to happen and I have to say ... that Tasmania is leading the way in a lot of ways in relation to government policy around food nutrition, and Tasmania's food nutrition policy is, in a way, the gold standard for other States to follow...(it) *is an issue that can be addressed quite effectively by using this all-of-government approach; it is spelt out in the food nutrition policy."*[149]

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[147] Hansard 27/5/97 (Hughes), p. 3
[148] Hansard 27/5/97 (Hughes), p. 5
[149] Hansard 27/5/97 (Hughes), pp. 5-6

"There are some community gardens that have been initiated in Tasmania. There is one in the north that has been initiated through a health relation funding. In other parts of the country they are working very well. Particularly in Aboriginal communities the market garden concept has worked very well.

If there are incentives for communities to get in and do those sorts of things then they can have a major effect and impact. Not only are they getting good quality food but they are getting people in the community working together to achieve a common goal and they are learning something as well about getting back to the skills that we seem to have lost over the last couple of decades.

The co-operative buying and the farm-gate purchasing of food is something that seems to have happened 30 or 40 years ago and that has slowly been culled out of our marketplace. So a return to that sort of system may be a solution. The challenge is getting the community support to do that, and that is why I suggested earlier that we need to be investing in getting consumers to be more empowered about being good consumers and being more demanding and taking some responsibility for what they accept in the marketplace."[150]

11.2.8 The Committee heard also from Deborah van Velzen, Executive Officer of the Eat Well Tasmania campaign which is run by the Tasmanian Nutrition Promotion Task Force.

11.2.9 Eat Well Tasmania has been given the task of promoting what is described as a 'whole of food-system' approach. This approach is designed to involve industry, health organisations and community groups in the promotion of healthy eating habits in Tasmanians, with particular emphasis on Tasmanian produce. One of the long-term strategies of the campaign is to promote healthy food choice and to establish the link between health and the food sector. The campaign seeks to work with Tasmanian

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[150] Hansard 27/5/97 (Hughes), p. 7

consumers to establish the considerations they have and any barriers they encounter when making food choices. By determining what Tasmanian consumers are eating, how choice is made, and how such factors affect the grocery market, such information may then be communicated back to the food industry.[151]

11.2.10 The survey has entailed the collation of data relating to what Tasmanians are eating; from where they are buying it; what barriers there are to choice; how much they are eating; and attitudes to different types of food. Such data is utilised, not only by researchers but also by the food industry, in order to use that information to market what they are doing and do what they are doing better.[152]

Sale of alcohol from grocery retail premises

11.2.11 Only one submission was received in relation to the sale of alcohol. The submission from the Tasmanian Branch of the Australian Hotels Association (AHA) expressed concern at the prospect of any such expansion and asserted that indeed there is no demand for increasing the availability of alcohol in Tasmania.

11.2.12 In support of these contentions the AHA cited argument linking availability with alcohol related problems. The 'Availability Theory' of Dr Tim Stockwell of the National Centre for Research into the Prevention of Drug Abuse was quoted as follows:-

> *"1. The greater the availability of alcohol in society the higher the average consumption of its population.*
>
> *2. The higher the average consumption of a population then the greater the number of excessive drinkers there will be.*
>
> *3. The greater the number of excessive drinkers in a population the greater the extent of adverse health and social problems stemming from alcohol abuse."*[153]

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[151] Hansard 27/5/97 (Van Velzen/Woodward), p. 2
[152] Hansard 27/5/97 (Van Velzen/Woodward), p. 2
[153] Submission 4, Australian Hotels Association submission dated 16 January 1997, p. 2

11.2.13 Further, the AHA submitted that:-

> *"... increased availability of alcohol will encourage greater consumption in Tasmania. At present Tasmania has the highest number of general and club licences per head of population in Australia...the Backbench Committee report appraising the Liquor and Accommodation Act found no evidence of a public demand for the availability of alcohol in supermarkets"*[154]

11.3 - FINDINGS

11.3.1 Groceries are the major source of food and nutrition for Tasmanians.

11.3.2 The Committee supports the Tasmanian Food and Nutrition Policy, and endorses the concepts that:

- ***the food we eat has enormous potential to influence our health and well-being;***
- ***there are close links between health, the environment and the economy; and that***
- ***all Tasmanians have a fundamental right to good health, which includes the right to have access to safe, nutritious, acceptable and accessible food.***

11.3.3 The Committee found that some rural and remote communities are disadvantaged in terms of price, variety and quality of food supplied, particularly perishable foodstuffs. The incidence of diet related ill-health is higher in non-metropolitan areas.

[154] Submission 4, p. 2

11.3.4 Eat Well Tasmania has demonstrated how a small amount of seed funding can facilitate other sectors to work towards promoting healthy eating for the benefit of Tasmanians and the local food industry. Ongoing funding would enable the Eat Well Tasmania campaign to further build on the resources and effort now focussed into understanding how barriers such as cost and availability can impact on the food buying habits of Tasmanian consumers. Ongoing funding would also enable Eat Well Tasmania to assist all sectors to work in a coordinated sense to maximise the opportunities for securing grants to fund nutrition promotion projects, without having to compete for the same funds itself.

11.3.5 The Committee found that there is a need for ongoing and sustained consumer education - mirroring the targeted advertising strategies adopted by manufacturers and retailers

11.3.6 The Committee found that there is no evidence to suggest a demand for the increased availability of alcohol. Only one submission, from the AHA, was received on this subject. The Committee does not believe it is appropriate for it to comment on the extension or otherwise of alcohol to supermarkets except to say that it has some concerns with relation to the exposure of alcohol to minors.

11.4 - RECOMMENDATIONS

11.4.1 The Committee recommends that an appropriately resourced study be undertaken to:-

- **(a) describe the food supply system in rural Tasmania and identify the factors influencing the distribution of food;**
- **(b) define strategies to address factors that impact upon the food supply and identify where they should be implemented; and**
- **(c) identify areas for investigation/intervention which could best be achieved through a collaborative project between the Department of Community and Health Services, the Department of Primary Industry**

and Fisheries, Department of Education and the Arts, Office of Consumer Affairs, producers, manufacturers, retailers, and consumers.

11.4.2 The Committee recommends that the Department of Education, in consultation with the Community Nutrition Unit of the Department of Community and Health Services initiate health education programmes in schools in rural and lower socio-economic areas.

11.4.3 That the role of the Tasmanian Nutrition Promotion Taskforce in coordinating the many stakeholders in the food system, both in the public and private sectors, be recognised and supported.

Parliament House
Hobart
4 December 1997

TONY BENNEWORTH MHA
Chairperson

APPENDIX 1

DOCUMENTS RECEIVED AND TAKEN INTO EVIDENCE

No.	Description	Date Tabled
1.	Ms. P. Reiljan submission dated 21st November, 1996	28/11/96
2.	Morris' Store submission dated 25th November, 1996	28/11/96
3.	Mr. R. G. Leitch submission dated 19th December, 1996	19/03/97
4.	Australian Hotels Association submission dated 16 January 1997	19/03/97
5.	Mr G. Thomas submission undated, received 30 January 1997	19/03/97
6.	Tasmanian Wine Education submission dated 16 January 1997	19/03/97
7.	Mr. L. T. R. Edgerton submission dated 9th February, 1997	19/03/97
8.	Confidential submission undated, received 26 February 1997	19/03/97
9.	SGS Australia Pty Ltd submission dated 24 February 1997	19/03/97
9A.	SGS at a Glance - (copy of overheads)	4/4/97
9B.	Quality and Safety in Food - SGS	4/4/97
9C.	Food & Beverage - ISO 9000 - A Passport to World Food and Beverage Markets - SGS	4/4/97
10.	National Council of Women of Tasmania submission dated 27 February 1997	19/03/97

10A.	Tasmanian Grocery Prices comparison, submitted at hearing of 27th May, 1997	27/5/97
10B.	Fax dated 2nd June, 1997 concerning Frequent Shopper Cards	21/11/97
11.	Tasmanian Independent Wholesalers submission dated 27 February 1997	19/03/97
11A.	Further submission dated 5 May, 1997	6/5/97
12.	Tasmanian Egg Farms submission dated 27 February 1997	19/03/97
12A.	Supermarket egg price comparison April '97	27/05/97
13.	Purity Supermarkets submission dated 27 February 1997	19/03/97
14.	The Retail Traders' Association of Tasmania submission dated 5th March 1997	19/03/97
15.	Confidential submission dated 7 March, 1997	19/03/97
16.	Coles Myer Ltd submission dated 12th March, 1997	19/03/97
17.	Eat Well Tasmania submission dated 10 March, 1997	19/03/97
17A.	Covering letter and Eat Well Tasmania - Baseline Survey 1995	21/11/97
17B.	Eat Well Tasmania - End of Year One Survey 1996	21/11/97
17C.	Workplace Food and Water Survey	21/11/97
17D.	Correspondence dated 7 August, 1997 - Funding of the Eat Well Tasmania Campaign	27/8/97
18.	Mr. Bruce Jackson, President, N.A.S.A.A. (TAS) submission dated 26th February, 1997	4/4/97
18A.	Submission to the Tasmanian Select Committee on Grocery Markets and Prices	4/4/97

18B.	Pamphlets - *Is it Really Organic?* - NASAA & *Thinking of Going Organic? Go with NASAA*	4/4/97
18C	NASAA - Standards for Organic Agricultural Production	4/4/97
19.	Confidential submission dated 10 April, 1997	21/11/97
20.	Community and Health Services, Community Nutrition Unit submission dated 1 May, 1997	6/5/97
20A.	Community Nutrition Unit - copy of a review of a Queensland Study of the Food Supply Report	16/6/97
21.	Department of Primary Industry - Quality Assurance in Primary Industry - General Summary Document	26/5/97
22.	Confidential submission dated 16 June, 1997	16/6/97
23.	Mothers Favourites submission dated 17 June, 1997	16/6/97
24.	Ms. Margaret Parry submission dated 2 July 1997	21/11/97
25.	Two Coles Supermarket catalogues - for southern and northern Tasmania	21/11/97
26.	Woolworths catalogue for the period 9 July 1997 until 12 July 1997	5/8/97
27.	*The Mercury, Tuesday, July 29, 1997 p.4*	5/8/97
28.	*Herald Sun, Thursday, July 24, 1997*	5/8/97
29.	*The Mercury, Thursday, July 24, 1997*	5/8/97
30.	*Retail World, June 23-27, 1997 pp. 19-20 & 27-28*	5/8/97
31.	Advertisement - "Apology" - received from National Meat Association - 27 August, 1997	27/8/97

31A.	National Meat Association of Australia, submission dated 27 August, 1997	27/8/97
32.	Tasmanian Farmers and Graziers Association, submission dated August, 1997	27/8/97
33.	Blue Ribbon Holdings Pty. Ltd., submission undated	9/9/97
34.	Simplot Australia, Devonport Production Centre - Video - "Bringing Earth's Resources to Life: - dated 20 August, 1997	9/9/97
35.	Attorney-General and Minister for Justice - letter dated 2 July, 1997 covering the following:- *The Queensland Food System: Description of Distribution, Marketing and Access*; *Food Retailing in Australia*; and *Index of Retail Prices in Regional Centres*	5/8/97
36.	Mr Ken Oakenfull, undated correspondence and price lists	5/8/97
37.	Correspondence from Mr Bob Boucher, dated 24 July 1997	5/8/97
38.	Extract from *Choice* magazine September 1996, pp. 6-13	21/11/97
39.	Extract from *Choice* magazine September 1992, pp. 8-9	21/11/97
40.	Correspondence from Mr Michael Kent, dated 16 July 1997	5/8/97
41.	Tasmanian Freight Equalisation Scheme Ministerial Directions	21/11/97
42.	The Prices Inquiry Board - Report to the Tasmanian Government on retail prices in Tasmania in relation to other Australian States	

		21/11/97
43.	Code of Practice for Computerised Checkout Systems in Supermarkets - 1995 - Trade Practices Commission	21/11/97
44.	D.N. Riddell submission dated 11 September, 1997	21/11/97

APPENDIX 2

WITNESSES

4.4.97	Estcourt, Stephen	Barrister, Chairman of the 1989 Prices Inquiry Board
	George, Peta	Manager (Tasmania), S.G.S. Australia Pty. Ltd.
	Phillips, Darren	Symbioun Australia
	Healy, Ikia	Kookaburra Enterprises
	Winter, Owen	Kookaburra Enterprises
	Jackson, Bruce	President (Tasmania), National Association for Sustainable Agriculture Australia Ltd.
	Reiljan, Piret	
6.5.97	Richardson, Lionel James	General Manager, Tasmanian Independent Wholesalers
	Nott, Graham	General Manager, Statewide Independemt Wholesalers
27.5.97	Kent, Michael	General Manager, Purity Supermarkets
	Grant, Linley	Honorary Secretary, National Council of Women
	Cramp, Rosemary	Convenor, Home Economics and Consumer Affairs Committee, National Council of Women
	Hughes, Roger	Co-ordinator, Community Nutrition Unit, Department of Community and Health Services
	Titmus, Barry	General Manager, Egg Marketing Board - Tasmania
	van Velzen, Deborah	Executive Officer, Eat Well Tasmania

	Woodward, David	Nutrition Consultant, University of Tasmania
	Morris, Jim	Owner/Manager Morris' Store, Swansea
	Baxter, Les	Manager, Horticulture Branch, Department of Primary Industry and Fisheries
	Griffiths, Hugh	Industry Development Officer, Department of Primary Industry and Fisheries
	Farquhar, Duncan	Horticulturist, Department of Primary Industry and Fisheries
16.6.97	Mills, Peter	State Manager, Coles Myer
	Ormerod, Roy	Acting Director, Office of Consumer Affairs
	Bowman, Noel	Managing Partner, Mothers' Favourite Foods
	Gibson, Kerry	General Manager, Tasmanian Freight Services Pty Ltd
5.8.97	Curran, Patrick	Marketing Manager, United Milk Tasmania
27.8.97	Gee, John	President, Tasmanian Farmers and Graziers Association
	Armstrong, Neil	Managing Director, Forth Farm Produce
	Pilgrim, Graeme	President, Tasmanian Division of the National Meat Association of Australia
12.9.97	Revell, Les	Plant Manager - Devonport, Simplot Australia

	Brand, Robert	Director, Blue Ribbon Meat Products Pty. Ltd.
	Best, Ted	Director - Tasmanian Operations - Cadbury Confectionery
25.9.97	Ralph Caccavo,	Owner/Manager, Ralphs Value Plus Supermarkets

APPENDIX 3
MINUTES OF PROCEEDINGS

WEDNESDAY, 20 NOVEMBER 1996

The Committee met in Committee Room 2, Parliament House, Hobart, at 9.10 am.

Members Present:

Mr *Benneworth*
Mrs *Bladel*
Mr *Cheek*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Ms *Giddings*.

ELECTION OF CHAIRPERSON

The Secretary took the Chair and read the Order of the House appointing the Committee and called for nominations for Chairperson.

Mr *Benneworth* was nominated by Mr *Cheek*.
Mrs *Hollister* was nominated by Mrs *Bladel*.

A ballot was held, and the result was:-

Mr *Benneworth* - 4 votes.
Mrs *Hollister* - 1 vote.

The Secretary then announced that Mr *Benneworth*, had been elected Chairperson.

Mr *Benneworth* took the Chair.

RESEARCH OFFICER

Resolved, That unless otherwise ordered, the Research Officer, Mrs Vena Boman, be admitted to the proceedings of the Committee whether in public or private session. (Mr *Cheek*)

Mrs Boman was admitted and took a seat.

OPEN HEARINGS

The Secretary circulated an extract of the Report of the House of Assembly Select Committee on Victimless Crime (Paper No. 74 of 1978) relating to open hearings of Committees.

Resolved, That the Committee follow the precedent established by the House of Assembly Select Committee on Victimless Crime in respect to the hearing of evidence, unless otherwise determined by the Committee. (Mrs *Bladel*)

CONDUCT OF THE INQUIRY

It was agreed to place advertisements in the three main daily newspapers, the *Huon News* and *Tasmanian Country* seeking submissions from interested individuals and organisations. It was further agreed to directly invite organisations, to be advised, for submissions. It was further agreed that the Inquiry be readvertised on Saturday, 25 January, 1997.

The Secretary advised that the Terms of Reference would be placed on the Parliament of Tasmania Internet 'Homepage'.

The Secretary circulated a draft advertisement which was accepted.

The closing date for submissions to be Friday, 28 February 1997.

BACKGROUND MATERIAL

The Committee requested copies of the 1989 Prices Inquiry Board Report to the Tasmanian Government on Retail Prices in Tasmania.

At 9.32 am, the Committee adjourned until Thursday, 28 November at 1.00 pm, in Committee Room 2.

THURSDAY, 28 NOVEMBER 1996

The Committee met in the Legislative Council 'Ante Room', Parliament House, Hobart, at 1.00 pm.

Members Present:

Mr *Benneworth*
Mrs *Bladel*
Ms *Giddings*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Cheek*.

Mrs Boman was in attendance.

PRICES INQUIRY BOARD REPORT

Mrs Boman summarised the findings of the Prices Inquiry Board Report to the Tasmanian Government on Retail Prices in Tasmanian (1989).

The Committee deliberated.

SUBMISSIONS

Ordered, That the following submissions be received and taken into evidence:-
Submission dated 21 November 1996 from Ms Piret Reiljan; and
Submission dated 25 November 1996 from Morris' Store, Swansea. (Mrs *Bladel*)

MINUTES

The Minutes of the meeting held on Wednesday, 20 November 1996 were read and confirmed as a true and accurate record.

WITNESSES

It was resolved to invite the following witnesses to give preliminary assistance to the Committee:-
Mr Steven Estcourt, Barrister
Ms Michelle Mason, Director, Office of Consumer Affairs
Hon Duncan Kerr MP
State Manager of Arnott's Biscuits Ltd

At 2.10 pm, the Committee adjourned until Monday, 3 February 1997 at 11.00 am, in Committee Room 2.

WEDNESDAY, 12 FEBRUARY 1997

The Committee met in the Government Party Room, Parliament House, Hobart, at 10.00 am.

MEMBERS PRESENT:

Mr *Benneworth* (Chairman)
Mrs *Bladel*
Mr *Goodluck*
Mrs *Hollister*

APOLOGIES

Apologies were received from Mr *Cheek* and Ms *Giddings*.

PRIVATE HEARING

The Committee deliberated on a closed and private hearing.

Resolved, In accordance with Standing Orders 365 and 366, the Committee resolves that the next witness to give evidence to the Committee do so in private that the identity of the witness be anonymous and that the evidence not be tabled in the House nor referred to or released by any person in any way. (Mr *Benneworth*)

EVIDENCE

An anonymous witness was called and was examined in private.

The Committee deliberated.

NEXT MEETING

It was agreed that the meeting proposed for 27 February next be cancelled and a new time and date be set in the next session of Parliament.

At 11.50 am the Committee adjourned till a date to be fixed.

WEDNESDAY, 19 MARCH 1997

The Committee met in Committee Room 2, Parliament House, Hobart, at 1.05 pm.

Members Present:

Mr *Benneworth*
Mrs *Bladel*
Mr *Cheek*
Ms *Giddings*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Goodluck*.

ELECTION OF CHAIRPERSON

The Secretary took the Chair and read the Order of the House appointing the Committee and called for nominations for Chairperson.

Mr *Benneworth* was nominated by Mrs *Bladel* and being the only nominee was declared elected and took the Chair.

RESEARCH OFFICER

Resolved, That unless otherwise ordered, the Research Officer, Mrs Vena Boman, be admitted to the proceedings of the Committee whether in public or private session. (Mrs *Bladel*)

OPEN HEARINGS

Resolved, That the Committee follow the precedent established by the House of Assembly Select Committee on Victimless Crime in respect to the hearing of evidence, unless otherwise determined by the Committee. (Mr *Cheek*)

SUBMISSIONS

Ordered, That the following submissions be received and taken into evidence:-

Mr. R. G. Leitch submission dated 19th December, 1996
Australian Hotels Association submission dated 16 January 1997
Mr D Thomas submission undated, received 30 January 1997
Tasmanian Wine Education submission dated 16 January 1997
Mr. L. T. R. Edgerton submission dated 9th February, 1997
Confidential submission undated, received 26 February 1997
SGS Australia Pty Ltd submission dated 24 February 1997
National Council of Women of Tasmania submission dated 27 February 1997
Tasmanian Independent Wholesalers submission dated 27 February 1997
Tasmanian Egg Farms submission dated 27 February 1997
Purity Supermarkets submission dated 27 February 1997
The Retail Traders' Association of Tasmania submission dated 5th March 1997
Confidential submission dated 7 March, 1997

Confidential submission dated 12th March, 1997
Eat Well Tasmania submission dated 10 March, 1997 (Mrs *Bladel*)

MINUTES

The minutes of the meetings held on Thursday, 28 November 1996 and Wednesday, 12 February 1997 were read and confirmed as a true and accurate record.

FUTURE MEETINGS

The Committee set aside Friday, 4 April and Monday, 28 April for the taking of oral evidence.

It was further decided to invite the persons and organisations who have provided a written submission to the Committee to give such evidence.

At 1.10 pm Mr *Cheek* withdrew.

CONFIDENTIAL EVIDENCE

Resolved, That pursuant to Standing Orders 365 and 366, any submission identified by its author or authors as being 'Commercial in Confidence' not be published and shall remain strictly confidential. (Ms *Giddings*)

OTHER MATTERS

The Chair advised the Committee that the Minister for Transport, Hon. *T. John Cleary* had expressed a desire to give evidence to the Committee. It was agreed to invite the Minister to give evidence.

Members of the Committee discussed individual invitations to inspect the operations of Tasmanian Independent Wholesalers which they had received. It was decided to seek an opportunity to inspect such operations as a Committee.

At 1.30 pm the Committee adjourned until 9.00 am, Friday, 4 April 1997.

FRIDAY, 4 APRIL 1997

The Committee met in Committee Room 2, Parliament House, Hobart, at 9.00 am.

Members Present:

Mrs *Bladel*
Mr *Cheek*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

Apologies were received from Mr *Benneworth* and Ms *Giddings*.

ACTING CHAIRPERSON

Ordered, That Mrs *Bladel* take the Chair as Acting Chairperson. (Mrs *Hollister*)

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Mrs Peta George, Manager (Tasmania), S.G.S. Australia Pty. Ltd

PAPER

Mrs George tabled the following papers:-

"SGS at a Glance" - (copy of overheads)
"Quality and Safety in Food - SGS"
"Food & Beverage - ISO 9000 - A Passport to World Food and Beverage Markets - SGS"

At 9.40 am Mr *Cheek* withdrew.

At 9.50 am the witness withdrew.

The Committee deliberated.

At 10.00 am Mr *Benneworth* took the Chair.

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Mr Stephen Estcourt, Barrister, Chairman of the 1989 Prices Inquiry Board

At 10.15 am Mr *Cheek* resumed his seat.

At 10.30 am the witness withdrew.

The Committee deliberated.

Suspension of Sitting from 11.05 am until 12.00 Noon.

WITNESSES

The following witnesses were called and made the Statutory Declaration:-

Dr Darren Phillips, Symbioun Australia
Mr Ikia Healy, Kookaburra Enterprises
Mr Owen Winter, Kookaburra Enterprises

Ordered, That such witnesses be heard *in camera* and that the transcript of such evidence be not presented to the House. (Mr *Goodluck*)

At 12.45 pm Mr *Cheek* withdrew.

At 1.00 pm the witnesses withdrew.

Suspension of Sitting from 1.00 pm until 3.00 pm.

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Mr Bruce Jackson, President (Tasmania), National Association for Sustainable Agriculture Australia Ltd.

PAPERS

Mr Jackson tabled the following papers:-

"Submission to the Tasmanian Select Committee on Grocery Markets and Prices"
"The National Association for Sustainable Agriculture Australia Ltd. - Standards for Organic Agricultural Production"
"Facsimile transmission dated 26.2.97 - Comments on Terms of Reference 3a, 4d, 4e and 4f"

At 3.45 pm the witness withdrew.

WITNESS

The following witness was called, made the Statutory Declaration and were examined by the Committee in public:-

Mrs Piret Reiljan

At 4.10 pm the witness withdrew.

The Committee deliberated.

FUTURE MEETING

The Committee set aside Tuesday, 6 May for a meeting in Launceston, for the principal purpose of inspecting the operations of Tasmanian Independent Wholesalers.

EVIDENCE

Ordered, That the papers tabled this day, be received and taken into evidence. (Mrs *Hollister*)

OTHER MATTERS

Ordered, -

(1) That the Minister for Primary Industry and Fisheries be invited to give evidence to the Committee regarding the involvement of the Department of Primary Industry and Fisheries in the organic food production industry.

(2) That the Managing Director of Cadbury Schweppes Pty Ltd be invited to give evidence to the Committee regarding the distribution system operating for produce manufactured in Tasmania. (Mrs *Hollister*)

Ordered, - That the Secretary enquire of other State and Territory legislatures and Ministers responsible for consumer affairs, as to whether or not inquiries of a similar nature had been conducted in such jurisdictions, and if so, to obtain a copy of any report if available. (Mr *Goodluck*)

At 4.30 pm the Committee adjourned until 9.00 am, Monday, 28 April, 1997 in Committee Room 2, Parliament House.

TUESDAY, 6 MAY 1997

The Committee met in the Board Room, Tasmanian Independent Wholesalers, Totters Lane Prospect, at 10.00 am.

Members Present:

Mr *Benneworth*
Mrs *Bladel*
Ms *Giddings*
Mr *Goodluck*

APOLOGIES

Apologies were received from Mr *Cheek* and Mrs *Hollister.*

MINUTES

The minutes of the meeting held on Friday, 4 April 1997 were read and confirmed as a true and accurate record.

CORRESPONDENCE

The Secretary reported to the Committee the receipt of the following letters from:-
Mr B. Docking, Executive Director, The Retail Traders' Association of Tasmania;
Mr I. McNeill, Clerk of the Legislative Assembly of the Northern Territory
Mr G.D. Mitchell, Clerk of the House of Assembly, Parliament of South Australia
Mrs J. Davis, Clerk of the Legislative Council, Parliament of South Australia
Mr A.V. Bray, Clerk of the Parliaments, Parliament of Victoria
Mr R.D. Grove, Clerk of the Legislative Assembly, Parliament of New South Wales

Ordered, That the Secretary enquire of the Australian Consumers Association, as to whether or not inquiries of a similar nature had been conducted, and if so, to obtain a copy of any report if available. (Mrs *Bladel*)

SUBMISSION

Ordered, That the following submission be received and taken into evidence:-

Community Nutrition Unit, Department of Community and Health Services - Submission dated 1 may 1997 (Mr *Goodluck*)

WITNESSES

The following witnesses were called, made the Statutory Declaration and was examined by the Committee in public:-

Lionel James Richardson, General Manager, Tasmanian Independent Wholesalers
Graham Nott, General Manager, Statewide Independent Wholesalers

PAPERS

Mr Richardson tabled the following papers:-

Correspondence dated 5 May 1997 to Ms Anne Marie Kitchin from Sam Richardson, General Manager, Tasmanian Independent Wholesalers;

News Release dated 5 May 1997 entitled "Southern Tasmanian Consumers Lose Out"; and
Survey - "Tasmanian Independent Wholesalers - Normal Weekly Shelf Price Comparisons".

Mr Nott withdrew.

Mr Richardson withdrew.

The Committee deliberated.

Ordered, That the papers distributed by Mr Richardson be taken into evidence. (Ms *Giddings*)

FUTURE MEETING

The Committee set aside Monday, 26 May to Wednesday, 28 May for future meetings.

At 12.30 pm Mr *Goodluck* withdrew.

INSPECTION TOUR

The Committee was conducted on a tour of Tasmanian Independent Wholesalers' warehouse by Mr Michael Lees, Warehouse Manager and Mr Nott.

At 1.10 pm the Committee adjourned until a date to be advised.

MONDAY, 26 MAY 1997

The Committee met in Committee Room 2, Parliament House, at 4.30 pm.

Members Present:

Mr *Benneworth*
Ms *Giddings*
Mr *Goodluck*

APOLOGIES

Apologies were received from Mrs *Bladel,* Mr *Cheek* and Mrs *Hollister.*

MINUTES

The minutes of the meeting held on Tuesday, 6 May 1997 were read and confirmed as a true and accurate record.

CORRESPONDENCE

The Secretary reported to the Committee the receipt of the following correspondence from:-

Bernadette Steele, Director, Office of Fair Trading and Business Affairs, Department of Justice, Victoria - 21 May 1997;
Hon. Bill Bonde, Minister for Primary Industry and Fisheries - 7 May 1997;
Denis G. Burke, Attorney-General, Northern Territory - 19 May 1997; and
Stuart Kay, Deputy Clerk (Committees), Legislative Council, Parliament of Western Australia.

PAPERS

The Secretary circulated the following Papers received from Hugh Griffiths, Industry Development Officer, Export Market & Industry Development Division, Department of Primary Industry and Fisheries -

"Quality Assurance in Primary Industry - General Summary Document"
"Scoping Paper on the Development of Quality Assurance In primary Industries"

Ordered, That the Papers be received and taken into evidence. (Ms *Giddings*)

The Committee deliberated on the evidence to be educed from the witnesses appearing before the Committee the following day.

At 4.55 pm the Committee adjourned until 9.00 am tommorrow.

TUESDAY, 27 MAY 1997

The Committee met in Committee Room 2, Parliament House, at 9.00 am.

Members Present:

Mr *Benneworth*
Mr *Cheek*
Ms *Giddings*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mrs *Bladel.*

WITNESSES

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Michael Kent, General Manager, Purity Supermarkets

The witness withdrew.

The following witnesses were called, made the Statutory Declaration and were examined by the Committee in public:-

Linley Grant, Honorary Secretary, National Council of Women
Rosemary Cramp, Convenor, Home Economics and Consumer Affairs Committee, National Council of Women.

Mrs Cramp withdrew.

Mrs Grant circulated the following Papers:-

"Tasmanian Grocery Prices - Butter Prices Coles Sandy Bay 26 May 1997"
"The Survey - Choice Magazine - September 1996"

Mrs Grant withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Roger Hughes, Co-ordinator, Community Nutrition Unit, Department of Community and Health Services

The witness withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Barry Titmus, General Manager, Egg Marketing Board - Tasmania

Mr Titmus circulated the following Paper:-

"Supermarket egg price comparison - April '97"

Mr *Cheek* resumed his seat.

The witness withdrew.

Ordered, That the Papers tabled this day be received and taken into evidence. (Mrs *Hollister*)

FURTHER EVIDENCE

Resolved, That further evidence be sought from the following sources:-

- a transport economist (Bob Cotgrove was suggested);
- Choice Magazine;
- Australian Competition and Consumer Commission;
- Office of Consumer Affairs;
- General Manager, Davids Pty Ltd; and
- freight service providers.

NEXT MEETING

Resolved, That the next meeting of the Committee be held on Monday, 16 June at 1.00 pm.

Suspension of Sitting 1.00 pm to 2.00 pm.

Members Present:

Mr *Benneworth*
Mr *Bladel*
Ms *Giddings*
Mr *Goodluck*

WITNESSES

The following witnesses were called, made the Statutory Declaration and were examined by the Committee in public:-

Deborah van Velzen, Executive Officer, Eat Well Tasmania
Dr David Woodward, Consultant, University of Tasmania

The witnesses withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Jim Morris, Owner/Manager Morris' Store, Swansea

The witness withdrew.

Suspension of Sitting 3.35 pm to 4.00 pm.

The following witnesses were called, made the Statutory Declaration and were examined by the Committee in public:-

Les Baxter, Manager, Horticulture Branch, Department of Primary Industry and Fisheries
Hugh Griffiths, Industry Development Officer, Department of Primary Industry and Fisheries
Duncan Farquhar, Horticulturist, Department of Primary Industry and Fisheries

The witnesses withdrew.

The Committee deliberated.

At 4.55 pm the Committee adjourned until 1.00 pm, Monday, 16 June in Committee Room 2.

MONDAY, 16 JUNE 1997

The Committee met in Committee Room 2, Parliament House, at 1.00 pm.

Members Present:

Mr *Benneworth*
Ms *Bladel*
Ms *Giddings*
Mrs *Hollister*

APOLOGIES

Apologies were received from Mr *Cheek* and Mr *Goodluck.*

WITNESSES

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Peter Mills, State Manager, Coles Myer

The witness withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Roy Ormerod, Acting Director, Consumer Affairs

The witness withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Noel Bowman, Managing Partner, Mothers' Favourite Foods

Mr Bowman circulated a submission.

At 3.37 pm Ms *Giddings* withdrew.

The witness withdrew.

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Kerry Gibson, General Manager, Tasmanian Freight Services Pty Ltd

Mr Gibson circulated a comparison of freight prices.

Resolved, That the submission from Mr Gibson contained commercially sensitive information and would remain strictly confidential. (Mrs *Hollister*)

Ms *Giddings* resumed her seat.

The witness withdrew.

MINUTES

The minutes of the meeting held on Tuesday, 27 May 1997, having previously been circulated, were confirmed as a true and accurate record.

CORRESPONDENCE

The Acting Secretary reported to the Committee the receipt of the following correspondence from:-

Doug Shave MLA, Minister for Fair Trading, Western Australia - 12 May 1997
Gary Humphries MLA, Minister for Fair Trading, ACT - 2 June 1997
Trevor Griffin, Minister for Consumer Affairs, South Australia - 30 May 1997
Geoff Prosser, Federal Minister for Small Business and Consumer Affairs, 29 May 1997
Mr R Doyle, Clerk of the Queensland Parliament, 26 May 1997
Peter McHugh, Clerk of the Legislative Assembly, Western Australia - 26 May 1997

PAPERS

Ordered, That the following Papers be received and taken into evidence -

Noel Bowman, Mothers' Favourite Foods, Submission
Kerry Gibson, Tasmanian Freight Services Pty Ltd, Submission
National Council of Women of Tasmania, Supplementary submission
Roger Hughes, Community Nutrition Unit, Department of Community and Health Services, Supplementary submission (Mrs *Bladel*)

FURTHER EVIDENCE

The Committee deliberated and decided to approach Mr Brian Ward, UMT, to give evidence and to seek a witness from Cadbury-Schweppes.

The Committee decided to write to Kelloggs, Unilever, Colgate-Palmolive, Uncle Ben and Arnotts to invite a representative to appear as a witness, or the company to provide a submission on its freight policy.

REPORT

The Committee noted that it would not be possible to meet the current reporting date, and that a motion to extend the deadline should be moved when the House of Assembly resumed.

NEXT MEETING

Resolved, That the next meeting of the Committee be held on Tuesday, 5 August at 9.00 am.

At 4.30 pm the Committee adjourned until 9.00 am, Tuesday, 5 August in Committee Room 2.

TUESDAY, 5 AUGUST 1997

The Committee met in Committee Room 2, Parliament House, at 10.00 am.

Members Present:

Mr *Benneworth* (Chairperson)
Ms *Bladel*
Mr *Cheek*
Ms *Giddings*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Goodluck.*

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Patrick Curran, Marketing Manager, United Milk Tasmania

The witness withdrew.

The Committee deliberated.

CORRESPONDENCE

The Secretary reported to the Committee the receipt of the following correspondence from:-

Hon. Louise Asher MP, Minister for Small Business, Victoria - 16 July 1997
Hon. Faye Lo Po' MP, Minister for Fair Trading, New South Wales - 18 June 1997

PAPERS

Ordered, That the following Papers be received and taken into evidence -

Bob Boucher, Director Customer Service & Logistics, Colgate-Palmolive Pty Ltd - 24 July 1997 - Correspondence
Michael J. Kent, State Manager, Purity Supermarkets - 16 July 1997 - Correspondence/Submission
Choice Magazine September 1992 - Article entitled "Value Judgements"
Roger Hughes, Co-ordinator, Community Nutrition Unit, Submission

Denver Beanland MLA, Attorney-General, Queensland, Correspondence dated 2 July 1997 covering the following:-

"The Queensland Food System: Description of Distribution, Marketing and Access"

"Food Retailing in Australia"

"Index of Retail Prices in Regional Centres of Queensland"

Ken Oakenfull, Correspondence and price list (Mrs *Bladel*)

FURTHER EVIDENCE

The Committee deliberated.

Resolved, That representatives of the following companies/organisations be invited to appear before the Committee:-

Harris Scarfe Ltd
Cadbury Schweppes Pty Ltd
Simplot Australia Pty Ltd
Forth Farm Produce Pty Ltd
Tasmanian Farmers and Graziers Association
Petuna Seafood
Tasmanian Aquaculture Council/Marine Farmers Association
Blue Ribbon Meat Products Ltd
Ralphs Value Plus Supermarket
Fourways Butchery, Devonport

REPORT

Ordered, That the Chairperson move for an extension of time for the bringing up of the Report of the Committee to Thursday, 27 November 1997 when the House of Assembly resumes. (Mrs *Hollister*)

Suspension of Sitting 11.10 am to 3.00 pm.

PRIVATE HEARING

The Committee met in the Government Party Room, Parliament House.

Resolved, That in accordance with Standing Orders 365 and 366, the next witness to give evidence do so in private, that the identity of the witness be anonymous, and that the evidence not be tabled in the House nor referred to or released by any person in any way. (Ms *Giddings*)

An anonymous witness was called and examined in private.

The witness withdrew.

PAPERS

Ordered, That the following Papers be received and taken into evidence -

Woolworths catalogue for the period 9 July 1997 until 12 July 1997
The Mercury, Tuesday, July 29, 1997 p. 4
The Mercury, Tuesday, July 29, 1997 p. 29
Retail World, June 23-27, 1997 pp. 19-20 & 27-28
The Mercury, Thursday, July 24, 1997
Herald Sun, Thursday, July 24, 1997

The Committee deliberated.

NEXT MEETING

The Committee set aside Tuesday, 26 and Wednesday, 27 August for hearings in Launceston and the North-west coast, such meetings subject to confirmation.

At 4.10 pm the Committee adjourned until a date to be fixed.

WEDNESDAY, 27 AUGUST 1997

The Committee met in Committee Room B, Public Buildings, St John Street, Launceston, at 9.30 am.

Members Present:

Mr *Benneworth* (Chairperson)
Ms *Giddings*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

Apologies were received from Ms *Bladel* and Mr *Cheek.*

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

John Gee, President, Tasmanian Farmers and Graziers Association

Mr Gee distributed a Paper entitled "TFGA SUBMISSION TO THE SELECT COMMITTEE ON GROCERY MARKETS AND PRICES - AUGUST 1997"

The witness withdrew.

The Committee deliberated.

MINUTES

The minutes of the meetings held on Monday, 16 June and Tuesday, 5 August 1997 were read and confirmed as a true and accurate record.

At 11.15 am the Committee adjourned until 2.15 pm in the Conference Room, 68 Rooke Street, Devonport.

Members Present:

Mr *Benneworth* (Chairperson)
Ms *Giddings*
Mrs *Hollister*

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Neil Armstrong, Managing Director, Forth Farm Produce

At 2.45 pm Mr *Goodluck* took his seat.

The witness withdrew.

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Graeme Pilgrim, President, Tasmanian Division of the national Meat Association of Australia

Mr Pilgrim distributed two Papers entitled:-
"SUBMISSION TO THE HOUSE OF ASSEMBLY'S SELECT COMMITTEE ON GROCERY MARKETS AND PRICES"; and
A copy of an advertisement relating to rump steak and headed "Apology"

The witness withdrew.

The Committee deliberated.

PAPERS

Ordered, That the following Papers be received and taken into evidence -

Correspondence to the Secretary from Ms Deborah van Velzen, Executive Officer, Tasmanian Nutrition Promotion Taskforce dated 7 August 1997 relating to the funding of the Eat Well Tasmania campaign; and
the documents abovementioned tabled this day. (Mrs *Hollister*)

FURTHER WITNESSES

Ordered, That a representative of Simplot Tasmania appear at the next meeting of the Committee. (Mr *Benneworth*)

At 3.40 pm the Committee adjourned until Tuesday, 9 September at a time to be fixed.

TUESDAY, 9 SEPTEMBER 1997

The Committee met in Committee Room 2, Parliament House, at 9.00 am.

Members Present:

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Ms *Giddings*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Cheek*.

WITNESSES

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Les Revell, Plant Manager - Devonport, Simplot Australia

Mr Revell tabled a video tape entitled "Simplot Australia Devonport Production Centre presents "Bringing Earth's Resources to Life" 20/08/97"

Resolved, That the Committee continue the examination of the witness *in camera*, and that the evidence identified as being commercial-in-confidence be not tabled.

The witness withdrew.

The Committee deliberated.

Suspension of Sitting 10.18 am to 10.38 am.

The following witness was called, made the Statutory Declaration and was examined by the Committee *in camera*:-

Robert Brand, Director, Blue Ribbon Meat Products Pty. Ltd.

Mr Brand circulated the following Paper:-
"Blue Ribbon Meat Holdings Limited - Select Committee on Grocery Markets and Prices"

The witness withdrew.

The Committee deliberated.

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee in public:-

Ted Best, Director - Tasmanian Operations - Cadbury Confectionery

The witness withdrew.

The Committee deliberated.

MINUTES

The minutes of the meeting held on Wednesday, 27 August 1997 were read and confirmed as a true and accurate record.

EVIDENCE

Ordered, That the Paper and video tabled this day be taken into evidence. (Ms *Giddings*)

Ordered, That the transcript of evidence heard *in camera* be not tabled. (Mr *Goodluck*)

Suspension of Sitting 12.30 pm to 12.40 pm.

The Committee met in the Speaker's Rooms.

VIDEO PRESENTATION

The Committee viewed the video entitled "Simplot Australia Devonport Production Centre presents "Bringing Earth's Resources to Life" 20/08/97"

DRAFT REPORT

Ordered, That a Draft Report be prepared for the consideration of the Committee. (Mrs *Bladel*)

At 1.05 pm the Committee adjourned until a date to be fixed.

THURSDAY, 25 SEPTEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 1.25 p.m.

Members Present:

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Cheek.*

WITNESS

The following witness was called, made the Statutory Declaration and was examined by the Committee:-

Mr. Ralph Caccavo, Owner/Manager, Ralphs Value Plus Supermarkets.

The witness withdrew.

MINUTES

The minutes of the meeting held on Tuesday 9 September, 1997 were read and confirmed as a true and accurate record.

At 2.29 pm the Committee adjourned until a date to be fixed.

FRIDAY, 21 NOVEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 9.00 a.m.

Members Present:

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Ms Giddings
Mr *Goodluck*

APOLOGY

An apology was received from Mrs *Hollister.*

MINUTES

The minutes of the meeting held on Thursday, 25 September, 1997 were read and confirmed as a true and accurate record.

DOCUMENTS

Ordered, That the following documents were taken into evidence:-

Fax dated 2nd June, 1997 concerning Frequent Shopper Cards;
Covering letter and Eat Well Tasmania - Baseline Survey 1995;
Eat Well Tasmania - End of Year One Survey 1996;
Workplace Food and Water Survey;
Confidential submission dated 10 April, 1997;
Ms. Margaret Parry submission dated 2 July 1997;
Two Coles Supermarket catalogues - for southern and northern Tasmania;
Extract from *Choice* magazine September 1996, pp. 6-13;
Extract from *Choice* magazine September 1992, pp. 8-9;
Tasmanian Freight Equalisation Scheme Ministerial Directions;
The Prices Inquiry Board - Report to the Tasmanian Government on retail prices in Tasmania in relation to other Australian States;
Code of Practice for Computerised Checkout Systems in Supermarkets - 1995 - Trade Practices Commission; and
D.N. Riddell submission dated 11 September, 1997 (Ms *Giddings*)

DRAFT REPORT

The Chairperson brought up a draft report which the Committee proceeded to consider.

Chapter 1 - Appointment and Terms of Reference

Paragraphs 1.1 to 1.4 agreed to with minor amendments.

Chapter 2 - Introduction

Paragraphs 2.1.1 to 2.2.3 agreed to with a minor amendment.

Chapter 3 - Contribution of the Food and Grocery Sector

Paragraphs 3.1.1 to 3.2.2 agreed to with minor amendments.

Paragraphs 3.2.3 to 3.4.1 postponed.

Chapter 4 - Importance of a Viable Local Processing and Manufacturing Sector

Paragraphs 4.1.1 to 4.2.1 agreed to with a minor amendment.

Paragraphs 4.2.2 to 4.2.3 postponed.

Paragraphs 4.2.4 to 4.2.11 agreed to with minor amendments.

At 9.45 am Mrs *Bladel* withdrew.

Paragraph 4.2.12 postponed.

Paragraphs 4.2.13 to 4.3.5 agreed to with minor amendments.

Mr *Cheek* took his seat.

Paragraphs 4.3.6 to 4.3.7 agreed to.

Paragraphs 4.4.1 to 4.4.4 postponed.

Chapter 5 - Improvement of Economies of Scale

Paragraphs 5.1.1 to 5.2.1 agreed to with minor amendments.

Paragraphs 5.2.2 to 5.2.4 postponed.

Paragraphs 5.2.5 to 5.3.1 agreed to with minor amendments.

Mrs *Bladel* resumed her seat.

Paragraph 5.3.2 postponed.

Paragraphs 5.3.3 to 5.3.5 agreed to with minor amendments.

Paragraph 5.4.1 to 5.4.6 postponed.

Chapter 6 - Factors Contributing to Higher Retail Grocery Prices in Tasmania

Paragraphs 6.1.1 to 6.2.13 agreed to with minor amendments.
Paragraph 6.2.14 postponed.

Paragraphs 6.2.15 to 6.2.16 agreed to with minor amendments.

At 12.05 pm the Committee adjourned until 1.00 pm, Monday, 24 November 1997 in Committee Room 4.

MONDAY, 24 NOVEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 1.00 p.m.

Members Present:

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Ms Giddings
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mr *Cheek*.

MINUTES

The minutes of the meeting held on Friday, 21 November, 1997 were read and confirmed as a true and accurate record.

DRAFT REPORT

The draft Report was further considered.

Chapter 6 - Factors Contributing to Higher Retail Grocery Prices in Tasmania

Paragraphs 6.2.17 to 6.2.32 agreed to with minor amendments.

Paragraph 6.2.33 deleted.

Paragraph 6.2.34 postponed.

Paragraphs 6.2.35 to 6.2.55 agreed to with minor amendments.

Paragraph 6.2.56 deleted.

Paragraphs 6.2.57 to 6.2.71 agreed to with minor amendments

Paragraph 6.2.72 postponed.

Paragraphs 6.2.73 to 6.2.75 agreed to with minor amendments.

Paragraphs 6.3.1 to 6.4.5 postponed.

Chapter 7 - 1989 Prices Inquiry Board

Paragraphs 7.1.1 to 7.2.8 agreed to.

Paragraphs 7.3.1 to 7.4.4 postponed.

Chapter 8 - Price Monitoring or other Legislative Action

Paragraphs 8.1.1 to 8.2.5 agreed to with minor amendments.

Paragraphs 8.3.1 to 8.4.2 postponed.

Chapter 9 - Other Matters

Paragraphs 9.1.1 to 9.2.8 agreed to with minor amendment.

Paragraph 9.2.9 postponed.

Paragraphs 9.2.10 to 9.2.13 agreed to with minor amendment.

Paragraphs 9.3.1 to 9.4.6 postponed.

At 4.35 pm the Committee adjourned until 6.00 pm, Wednesday, 26 November 1997 in Committee Room 4.

WEDNESDAY, 26 NOVEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 6.00 p.m.

Members Present:

Mr *Benneworth* (Chairperson)
Mrs *Bladel*
Mr *Cheek*
Ms Giddings
Mr *Goodluck*
Mrs *Hollister*

DRAFT REPORT

The draft Report was further considered.

New paragraph 3.2.2A was inserted to follow paragraph 3.2.2.

The following postponed paragraphs were reconsidered and agreed to with minor amendment:-

3.2.3 to 3.2.7; 4.2.2 to 4.2.3; 4.2.12; 5.2.2 to 5.2.4; 6.2.14; 6.2.34; 6.2.72; and 9.2.9.

Postponed paragraph 5.3.2 deleted.

Findings and Recommendations

Postponed paragraph 3.3.1 deleted.

Postponed paragraphs 3.3.2 to 3.3.3 agreed to with minor amendment.

Postponed paragraph 3.4.1 retitled "Preamble".

Postponed paragraphs 4.3.1 to 4.4.1 agreed to with minor amendment.

Postponed paragraph 4.4.2 read and further postponed.

Postponed paragraphs 4.4.3 to 4.4.4 agreed to with minor amendment.

Postponed paragraph 5.3.1 agreed to with minor amendment.

Postponed paragraph 5.3.2 deleted.

Postponed paragraphs 5.3.3 to 5.4.6 agreed to with minor amendment.

Postponed paragraphs 6.3.1 to 6.3.5 agreed to with minor amendment.

At 7.30 pm the Committee adjourned until Noon, Tuesday, 2 December 1997 in Committee Room 4.

TUESDAY, 2 DECEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 1.00 p.m.

Members Present:

Mr *Benneworth* (Chairperson)
Mr *Cheek*
Ms Giddings
Mr *Goodluck*
Mrs *Hollister*

APOLOGY

An apology was received from Mrs *Bladel*.

DRAFT REPORT

The draft Report was further considered.

Findings and Recommendations

Postponed paragraph 4.4.2 agreed to.

Postponed paragraph 6.3.6 reconsidered and further postponed.

Postponed paragraphs 6.3.7 to 6.4.1 agreed to with minor amendment.

Postponed paragraph 6.4.2 deleted.

Postponed paragraph 6.4.3 agreed to with minor amendment.

Postponed paragraph 6.4.4 reconsidered and further postponed.

Postponed paragraph 6.4.5 deleted.

Postponed paragraphs 7.3.1 to 7.3.4 agreed to with minor amendment.

Postponed paragraph 7.4.1 deleted.

Postponed paragraph 7.4.2 agreed to.

Postponed paragraph 7.4.3 reconsidered and further postponed.

Postponed paragraphs 7.4.4, 8.3.1 to 8.4.1, and 9.3.1 to 9.3.6 agreed to with minor amendment.

Postponed paragraph 9.3.7 deleted.

Postponed paragraph 9.4.1, 9.4.3 and 9.4.5 agreed to with minor amendment.

Postponed paragraphs 9.4.2, 9.4.4 and 9.4.6 deleted.

At 2.30 pm the Committee adjourned until 1.00 pm, Thursday, 4 December 1997 in Committee Room 4.

THURSDAY, 4 DECEMBER 1997

The Committee met in Committee Room 4, Parliament House, at 1.00 p.m.

Members Present:

Mr *Benneworth* (Chairperson)
Ms Giddings
Mr *Goodluck*
Mrs *Hollister*

APOLOGIES

Apologies were received from Mrs *Bladel* and Mr *Cheek*.

MINUTES

The minutes of the meetings held on 24 and 26 November and 2 December 1997 were read and confirmed as a true and accurate record.

DRAFT REPORT

The draft Report was further considered.

Postponed paragraphs 6.3.6, 6.4.4 and7.4.3 reconsidered and agreed to with amendment.

The draft Report as amended was agreed to.

Ordered, That the Report be brought up on Wednesday, 10 December next.

At 1.35 pm the Committee adjourned *sine die*.