

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART, ON MONDAY 16 JUNE 1997.**

**Mr PETER MILLS, STATE MANAGER, COLES SUPERMARKETS, WAS
CALLED, MADE THE STATUTORY DECLARATION AND WAS
EXAMINED.**

CHAIRMAN (Mr Benneworth) - Thank you, Mr Mills, and welcome to the committee.

By way of introduction, I would like to take this opportunity to congratulate Coles Myer on the work it does for Tasmania and on its commitment to the State of Tasmania. I would like to assure you that this is not a witch-hunt; that we have examined Mr Michael Kent from Purity, and we have examined quite a number of other witnesses throughout the State during this inquiry.

You are aware of the terms of reference; I presume that you have read them. I would like to congratulate you and your company on the submission that you have given the committee and, as I alluded to earlier, that submission was given to us in March 1997.

It is our practice to ask you to say whatever you would like to say to the committee, and then we would ask you a series of questions. If you are happy with that, it is basically over to you.

Mr MILLS - Thank you very much for the opportunity to give a summary of our submission.

My name is Peter Mills. As I said before, I am the State Manager of Coles Supermarkets in Tasmania. Coles operates 382 stores nationwide. I am responsible for the operations of the fourteen stores in Tasmania. Since opening the first Coles store in Tasmania in Glenorchy in 1965, Coles has invested more than \$50 million in building, maintaining, fitting out and modernising our stores in Tasmania. During 1995 and 1996 alone we spent nearly \$1 million on new equipment for our Launceston distribution centre, and the contractor who operates our dairy and frozen food warehouse has invested a further \$2.5 million. Since 1995 we have spent nearly \$16 million refurbishing many of our supermarkets in Tasmania.

Coles employs more than 1 300 people in Tasmania. In 1996 our employment, training and development costs exceeded \$21 million. Many other Tasmanians are employed because of our operation in this State. In 1996 we spent \$200 million - approximately \$4 million a week - on produce, merchandise and services for our stores nationally.

Coles has a policy of working closely with local suppliers to develop products suitable for its stores on a local, regional and national basis. Coles is a major purchaser of Tasmanian produce which is frozen and packaged under the private label and shipped to stores across Australia. The Tasmanian firm, Tassal Salmon, has developed a national market for its produce with Coles. Other firms, such as Blue Ribbon Smallgoods and Maypole Salads, have developed statewide markets with Coles.

Food retailing is a high-volume, low-margin business. Last year Coles Supermarkets' margin on sales before profit and tax was only 3.1 cents in the dollar. The industry is one of the most competitive in Australia and it is extremely competitive in Tasmania. Industry figures show that we have approximately 400 food stores serving a population of 473 000 in Tasmania.

On industry estimates, Coles holds about 22 per cent of the market, with its two major competitors in the State sharing about 73 per cent. Coles' prices are consistently competitive with its major two rivals. We also monitor and respond to competition from independent and local food retailers. If our prices were not competitive, we would not survive in a market that is small by national standards, and certainly widely dispersed.

People outside the food industry often talk of attracting another major entrant to either the wholesale or retail side of the industry here in Tasmania. They speak of opportunities here, but no new competitor has emerged. We doubt that another major retailer would establish stores in Tasmania because of the lack of suitable sites, high costs, the low volume and the very stiff competition that already exists here.

Population trends indicate there are other more attractive opportunities. In the next ten years Tasmania's population will grow by approximately 3.6 per cent, while Queensland's population will grow by more than 20 per cent, and with the national average, will be around about 12 per cent.

While Coles believes it is unlikely that another major competitor will emerge in Tasmania, we would not shrink from any new competition. The experience in other States indicates there would be a period of fierce price cutting as the new competitor tried to gain market share. This would be followed by a period of price stability, and then the prices would return to the current level.

In the long run we do not believe a new competitor in Tasmania would gain sufficient market share to warrant continued investment for operation. Our customers, and we believe most Tasmanians, accept that our unique

geographic location brings with it lifestyle benefits, but at a cost. Last year Coles had more than 8 million customer transactions in Tasmania.

Our national records show that there was approximately 650 queries or complaints from our customers in Tasmania, and of these only eleven related to prices. Of the eleven price-related queries, one concerned pricing policy, two were about competitive pricing, and eight queried price increases. Our customers do not expect the prices to be the same as in Sydney where the population is eight times larger than in our entire State. They know our costs of operation are higher, but they do not appreciate how much higher.

Our submission shows transport costs to Tasmania to be around 334 per cent higher than costs over similar distances on the mainland. Dairy food and fresh produce costs about 55 per cent more to distribute, and a carton of groceries approximately 35 per cent more than our next lowest turnover State.

Marketing costs, including advertising in newspapers and catalogues, are 70 per cent higher than on the mainland. State charges and taxes are also higher. Our 7.1 per cent payroll tax is 20 per cent to 40 per cent higher than in some of the other States, and electricity costs are higher than in some of the other States. While our costs of operating in Tasmania are higher than they are in other States, the committee would be aware that the rate of price increase for food is lower in Tasmania than in most other States.

Over the years Coles, and indeed all major competitors in the food retailing industry, have been subjected to periodic price inquiries in Tasmania and in other States. No industry comes under greater scrutiny; few industries suffer as many well-informed and self-serving attacks from special interest groups. Such attacks are probably more frequent in Tasmania than they are in many of the other States. They continue despite the findings of the 1989 inquiry into food prices in Tasmania. It found that government price controls were unworkable and ultimately only increased costs to the consumer. It also found that full-scale price monitoring programs are not cost-effective. It also found that politically inspired and well meaning but amateurish price comparisons are undesirable alternatives.

The committee has been asked to examine potential opportunities and incentives for new food producers, processors and manufacturers to establish themselves in Tasmania. It would be appropriate to examine how the existing industry - food retailers who have already invested many millions of dollars in the State - could also be assisted to be more effective.

There are two clear opportunities. The first is to reduce State government charges and taxes. This would provide an opportunity for retailers to pass on the savings to consumers in lower prices. The second would be 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.

Already 60 per cent of Australians have the freedom to shop when and where they please. Tasmanians should have the same freedom. However, our stores are forced to close often at the very times people want to shop, and certainly at times that are well used in New South Wales, Victoria, the ACT and Northern Territory, and in other areas in other States where trading hours' restrictions have been lifted.

I thank you for the opportunity to summarise our submission. I will try and answer any questions that you have, understanding that I manage the stores in Tasmania. My primary focus is on this State. The submission does cover areas that are managed out of national office and are not within my direct knowledge.

CHAIRMAN - Thank you very much for a very good summary, I think, of your submission to the committee. Questions?

Mrs BLADEL - Through you, Mr Chairman, to Mr Mills. One of the complaints that we have had from people is the transporting of Tasmanian goods to central warehouses and then redistributing from the mainland

central warehouse back to Tasmania. Is that something that cannot be changed?

Mr MILLS - I think that in the majority of cases those people are using other distribution networks to assist them, but it is very difficult, as we said in our submission. Tasmania has a very low population and it is spread out sparsely throughout the State, and for many companies they do not really have the opportunity to get it to the stores using their own distribution methods. Quite often it may be cheaper to do it that way, but there is also the other companies that send their goods to the mainland to be manufactured or to be packaged, and that is another reason as well.

Mrs BLADEL - Yes, it does seem strange though when we have companies like Lactos cheese or Cadbury's or Tassal, for instance, and their product has to go to the mainland and then it comes back to us.

Mr MILLS - I could not give you specific names of every company that do it, but many of the companies get their lines actually packaged over there too before they are actually distributed.

Ms GIDDINGS - On one of those specific products, Atlantic salmon was one that I looked at at one stage, where that was being sold cheaper on the mainland than it was here, although it was a local produce. Can you explain why that would be then?

Mr MILLS - I think that was the example with the Queensland price, was it?

Ms GIDDINGS - There was Queensland, New South Wales, yes.

Mr MILLS - The price that I saw - we did go and check that, and that was on special in Queensland at that time.

Ms GIDDINGS - There were a number of prices though at that time.

Mr MILLS - I think the other price was the King Island cream. Is that correct? We also checked and found that that was actually sent over to Victoria to be packaged, so it actually did emanate from Victoria.

Ms GIDDINGS - Right. It just seems that some of the reasons that have been bought up in terms of high electricity costs here, or high payroll costs, et cetera, they would be excuses that would also be on the Tasmanian product that is produced here and then sold on the mainland for a cheaper price. If you are talking about your packaging, then maybe that is an added cost that comes back to Tasmania. But it just seems strange that our own products, like the salmon that I was talking about, can be sold cheaper there than here when the same costs are being incurred, as well as the transport costs across the strait.

Mr MILLS - Well, many of those products, as I have said, do get packaged in Victoria.

Ms GIDDINGS - But not all of them though.

Mr MILLS - No. Well, also the other thing that comes into it is that we are competitive in Tasmania.

Ms GIDDINGS - That is the issue. I guess we might be competitive against stores in Tasmania but we are not competitive when we compare ourselves to mainland States. Some of those reasons you have given in your submission, and I will be looking more at that for my own opinion. But it

just seems that there is a bit of inconsistency at times.

CHAIRMAN - I just wanted to pick up the point of comparisons, if I could at this stage, and take you to page 20 of your report - and I probably sound as if I am singling Coles out here but I am not. One of the things that has come through to the committee during this entire process has been the majors' inability to accept comparative prices between Tasmania and the mainland; no one really wants to compare the two. Indeed I do not think I would be wrong in saying that everyone says it is impossible to anyway, or you need to be an expert to do it.

On page 20 of your report, you actually have used some examples of moving averages; you have compared Hobart with Sydney, Melbourne, Brisbane, Adelaide. On page 21 you go into further comparisons, this time moving annual percentage rates between the States. On page 22 you say, 'On a minute's work to buy basis' - which I would have suggested to you is a very minute comparison - 'most groceries are cheaper in Hobart today than they were 23 years ago. The conclusions come from an examination of ABS data by Jim Lang and Associates, which was commissioned by Coles'.

I am making this point because at the end of the report your company says, as does Roelf Vos and Purity - or Woolworths, should I say - and as do other people that talk to us, 'It is inappropriate to compare retail prices in Tasmania with those of other cities'. So the retailers are saying to us, 'You really can't compare us to the mainland', and yet in your own sets of figures you do it, and you give us quite good examples.

I would like to know, for this committee's sake, how do you compare prices. Mr Kent sits here and says, 'We are at least 5 per cent dearer than the mainland'. I think from all circumstantial evidence we know we are 5 to 8 per cent dearer than the mainland, yet no one is prepared to say, 'How do you actually work it out?' Everyone criticises methods used - and I know political parties use methods. The University of Tasmania I think has had a crack at it; the Australian Bureau of Statistics have had a crack at it, but no one says they are right.

I would like to know from Coles - from you - how do you compare prices; how do you get a flat game of footie; how do you get an absolute level playing field, so I can compare that can of baked beans to that can of baked beans across State lines? It is a pretty long way of saying to you, how do you do these comparisons?

Mr MILLS - It is very difficult to do those comparisons because pricing is changing all the time; it changes from day to day. It changes because of the manufacturers' increasing prices; it changes from competition levels; there are just many influences in prices changing. A price check yesterday would be different today.

Mrs BLADEL - Excuse me, Tony - is that a product, Mr Mills? Are we talking about a product here?

Mr MILLS - We are talking about across the board.

Mrs BLADEL - All products?

Mr MILLS - All products are influenced by competition; they are influenced by price increases; they are influenced by specials - they might be on special for a month - they are influenced by special buys. Products are changing all the time.

CHAIRMAN - In that case, how can your company come up and give this committee a set of figures which really says, 'These are definite'?

Mr MILLS - All our company is trying to do in the submission is give a balanced view, and in that submission, as it says, we got the help of an economist to put the way we see it across. But I do not think - all it is going to give is make a total submission of different ways of looking at it. But

there is no sure way of comparing prices on a day-to-day basis because it is not possible.

Mrs BLADEL - But then there is a relativity, apparently, otherwise you would not have been able to supply that set of figures in your submission.

Mr MILLS - I am not 100 per cent sure of how all the figures were put together, but if you do want more information, I can certainly provide it.

CHAIRMAN - You have quoted Jim Lang and Associates. Would you mind asking your head office if this committee can speak to Jim Lang and Associates, because you really are quoting that company, I suspect, as a very highly-respected company? If your company is using them, then I would love to speak to Jim Lang and Associates and see what methodology they are using, because one of the things I think this committee would like to know, and like to place in front of the public of Tasmania, is a comparison because I think the committee believes that the people of Tasmania are entitled to know.

Mr MILLS - We are saying from our point of view that monitoring prices has been tried many different ways, and it is a very difficult thing to do because it is a moving target all the time.

CHAIRMAN - Yes, it is. I almost feel sorry having to ask these questions, but it has been the one thing throughout this inquiry that we have not been able to establish - the method of comparing prices - and I think that the Tasmanian people deserve to know. I am just making that as a comment. However, I hear what you are saying. Would you take on notice to ask head office to give us permission to speak to Jim Lang and Associates because I think it would be very beneficial to us?

Mr MILLS - Yes.

Mrs HOLLISTER - Could I go back to your comment about the transport costs please, Mr Mills? You are saying that transport costs for groceries to Tasmania are 332 per cent greater than the average cost over similar distances on the mainland. You are taking in the Bass Strait component as well as the travel within the State?

Mr MILLS - Yes.

Mrs HOLLISTER - So what mark-up does that have on similar - can you give some idea of the impact that has on ordinary prices compared to here and the mainland? If you are saying it is 334 per cent more than elsewhere, how does that transfer?

Mr MILLS - Well, we are saying we are about 6 to 7 per cent dearer than Victoria, but it is very difficult for me to sit here and give you a benchmark of what it does to each separate product because, as I said before, that is a competition factor that comes into that and it is very difficult to do.

Mrs HOLLISTER - It has been put to us as a committee over the hearings that some mainland producers and manufacturers refer to Tasmania as the 5 per cent margin State. I just wonder if you would care to comment on that. That is before any of these add-ons are taken into account.

Mr MILLS - Well, I think the only comment I could make on that is that we are competitive within Tasmania. I do not really understand - you are saying a 5 per cent extra margin; is that what you mean?

Mrs HOLLISTER - Yes. It was put to us in our evidence that it is considered that in Tasmania you can pick up an extra 5 per cent on your prices compared to other States, and that is coming from the manufacturer's

point of view rather than the industry point of view, such as your -

Mr MILLS - Obviously I cannot speak for the manufacturers, but they do not distribute a lot of the goods over to here and pay the freight bill, and in a lot of cases they do not distribute goods within Tasmania. They might say that but -

Mrs BLADEL - You do not think there is any veracity in that?

Mr MILLS - Well, what I am saying is, the cost of doing business in Tasmania is very, very high.

Mrs BLADEL - Yes, you have already said that. How much influence does sales tax have on pricing?

Mr MILLS - Sales tax differs for different categories right across the board, from what I know, and I really could not comment on that because that would be dealt with from our national office. We do not deal with that within the State.

Mrs BLADEL - Is that one of the reasons why goods are taken to a central distribution point and taxed at the point of distribution rather than - I mean, the independent shopkeepers have a different situation, have they not?

Mr MILLS - I quite honestly could not tell you how that works but, keeping in mind that we distribute goods through our Launceston DC, we also have a lot of goods that are distributed from a DC in Melbourne to us.

Mrs BLADEL - I am sorry to harp on this. If you have a Launceston distribution point, why is it not possible for those goods that are manufactured packaged - I can think of a lot of Tasmanian products; there is a lot of stuff manufactured in smallish quantities, but very popular brand items that are packaged here in Tasmania. I can think of Granny Gibson's jam and Dorans' products, for instance, and there is a lot of Cadbury's stuff, as we know.

Mr MILLS - I can give you quite a list of them; there is a lot that we deal with.

Mrs BLADEL - Yes, there is a lot. I hate to push this point, but why can those products that are packaged here, that are for the Tasmanian market, not just go straight to your Launceston distribution point and then taken to those dispersed points around the State that you mentioned before, instead of having to go back? As Di has already pointed out, that 334 per cent transport is going and coming, is it not? So why not? It seems very simple to me that you could hive off -

Mr MILLS - I will give you a little bit of an idea on that. At the moment we probably get about 7 000 lines out of our Launceston DC, and we also get a further 5 000 or 6 000 lines out of our Hampton Park DC - distribution centre - within Victoria. The fact of the matter is, having fourteen stores in Tasmania, we cannot really build a bigger distribution store because we cannot invest the money; we would not get the return with fourteen stores to build a distribution centre to hold all those lines.

I think you would all understand the range explosion that has been happening on the shelves of supermarkets over the last couple of years - there are just many, many more lines - and the only way we have been able to cope with that is actually source those lines from a Victorian DC.

Mrs BLADEL - But if you already -

Mr MILLS - We source the lines from our Launceston DC that are fairly fast flowing, that we need to have quick service to stores. That is what we use the Launceston DC for; it is a fast-flow warehouse. Many of the lines you are talking about are not fast flow.

Mrs BLADEL - But we still sell them here.

Mr MILLS - Yes, we do.

Mrs BLADEL - So you are still taking them across, then you are hiving off, or you are sending back a proportion. Whether they sell fast or slow, you are still sending them back. So you are saying you could not accommodate bulk purchases of those lines, but if they were for the Tasmanian market, surely there would not be that much more to accommodate than what you accommodate through sending back.

Mr MILLS - Well, you are talking about a normal supermarket. I guess taking everything into it now is about 27 500 lines. That is taking in all categories right across the board. We cannot source all those lines within Tasmania from the DC here; it is just not possible.

Mrs HOLLISTER - Mr Mills, the rental costs in Tasmania compared with other States - and I realise you can only comment on the situation here - but several people who have given evidence have talked about the additional costs of doing business in Tasmania, and you have expanded on that today - the higher payroll tax, et cetera. Surely the rental is cheaper in Tasmania compared with the mainland. I am aware of the figures you have given in your submission about the increase in 1994-95 by 4.1 per cent and a further increase in rents of 6.7 per cent in 1995-96, but overall is it not swings and roundabouts? Is it not cheaper to set up either a distribution centre or have the rental on all of your fourteen stores? Is that not a considerable saving compared to the rental that would be paid on the mainland, particularly in metropolitan centres?

Mr MILLS - But we are not using a different warehouse in Victoria; we are using an already existing warehouse - one that supplies Victoria. But keeping in mind that we only have fourteen stores here, we have a lower population and therefore we have a lower volume than other States.

CHAIRMAN - I think Mrs Hollister may well be talking about the stores though, not the distribution centre.

Mr MILLS - Oh, sorry.

Mrs HOLLISTER - Yes, I am sorry. I brought the distribution centre in, but the rental costs on your fourteen stores and your distribution centre, surely that would be cheaper here in Tasmania than running a similar thing in Victoria and New South Wales or Queensland? So is there not a bit of a trade-off there? We hear about all the add-ons that are going to mean it is more expensive to do business, supposedly, here in Tasmania. But there are some wins too, because rents would be cheaper, would they not?

Mr MILLS - I could not give you those specific figures, but I could get them. I do not have those specific figures as compared to other States. But keep in mind that the volumes here are less too.

Mrs HOLLISTER - Could I just continue - I am going on another track here. I am interested in your comments about organic produce in the store, and that is part of our reference.

CHAIRMAN - Just before we go there, can we just hold that for a minute, because I just want to take that another step. I note that you say to us that the cost of doing business in Tasmania is more expensive than it is on the mainland. I would like to take you to dot point 12 on page 4 where you say - and I quote: 'Procedures for setting retail margins on products have been well established over time, and factors considered when prices are established include competition, a target return on investment' - and that is

the one I want to concentrate on. Can you categorically tell this committee, under oath, that your target return on investment in Tasmania is identical and the same formula that you use in all other States?

Mr MILLS - I cannot give you an answer on that, I am sorry. We may be able to provide it, but on that I could not give you an answer.

CHAIRMAN - Okay. You see, from where we sit that is an important point. If Coles right around the country uses the same set of criteria to set prices, then I think we can live with that in Tasmania, but if we are not, we would like to know. It is in your submission and I think it is worth asking, because I think it is a very important point. So I would actually like an answer on that, if you would undertake to give it to us.

Mr MILLS - Yes.

Ms GIDDINGS - Mr Chairman, I have a similar question and it could well be the same, but I will put it in different words as well. What level of return do you get in the dollar that you spend in Tasmania compared to nationally? Did you say something like you get back 3 cents in the dollar?

Mr MILLS - Approximately 3.1 cents.

Ms GIDDINGS - Do you have a comparison with the national figures on that?

Mr MILLS - Well, we cannot really use comparisons with that because there is a lot of, I guess, in-house measures that we use. But the return that we get here is what is needed to keep our organisation going here.

Ms GIDDINGS - It would be interesting to know how much profit is made out of the dollar here compared with the mainland though, because that relates back to your 5 per cent margin comment as well. If we are paying more, or the company here is getting more profits than what you would expect on the mainland, then that is an issue.

Mr MILLS - You could look at it in many different ways. People can look at it that we get more profit, but the fact of the matter is the economies of scale are very difficult here, and ultimately in the end we have to get a return for our shareholders.

Ms GIDDINGS - I do not think we are against that at all either, but we do not want to be seen as the ones that you are getting a greater return out of than other people in other States, and other States which, at the moment, are economically far better off than we are. You are talking about a depressed population here as it is, and that is a significant reason why people are leaving the State. Because of that, it is becoming a perpetual problem here. You have people with lesser income being forced to pay more than perhaps they should be.

Another one of the comments you were making before, and something that came up in evidence with Michael Kent, was the fact that Tasmania has in Purity stores about 14 000 different speciality items. Is that a comparable figure with what Coles would hold?

Mr MILLS - Sorry, 14 000 -

Ms GIDDINGS - 14 000 different items of products.

Mr MILLS - That would be approximately right. You are talking about across grocery. When I was saying 27 500 before, I was saying what, say, our biggest stores carry as far as variety range, the fresh food ranges and that sort of thing. So it would be similar. I said I think we got probably about 7

500 lines from our Launceston DC and a further 5 500 from our Melbourne DC, and then there is also all the direct lines. So it would be fairly close.

Ms GIDDINGS - Well, who makes the decision as to what range of products will come into the State? Do you make it on behalf of Tasmania, or is it the national office that decides what products they will send down here?

Mr MILLS - In conjunction; it depends on the sales moves. So really ultimately in the end the customers work out where it comes from and that sort of thing.

Ms GIDDINGS - I guess where I am coming from is, except where you have perhaps national advertising or something, and customers say, 'I have seen it on TV; where is it in the shop?' But basically customers would not know what a lot of the new products are that are coming out. I sort of feel it is coming from the company saying, 'This is a product we want you to buy'. It is not the consumer saying, 'Excuse me, but can we please buy this product from you?'

One of the comments that came out of that evidence with Purity was that because we have got such a range - 14 000 - we have actually got too much of a range for our size of population. Because of that range the turnover is much slower - from one-and-a-half weeks to three weeks or something it is in Tasmania compared to the mainland, therefore our prices are higher again as well.

Can we afford to have such a large range of goods in Tasmania, or if we want our prices to come down, do we have to accept that we are not going to have ten to fifteen different choices of coffee, for instance?

Mr MILLS - I think ultimately in the end the customers will decide that, and the customers do decide with our range. But I guess if you could keep in mind the range in supermarkets ten years ago, and as I said before, over the

last few years there has been an absolute range explosion. But the fact of the matter is people's lifestyles are changing all the time and people are demanding different products, and I do not think we can ask Tasmania to say, 'Well, you're in Tasmania; you've got to take a lesser range of this'. People in Tasmania want what other States get as far as a range.

Ms GIDDINGS - That is true too, and it can be a bit patronising to say that to people as well. But - I have lost my train of thought now -

Mr MILLS - I think the other point - sorry, keep going.

Ms GIDDINGS - I guess what I am saying is that so much of what consumers demand is what we are told we should have anyway. I am trying to start at the top and say it is not consumers who are saying that we need ten to fifteen choices of coffee; it is because of advertising, or the companies themselves pushing that product on the consumer, that we then take it on. Certainly we have to have some range. I do not want to say that either it is bad enough as it is, and people comment about going to the mainland to do their shopping and coming back if they want a range of things. But we live with that as well, and just as we are being told that because we are a State that has fewer people in it, we have to live with the fact our prices will be higher. Perhaps we have also got to live with the fact we do not have as much range but lower prices because of that.

Mr MILLS - Well, ultimately the customer will make that choice.

Ms GIDDINGS - But we cannot; that is my point. The customer does not make that choice; it is the companies that are making the choice on behalf of the customer.

Mr MILLS - It is a fair point what you say, but in doing that - we are talking about Tasmanian lines there as well, because that is a lot of the lower-volume lines too and the boutique-type lines. Tasmania is famous for

the wonderful gourmet lines that are produced here, and that is quite a few of the slower type of lines that we are talking about.

Ms GIDDINGS - And again I think Tasmanians accept that those boutique lines are going to be more expensive as well because we understand their smaller turnover than amount produced, and that is why it is seen as gourmet food in that sense. But that is a special category alone I guess I am talking about.

Mr MILLS - You can talk about a lot of categories. You could sort of say five years ago did we expect to find Thai food lines in a store. But the fact of the matter is now we have specific sections for those and the Chinese lines, the Indian products - all those type of lines. People want to cook with those, and that is part of the range explosion that has happened in all the stores. But people are the same down here as anywhere; they want to cook a Thai dish or an Indian dish, and they want to be able to get those products to do it.

Ms GIDDINGS - Mr Chairman, just one more question before we go on to organic. My other line was that out of the evidence that we got from Purity was the fact that he - I think the figures were that on the mainland about 20 per cent of your products are on special - something like that roughly - but in Tasmania we tend to have 30 per cent of our products on special at any one time. Would you say that would be similar within the Coles chain?

Mr MILLS - On what I have looked at I do not think there is a great deal of difference, because you are also talking about so many lines and it depends whether you are talking about them being on special, on competition, there are monthly price reductions and, as I said, there is buying different lines that have been bought at a cheaper price that have been reduced too. I do not think there is too much of a difference between here and the mainland, not that I have been able to see, but there could be different pockets on the mainland that could be having a lot more competition, and obviously that does create more specials.

Mrs BLADEL - Mr Mills, we do not want to make you responsible for these things, but I think Lara is pursuing a point that is important, because if we look at the - and I take your point about the exotic lines and the boutique lines. That is good. We have a multicultural population. It is not as large in Tasmania, but we do have a lot of Asian students studying here, and it is great that they can buy products and do their cooking and feel comfortable about that. We are getting more adaptable too with our own cuisine, which is great. But they are still a very small part of what is sold in supermarkets.

But the price variances that I have noticed in the staple lines, and that is in the breakfast food lines, where more and more different types of breakfast foods are coming on to the shelves, and yet there are only a couple of companies really; there are only a few companies that are producing these. It is like the washing powders and the washing liquids for washing machines, where one or two companies again are producing a multiplicity of different lines, and the prices keep going up and up and up.

As I said, I am not holding you responsible, but these are some of the - and the advertising campaigns that run to promote these things, and if advertising did not suck people in, we would not be using it, would we? Why would the advertisers be having big advertising campaigns if people did not buy their goods? So what we have, I think, in this microcosm of Australia, which Tasmania is with its taste, is an ever spiralling upwards price hiking, and people being persuaded to buy more and more products which come basically from the same producer. So I think that is one of the reasons maybe where the 5 per cent comes in.

Could I ask you, is advertising a major cost on your store? You did not mention how much advertising costs you in Tasmania. You mentioned the 334 per cent more on transport costs in Tasmania. I would like to know, is there a similar situation with advertising in Tasmania? Also the comparability that you mentioned about within Tasmania. Is that between the other large chain, or is that between your Coles stores? Could you tell me why we pay more for some lines in Coles stores in some suburbs than in others, because that is another worry for people? I know stores have specials, but grocery pricing has shown that some of the stores are more expensive to shop in over a period of time than others in the same chain.

Mr MILLS - I am just trying to remember your first question.

Laughter.

Mrs BLADEL - It was advertising.

Mr MILLS - Sorry, advertising. It is around about 1 per cent of sales. The other point of advertising was, keeping in mind that when we advertise in Tasmania we have to advertise in three papers; in Victoria they usually just use one.

Mrs BLADEL - And television?

Mr MILLS - Television, we do not do that much advertising.

Mrs BLADEL - Is it more expensive?

Mr MILLS - It is more expensive here because we have to go to the three papers. Also the other point is it is more expensive to distribute our catalogues around the State, which we do not do ourselves; another company does that.

Mrs BLADEL - So can you put a figure on that?

Mr MILLS - I think I said originally it was around about 70 per cent more expensive to distribute the catalogues around the State. That was in the submission.

Mrs BLADEL - Right, thank you.

Mr MILLS - Just getting back to the question after that, which was differing prices between stores, our pricing structures are set up by the national office. Our managers have the authority with competition to go down on those pricing structures, but do not have the authority to go up. In actual fact, I do not have the authority to put the prices up on what our national office is saying that price should be within the State. There may be at different times different amounts of competition within those stores that you are talking about - a store around a certain area.

CHAIRMAN - So you are saying on Monday morning prices around the country are set from head office?

Mr MILLS - All the time they are set, but it depends on competition as well. We go down. If we have similar items on special to our opposition and we happen to be higher, or we happen to be lower, you can be absolutely sure that by the end of that day they will be to our opposition, and if we happen to be higher or we happen to be lower, you can be absolutely sure that by the end of that day they will be the same.

Mrs BLADEL - On specials we understand, but if the prices are set nationally and they are the same all around Australia, does that include Tasmania?

Mr MILLS - I did not say they were the same all around Australia; there are different pricing structures right across Australia. But that does not mean to say they are all the same, and it is obviously not the same. It is different for Tasmania as it is in different parts of Australia. What I am saying is, the manager has the authority in a store to go down in price but not to go up. So in actual fact, when a customer says that the price is higher here than in another store, it would have gone down because of competition. The one

that was higher would be where it should be.

CHAIRMAN - Would you just clarify one thing that needs clarifying? If company x which manufactures in Victoria sells to Coles product x at \$1 FIS, that lands in your Melbourne distribution centre at \$1, and it lands in your Launceston distribution centre at \$1 - am I right so far if it is FIS?

Mr MILLS - I cannot really comment on all those areas because those areas are outside my control.

CHAIRMAN - All right. Well, I just put it to you, that if you have to move the product out of your Melbourne warehouse that went in there at \$1 over the water, you would obviously add your own freight component, would you not?

Mr MILLS - Which we pay, yes.

CHAIRMAN - Does the manufacturer not pay it though?

Mr MILLS - In most cases, no.

CHAIRMAN - Well, we are led to believe that most products that are sold to supermarkets go FIS - free into store.

Mr MILLS - That is not correct.

CHAIRMAN - That is not true?

Mr MILLS - No.

CHAIRMAN - Okay. Do you see the point I am making there, though?

Mr MILLS - I beg your pardon?

CHAIRMAN - If manufacturer *x* is sending product into your Launceston distribution centre at \$1, and he is sending it into your Melbourne distribution centre at \$1 - which, as an old Colgate boy from way back, I know we are supposed to be doing - if you then have to on-move that from Victoria to Tasmania, you are going to charge your freight costs on that, so it is going to be \$1 plus freight when it gets here. It is an interesting point, but you do not have the answer to that one; in fact you have said you have not. It has only just occurred to me. But it would add cost to -

Mr MILLS - In the last couple of years, as far as freight into Tasmania, there have been quite a few changes, and that really comes down to the warehousing that I said before because, up until two years ago and before the range explosion, we were trying to fit the majority of lines within Tasmanian stores into that one DC, and it just was not working. The range explosion changed all that, exactly the same as we have just increased the size of the frozen food and dairy warehouse and the fridgemobile in Legana. That company has increased the size of that. We needed an increase in size basically because we were carrying 30 per cent less range in our stores that were available in Victoria.

CHAIRMAN - Can I just ask a couple of other quick ones because I want to keep moving on. Two points are important, in my opinion: one is that you mentioned in your submission that Tasmania is not as competitive as the mainland because of our shop trading hours. When we extended from twelve o'clock to five o'clock, or whatever it is now, was there any

noticeable decrease in prices in Tasmania through Coles stores?

Mr MILLS - Because they are changing all the time, I could not give you an answer on that; in fact I think it would be impossible to answer.

CHAIRMAN - What about more employment?

Mr MILLS - Yes, there has been some more employment but, once again, it would be difficult to put a figure on that.

Mrs BLADEL - That would be casual staff, would it not?

Mr MILLS - No, casual staff, full-time staff and part-time staff. People work if they want to on Saturday. They can be full time, part time and casual. We have a tendency towards full time and part time in the State; we prefer that.

CHAIRMAN - Just back on prices then. Is there any way we could find that out, because you are not the only major employer in Tasmania to say that we need open slather trading. I think in 1993 the Government at the time gave the big fellows the extra five or six hours. It would be interesting to know, because you are all claiming, as you did today, that prices will come down if we get open slather; if we came down any because of that extension of trading hours. It is a point because we hear all the time in the streets that prices will come down if we get open slather. Well, we have moved well into Saturday afternoon and it would be nice to know if there was any benefit to the Tasmanian purchaser. It is just a point. I do not know if you would like to take it on notice or -

Mr MILLS - I will take it on notice. The point I will make into that is Saturday afternoon trading has been accepted absolutely brilliantly by the

consumer in Tasmania. They wanted it and we have taken that on.

CHAIRMAN - I do not doubt that, but the major stores have been saying that prices will come down if we extend trading hours. I am sure that the housewives love it -

Ms GIDDINGS - And husbands.

CHAIRMAN - And husbands, sorry; I am not allowed to say that - but I would like to know would prices come down; that is the point.

One other thing I want to ask is Farmland prices. You made a very good submission on your own in-house product, Farmland. Price differences between Tasmania and Victoria, are they the standard 5 to 8 per cent, or is there -

Mr MILLS - For Farmland products?

CHAIRMAN - Yes - or is there less price differentiation between Farmland Victoria and Farmland Tasmania?

Mr MILLS - I would say it would be similar, but that is without knowing exactly. We could provide that.

CHAIRMAN - Okay. Mrs Hollister.

Mrs HOLLISTER - I have a couple more before I go on to organics. I am coming back to the issue that there have to be some things here in Tasmania that are the benefits of operating in Tasmania as far as costs go. What about the wages? What is the comparative wage situation between Tasmania and the rest of Australia?

Mr MILLS - It is actually fairly similar. We operate pretty much under a Federal award with all our people.

Mrs HOLLISTER - You mentioned in your submission that an additional cost to you to operate in Tasmania was the need for additional State management team to serve the needs of Coles customers. Can you just elaborate on that a little?

Mr MILLS - Well, I think it explained it in the way that all our States except - well, obviously the Northern Territory does not have a State office, or the ACT; all the other States have State offices. But obviously in the other States they are supporting a far greater number of stores. Our State office here, which numbers approximately 30 people, supports fourteen stores, which probably in a lot of ways is not a very good economy of scale. We could probably have another ten, fifteen or twenty stores here and support them with the same amount of people. That is the point we were making there.

Mrs HOLLISTER - If I could go on to the organic question. You have a section in your store for organic produce?

Mr MILLS - In some of them, yes.

Mrs HOLLISTER - Where do you source your organic produce from?

Mr MILLS - I could not tell you off the top of the head right now. I know some of it is sourced in Melbourne. But wherever we can source it locally, we source it that way. We have people working all the time with suppliers in Tasmania to try and develop lines within Tasmania. It is much better for us to buy these type of products here because we can obviously put them out far fresher and far better for our customers.

Mrs HOLLISTER - Right. That leads me on to two more questions from that, if I may. You say government charges on fresh produce brought in from interstate is one of your additional problems and costs. How much are you looking at there on those additional charges?

Mr MILLS - I could not give you the figure off the top of my head; I will have to come back to you.

Mrs HOLLISTER - That in itself is a significant point, to try and source locally.

Mr MILLS - Yes. We source everything locally; everything we can locally. We bring in about 60 per cent, I think it is, of fruit and probably about 30 per cent of our vegetables. But that changes at different times of the year due to different seasons. When tomatoes are grown in Tasmania, we buy as many tomatoes as we can get in Tasmania, but keeping in mind that the season is much shorter down here.

Mrs HOLLISTER - Just with that, do you label where the produce comes from, or are you thinking of labelling where the produce comes from? If I am a consumer and I want to know where these apples have been grown, what they have been treated with - while they do it in certain European countries, it is probably something up the track for here - and when it was picked? So if I am going to buy that apple, I want to know if it was picked last week or if it has been in a cool store for three months. Are you looking at that type of labelling that gives the consumer a much better idea of choice?

Mr MILLS - I know we have looked at it, and I think it is by law at the moment that we have to say where the country of origin is with the majority of products. But that would be very, very difficult to do, because in actual fact we have got things switching in and out all the time. This week we might be buying lettuces in Tasmania, but next week we might not be able to buy them; it would not be just by week, it would be daily. If we have lettuces on special, we would source everything we could get within Tasmania, but if we could not source enough for our customers, some of that would be coming over from the mainland. It would be very difficult to do.

Mrs HOLLISTER - It is being done in several European countries. But probably you are saying you have such large buying components that it would be very difficult to do.

Mr MILLS - Well, I am giving an answer, but I am not 100 per cent giving an answer because there could be people that are looking at it too. I would not discount that people would not look at that. Once again with all those type of things, if that is what the majority of customers demand obviously we would have to look at that down the track, and we would look at anything - what our customers demand is what we look at and what dictates what we go on to next as far as a national organisation.

Mrs BLADEL - Do your individual managers buy that fresh produce?

Mr MILLS - No. They order it.

Mrs BLADEL - They order it.

Mr MILLS - Yes, they order it, but it is bought - we deal with a company, Devlon, up near Devonport -

Mrs BLADEL - So it is a central marketing -

Mr MILLS - Yes.

Mrs BLADEL - And that fresh produce, I imagine, does not have to go to Melbourne to be redistributed?

Mr MILLS - No.

Mrs BLADEL - I see. Why can you not do that with Tassal or Cadbury's or Huoncry?

Mr MILLS - Well, in a lot of cases we are not dealing with the same sort of volumes.

Mrs BLADEL - It just seems that it would be so much easier and cheaper if you were doing that locally rather than taking it all away to Melbourne. I cannot stop harping on that, I am sorry.

Mr MILLS - I understand what you are saying, but I think you also need to - that should be a question for some of the manufacturers too, because it is not in all cases us pointing people and saying, 'You've got to go that direction' or whatever.

Ms GIDDINGS - Just getting back quickly to the free-into-store issue which you were not able to address too much on, I was just wondering,

using the example of a Kellogg's packet of cornflakes, what happens to that? I understand that is a free-into-store product, so what would happen in the Tasmanian case with that product? Does it go to the Melbourne distribution centre, or does it go to the Launceston -

Mr MILLS - It is very difficult for me to comment on specific lines, understanding that there are so many of them. I am pretty sure that one would come out of the Launceston DC.

Ms GIDDINGS - Again that was a product I know I got criticism from some people saying that that sort of survey is not the way to do it, but again that was a product I looked at and again it was more expensive here than in mainland stores, and yet it should be a free-into-store product.

Mr MILLS - I do not think you will find that we get many products free into store.

Ms GIDDINGS - I do not know either. I am not sure about that, but certainly that was one example that I found out was.

The other is just a little bit on the shop trading hours. The smaller retailers, the independent retailers, are concerned that with open slather that that would kill their businesses; that a lot of them would just have to go out of business. Do you think that would happen; that that is a concern for these smaller retailers?

Mr MILLS - All we believe is, as a company we started off small a long time ago too; we were once a small business. Our customers want freer trading hours in Tasmania, and Saturday afternoon has been successful.

As far as believing people would go out of business, I really cannot make those sort of comments. I know we would employ more people in our organisation, but we are talking about what a market wants an organisation to do. If people want extra shop trading hours, because all those sort of things do not - extra shop trading hours exactly the same as in Victoria also creates opportunities too.

Ms GIDDINGS - Do you think though with the size of our population that we can afford seven-day trading? When you compare us to New South Wales or Sydney or Melbourne where they do have it, you are talking huge numbers of people. It seems to me, and I might be wrong, but there used to be Friday night shopping and then the half-day Saturday, and it went to full-day Saturday. Now Friday nights in the city are dead in Hobart; that you just cannot sustain Friday night plus full-day Saturday. So how could you sustain full-day Sunday as well?

Mr MILLS - Well, I think that is for us to face up to that problem. But what we are saying is we believe, as an organisation, that we should have equal opportunity, the same as everybody else. If we want to open 24 hours a day, we are saying we want that opportunity. It does not mean to say that we would open every store in Tasmania, but where we saw the opportunity we would. If we saw an opportunity in every store and we were allowed to do it, we would open every store. But that is all we are saying.

Ms GIDDINGS - Yes. It just concerns me that you may but the prices would, in fact, go up. I cannot see how in Tasmania you could do that.

Mr MILLS - I do not think there has been any evidence out of Victoria that prices have gone up.

Ms GIDDINGS - But their population is just so much larger.

CHAIRMAN - Thank you. I have just two brief ones, if I may, Mr Mills. Firstly, I am not satisfied about the free-into-store issue that has actually just been brought up by my colleague, Mrs Hollister. Could you have that checked for us? We, I think, have evidence from other suppliers that most manufacturers are supplying free into store, or free into warehouse, in Tasmania.

Mr MILLS - Well, sorry. Free into warehouse is a lot different from free into store.

CHAIRMAN - Okay.

Mr MILLS - I am sorry, I was commenting on free into a store - a supermarket - so understand -

CHAIRMAN - I understand that you would be paying your on-costs from your own warehouse to a store.

Mr MILLS - Well, that is what I was commenting on there.

CHAIRMAN - Right, okay. So you are really saying that most products then are FIS warehouse?

Mr MILLS - No, I do not necessarily agree with that.

CHAIRMAN - Right. Would you be able to provide the committee with that?

Mr MILLS - I will certainly take it on board.

CHAIRMAN - Finally, it has been put to us on a prior occasion that there are indeed too many supermarkets in Tasmania; in other words, there is just too much floor space for - and we go right back to your economies of scale really. You are not going to sit here and say, 'Well, if we close three stores then we're going to be cheaper all around Tasmania'. But the question must be asked, if we had less supermarkets in Tasmania would costs come down? In other words, are the costs of some Coles lines higher than they normally would be because you have simply got too many stores in Tasmania?

Mr MILLS - The competitive market controls that; we do not really control that. I mean, we are getting different amounts of money - different sales for different stores in Tasmania.

CHAIRMAN - But your experiences on the mainland are saying that in Tasmania we are paying more because we have simply got too many stores around - all of us: Coles, Purity, Roelf Vos, Jo Blow on the corner, Four Square. There are simply too many stores. You would agree with that, and it is helping push our prices up?

Mr MILLS - We are saying that there are approximately 400 stores in Tasmania, but we are saying, 'No, they haven't got as high a volume'. But we are only saying that is one part of it. We are saying about the population, the density of the population as well. So it is not just one specific thing; it is a group of things.

CHAIRMAN - Which is pushing the price up, this group of things. If I was to say to you, what is the main component pushing Tasmanian prices up over 5 per cent above anywhere else in Australia - and I think it is anywhere else in Australia, including Darwin and Perth and Broome - what would you say to me? What would that one thing be?

Mr MILLS - Tasmania is an island.

CHAIRMAN - Is that freight or small island or -

Mr MILLS - Well, I think it is an island. I think it is a mixture of the freight and the population.

CHAIRMAN - I do not think any of us will disagree with that answer.

I have one more question that I would like to ask you; I did not intend to, but I will. On page 5 of your submission at dot point 3, could you just have a look at that, because this is one that really is worrying me. You say there, 'Low volumes mean carton handling costs in Tasmania for dairy and fresh food products are 55 per cent more expensive and grocery products 35 per cent more expensive than in our next lowest volume State distribution centre'. I do not understand that statement. What does it actually mean?

Mr MILLS - These figures have been provided to me on the freight costs, and if you want more information, I can certainly endeavour to get that. But I would suggest that it is talking about intrastate - within the State - and I think it comes back to volumes.

CHAIRMAN - Yes, well, as I said, I do not understand it. Do you understand it?

Mrs HOLLISTER - No, unless it is to do with the back-loading that you referred to.

Mr MILLS - Well, back-loading is part of it, but only a part of it.

CHAIRMAN - Does it mean that -

Mrs BLADEL - It would be good to have that clarified.

CHAIRMAN - Yes - Tasmanian dairy produce is 55 per cent more expensive on the mainland? That is the way I read it, and that is obviously not right.

Mr MILLS - Handling costs - carton handling costs.

CHAIRMAN - What does that translate to then at the cost of purchase? That is the point. It is a very ambiguous statement that I think needs clarifying because it does not say anything, or it literally does not say anything anyway.

Mr MILLS - I think it also may have gone a little bit further on in that confidential document.

CHAIRMAN - A good point.

Mr Mills, thank you very much for agreeing to appear before the committee; we do appreciate it. I realise it is not a lot of fun and I realise that you cannot answer a lot of these questions. But the committee has been asked to do a job, and I think you can probably understand it is not easy from our point of view either.

Mr MILLS - I understand.

CHAIRMAN - Your forthright comments have been very much appreciated, and I will look forward to receiving those few other pieces of information. So with that I thank you very much indeed.

Mr MILLS - Thank you very much for giving me the opportunity anyway.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY MARKETS AND PRICES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY, 16 JUNE 1997.

MR ROY ORMEROD, ACTING DIRECTOR, OFFICE OF CONSUMER AFFAIRS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Benneworth) - Thank you, Mr Ormerod. We appreciate you coming along and talking to the committee. I also am aware that you have not put in a submission because perhaps we did not ask you for one. But I think the committee is at a stage now where it has a series of questions we would like to ask of our own Consumer Affairs Office, so we do appreciate the fact that you have come in and will talk to us. Is there anything you would like to say by way of background?

Mr ORMEROD - Yes, perhaps I could make some comments, if that is okay with you.

CHAIRMAN - Yes, please.

Mr ORMEROD - Firstly, perhaps to remind people that the Office of Consumer Affairs is empowered under the Consumer Affairs Act to look at matters affecting the interests of consumers. There is no doubt that pricing issues, such as grocery prices, are matters affecting the interests of consumers, and it has been a hairy chestnut for us for many years.

Obviously we had a great deal of involvement in the prices inquiry that was conducted in 1988 in providing administrative support to that and, wherever possible, some of the other aspects of support too. Obviously that support is available to this committee too, that if you wish to use our resources in any way to access information interstate or locally, we are most willing to assist where we can.

Just probably in relation to the terms of reference, we will perhaps go straight to the ones that have a likely impact upon our role, because obviously some of these issues are far beyond our area of expertise. We will look at perhaps point number 4(a) to start with - the effect of the decentralised nature of the Tasmanian population. This is obviously a common problem, and one which your committee has been looking at for some time. 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.

Moving from that to the second point at 3(b) - the incentives of existing food processors to manufacture and increase output to meet identified market areas - obviously the small population in competition has an effect, and 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 their shareholders and, at the same time, provide good service to their customers. Therefore it would be unreasonable to impose or make supermarkets socially responsible for pricing beyond the

issue of being able to charge a reasonable price.

There is obviously, for that reason, scope for price manipulation. We are mindful that with the fact that we have two major players in Tasmania in the retailing of groceries - and in most cases they are right next door to each other or just across the road - they send their scouts across the road doing a few checks on prices and then come back and make adjustments. This means because they know they feed off each other, there is obviously probably a perceived aspect of discrimination because they see each other every day.

There is probably a suggestion there that maybe they also get together and talk about pricing, which obviously is illegal under the Trade Practices Act, but nothing you would be able to prove. But there is that temptation when you look at the local issue of local managers in the community talking to each other and looking at pricing. So that is a challenge I think the committee would need to try and address.

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 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.

The fuel and freight cost issue, which you have as another component there, obviously was something the 1988 inquiry looked at, and I think they did a fairly major assessment of that. I guess for the committee it would be a matter of just updating those figures to see how they compare now.

With the clean, green appellation scheme, the Office of Consumer Affairs is once again happy to assist in providing input into that, and should it be determined that there be a recommendation that there be a clean, green

appellation scheme, we would be happy to provide input by way of serving on a committee or anything else to help implement a scheme that would be fair and equitable to consumers and to industry.

But I am not sure what effect that would have on prices; it certainly would be good on a point of consumer choice, because consumer choice obviously is just as important as price. It is only reasonable if a person wants to buy, for instance, eggs that are not battered, that they should be able to make an informed decision, and we do not believe, at this stage, that they are necessarily able to make that informed decision.

On comparability of prices, we get this information from consumers talking to us. 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, whereas the old days of the corner store and you go to the counter and ask for things off the counter, you are looking at each particular price as you go and you prepare your budget accordingly. I think that is what our previous generations used to do as compared to today where it is very convenient to just trot in and buy what you like.

I remember there was talk a little while ago about the Saturday afternoon shop trading issue, and whether in fact they should go to seven-day trading. The Office of Consumer Affairs has always had a policy that anything that restricts trade, or restricts choice, should be looked at very closely because often that has an unfair effect upon consumers.

But on the other hand, you have also got to look at the impact upon the local corner store because if you do not, what could happen - let us say we extend to, say, seven-day trading. What happens to the viability of the corner store? Maybe what we should look at now is the viability of the corner store and how that has been affected as a result of six-day trading, because previously corner stores had access to Saturday afternoon, Sunday and night trading to keep them viable, because they cannot compete on price, obviously. They have lost a part of that -

CHAIRMAN - Just before you go on, we have had evidence given to us that they not only compete on price, that they can actually beat the big fellows on price.

Mr ORMEROD - Right.

CHAIRMAN - I am not too sure if what we believe in the statement you just made is a myth. It may well be, and if it is a myth then I think we have to educate the people of Tasmania to say that you may be better off shopping at the corner store than at Purity, Coles or Roelf Vos. I just broke in there because I think it is important. This committee has received evidence to say that, and they have had comparisons put before us.

Mr ORMEROD - Yes, that is certainly worth considering; I agree with you.

CHAIRMAN - Sorry I broke in there.

Mr ORMEROD - Fair enough. You are right, it could well be a popular misconception. On the few occasions I go to the corner store, I generally go expecting to pay a higher price, but I never really thought whether in fact I do. That is a good point.

But that aside, of course, it has obviously had an effect on the viability of corner stores with Saturday afternoon trading, and that therefore has an effect on consumer choice, convenience and range. If your corner store closes down tomorrow because it is no longer viable, then the consumer has to travel further to get access to the staples.

I know a personal example in Melbourne where my mother lives in Ringwood. She lives 20 minutes from one of the biggest shopping centres that you can imagine - 20 minutes' walking distance. There is no shop in between - no shop anywhere - and so for her it is most inconvenient. I do wonder whether that is the sort of thing you can end up with if you have a model of the larger retailers having open slather; having large shopping centres in major population centres, and people having to travel fair distances to get their milk and bread.

CHAIRMAN - But what comes first? On one hand you have the consumer saying prices are too dear -

Mr ORMEROD - That is right.

CHAIRMAN - when you know very well if you closed down about four shops you would have cheaper prices. But then that shop might be 20 minutes' walk away.

Mr ORMEROD - Precisely, I agree. That is the dilemma. I think the public though often misunderstands that point, that if they want to buy at a price, they may not be able to buy on choice - that is, where to go - and perhaps it could also affect range. So I think they are important aspects of people that the committee should be aware of.

CHAIRMAN - And is the community aware of it, in your opinion?

Mr ORMEROD - I do not believe so, no. I think the people are conditioned to think purely on price, and I think part of the reason for that is because of the weekly advertising of specials at large supermarkets. People look at prices. I do not know whether they actually look at the ads themselves, but they look at these huge spreads and say, 'Oh, look, this is where I should be going because they're the ones that are always advertising'. Therefore they are driven by price and they may have an example where they buy a litre of milk on special for \$1 at the local supermarket one day, and expect that is the normal price for a litre of milk - and of course we know it is not - and they become conditioned to expect that those are the ordinary prices.

CHAIRMAN - So is that a good thing or a bad thing?

Mr ORMEROD - Competition is always good, I think.

CHAIRMAN - But what are you actually saying to us?

Mr ORMEROD - I am just suggesting to you, Mr Chairman, that there is a whole range of issues before the committee, that in the end I do not think the public should be so much concerned about the whole issue of price, choice availability -

Mrs BLADEL - Service.

Mr ORMEROD - Service -

Mrs HOLLISTER - Informed decisions.

Mr ORMEROD - Informed decisions - all those things that they know. If they want to have their corner store there for after hours, they may need to support the corner store during normal shop trading hours too.

CHAIRMAN - And it is interesting to note that that line has come certainly from Purity and it certainly has come from Coles and it came from Sam. The fact is in Tasmania we have got a magnificent choice, we have got all those things you mentioned except that we are paying more.

Mr ORMEROD - Yes. So is the impact - and that is the other question, is not it? If you look at grocery prices, what impact does that have on the household budget in comparison to the other things that people budget for, and compare that to, say, a Sydney houseperson, and compare that person with their budget to a Hobart person with their budget, and take into account transport, housing, a lower standard of quality of life in Sydney as compared to Hobart - or compared to Tasmania, I should say - take all those issues into account and then work out whether in fact it is detrimental to consumers here to pay a few dollars more for groceries, and at the bottom of all that in the whole of the equation, whether in fact it comes out to whether in fact Tasmanians are worse off, or in fact it may be that they are even better off than what they are in Sydney -

CHAIRMAN - Overall.

Mr ORMEROD - Overall, yes.

Mrs BLADEL - It is a bit hard though, Roy, when you have an ageing population which is dispersed - and we have older people here and lower incomes here and so on - and I know because I have a big pensioner unit complex over my back fence, and we have a little corner shop and I buy those fill-ins at that shop. A lot of those older people go up to that corner store where the service is absolutely superb. It is owned by a Greek family. It is one of those Greek complexes where the families move on every couple of years, and now the son of the family that was there a couple of families ago has come back - it is his turn - and it is absolutely delightful to go in

there.

They get a lot of custom from those old people who would not be able to get to Eastlands and so on, which is the nearest place where they would be able to go to a supermarket, I guess, and so they would have a lot of benefit from that store. But then with the shrinking dollar of course, they get very upset when they have to pay what they see as the higher prices because they imagine they are paying more at that store. And like you said, I cannot say that they are.

CHAIRMAN - Roy, your message really is that Tasmanians are generally not worse off than the mainlanders if you take into account the whole spectrum.

Mr ORMEROD - I have not done this as a study, but I would suggest that that is a likely outcome, that Tasmanians are probably not that badly off in comparison to other States when you take into account all the other factors. There is need for improvement.

One particular area, for instance, with supermarkets is their shelf pricing is atrocious. It is very difficult to go into a supermarket and get a true indication of how much you are paying off the shelf price. I have experienced it myself. I go in there. I do not go very often. It is funny. Every time I go in there there are products I want to buy and I cannot find out until I get to the checkout how much I am paying for it.

Mrs BLADEL - That is right.

Mr ORMEROD - And I think that is something that the supermarket chains need to be mindful of.

Mrs HOLLISTER - And you, of course, following on from that, would support some type of labelling that shows the cost per kilogram for what you are buying, as they have in - I am sorry to keep saying France; I have not been there lately - but I know the French have very interesting ways of informing the consumer what they are buying, what the cost per gram is, or the cost per kilogram. So regardless of what their product is, the cost per kilogram is on the bottom, so you can do an immediate check -

Mrs BLADEL - Like they do with meat though. Meat is packaged like that - price per kilogram and then the price per unit.

Mr ORMEROD - That was actually looked at some years ago, and I think the Australian Consumers Association have done a number of reports on that. I am not sure how it compares with the States. Maybe that is something we can offer to do is find out - you are talking about unit pricing -

Mrs HOLLISTER - Yes.

Mr ORMEROD - It is where you have so much per 100 grams per kilogram of a product and then you are able to say - because it is hard to tell; you are right. I have done it myself trying to compare the price of soap powder -

Mrs BLADEL - Soap powder is an ideal one.

Mr ORMEROD - 'Should I buy a 3 kilo bag or a 750 gram container?' You really have to do a pretty complex calculation in your head to work out which is better value for money. Fortunately, I think some of the friendly people in the checkouts often will say, 'Are you aware that such and such an item is on special this week? It would be cheaper if you buy a larger box or a smaller box'.

Mrs BLADEL - I have not found any of those.

Laughter.

Mrs HOLLISTER - Well, we think Purity are actually moving that way. That was the indication that we were given - that they are going in for unit pricing, which will make it much easier. Surely it only needs to be on the bar codes or something. It does not have to be a huge issue.

Mrs BLADEL - Just be legible.

Mrs HOLLISTER - But then again if Tasmania's prices are always more expensive than the mainland, we might have to have a special bar code just for this State for the unit pricing.

Mr ORMEROD - Yes.

Mrs HOLLISTER - But it can be done. I think that is a very good direction to go to give consumers that informed choice as to exactly what they are buying and the price per unit.

Mr ORMEROD - Yes, it would be much easier to shop for pricing if you had that; I agree.

Mrs BLADEL - Well, a lot of the delicatessen sections in these big stores do have that - the price per 100 grams, say, for pickled octopus or whatever - which is a very sensible way to go, because then small shoppers can buy their small amount.

CHAIRMAN - Did we interrupt your -

Mr ORMEROD - No, that is fine. I think I have covered all the issues, thank you, Mr Chairman.

Mrs HOLLISTER - You talked about our price comparisons really should be made as regards rural Australia, and it would be a fairer comparison with looking at towns like Tamworth or whatever. Do you have any of that comparison in your office that we could use? We are finding it very difficult to - we have been trying to do that as a committee but we are not getting very far in getting information from comparative areas. Is there anything that you could provide the committee with to assist us.

Mr ORMEROD - We could probably, certainly. I am quite happy to look at some anecdotal comparisons by seeking assistance from my counterparts in other States to give me an indication of a rundown on some prices. Perhaps if you would like to come up with a basket of groceries - would that be appropriate - and then we can perhaps do a bit of a spot check across some of the country locations and see how they compare to the major population centres of Tasmania, and also the corner stores.

CHAIRMAN - Witnesses have told us that this is not an accurate way of doing it.

Mr ORMEROD - It is hard; I agree. The problem you have is, firstly, you have to be certain that the people that are doing it are reasonably competent, and that is one of the problems, I think, with some of these price comparisons that have been worked before. You have to be certain to do it on a particular day and take note of whether prices are on special, and if they are on special, what is their normal price.

I think the only way to work it properly would be to get the basket list and go to the proprietor of these stores and say, 'That's what I want from you today. Can you tell me, are these your normal shelf prices? If not, what are your normal shelf prices?' and do it on a one-day hit so that everyone is asked the same question the same day on the same range of goods. You might get a little bit closer, but I agree with you that you still have problems.

CHAIRMAN - Do you think there would be any benefit in us bringing down a recommendation to government that these comparisons be published monthly, or quarterly or half yearly, so that our consumers can do a fair and reasonable comparison?

Mr ORMEROD - Yes. The Australian Consumers Association, as you are probably aware, do one every year - supermarket surveys - and it always begs the question as to how accurate that survey is for the very reason. Maybe it is worth considering.

The problem of course we all have is whether the cost to assemble such a survey, because it all costs money, is worth the outcome to the public. I think it would certainly help to increase the awareness of pricing, but then it will also take into account other issues of availability, choice - all those sorts of things too. If we suddenly keep finding that the corner store is always the dearest, if we include corner stores in the survey, are we going to end up just pushing ahead their demise. So perhaps some thought needs to be put into it.

Ms GIDDINGS - How important do you think it is to have such a wide range of choice for our consumers? Were you here with the Coles gentleman?

Mr ORMEROD - I only heard the tail end of the Coles submission.

Ms GIDDINGS - We have had evidence that our major stores have up to 14 000 different ranges of products, and yet that would seem to be a huge

amount of range for such a small population that we have. Although it is very hard to see how you would get the major stores to reduce their range, but if they did then prices may well come down.

Mr ORMEROD - Yes, I am not sure whether it would result in a reduction in price.

Ms GIDDINGS - They would say that they would have a higher turnover of the products they have; that by having so many products, the turnover on each product is much slower because there is just so much choice.

Mr ORMEROD - And so by having a wide range, are they saying therefore their buying power for the individual products is less, and therefore they buy at a higher price?

Ms GIDDINGS - That is right.

Mr ORMEROD - Because obviously warehousing - if you are looking at a warehouse, either you can go through a warehouse full of, say, Lanchoo tea, or a warehouse full of Bushells. It does not really matter. Storage space should not really make a difference because people still want to buy a certain quantity of tea. So I think it depends on whether there is a true saving to the supermarket in buying larger quantities of a smaller range of products.

Ms GIDDINGS - They would argue there is. If you buy a whole warehouse of Lanchoo tea you are going to get a discount, or a reduction, on that cost, whereas if you only buy a small amount of Lanchoo and a small amount of Bushells, then the cost per teabag is going to be higher because your turnover is lower. It is tough on the consumer to say, 'Well, you should have less choice therefore if you want reduced prices'. But that seems to be the correlation.

Mr ORMEROD - Yes, it sounds reasonable. It is just whether you want to put an artificial restriction on consumers. I think the biggest problem that Tasmanians have, as it is, is lack of choice. I hear of people saying, 'It's good to get to Melbourne and Sydney so I can have a decent choice of clothing or electrical goods that you just don't have in Tasmania'. So, do we want to continue to restrict that availability of choice to consumers, which is already restricted to a heavy degree now.

Ms GIDDINGS - Yet, I do not think that we can really take on more costs in terms of higher grocery prices either. There is a concern, I think, in this State that we may have a better quality standard of living, as you were saying before, but I think in terms of our wages and that we have a lower standard of living than on the mainland. For instance, I heard one story on Friday about a family who could not even afford to buy a bottle of coffee, and the person I was talking to bought this family a packet of Tim Tams and it was like they had never seen chocolate biscuits in their life.

When you hear stories like that of families who are struggling to survive, to pay for their goods as it is, and you say, 'Well, because you've got a larger range of groceries or you've got a better quality of life in other areas, you should be accepting that you're going to pay more for your groceries', that is very hard to take when you know that there are people out there who are finding it difficult to survive as it is.

CHAIRMAN - But is that Tasmania?

Ms GIDDINGS - Well, it would also -

CHAIRMAN - Are there not the same families in Melbourne and Sydney and Brisbane and Adelaide?

Ms GIDDINGS - Yes, it certainly would occur in other States as well, but I think that in Tasmania we have generally - I mean, across the board we have more poorer people here, I believe, than we do perhaps in the larger cities.

CHAIRMAN - I think we agree with that. We are talking about the country regions; which is the better comparison?

Ms GIDDINGS - Yes. We need those figures.

CHAIRMAN - Are you doing any watchdog roles at the moment?

Mr ORMEROD - No, we are not on pricing. We tend to now concentrate on the legislation with the minister and conduct various compliance roles from time to time, because we are realising that we have far more legislation than we have resources to properly ensure that everything is complied with. So we target areas and we concentrate on those areas.

We have not given grocery prices any priority for quite some time because we feel from a consumer point of view that there are issues far more important at this stage that we need to be mindful of, and we are working on. But that does not mean that we cannot devote some resources to it in the future. I am quite willing, as I say, to devote some resources of the office into a targeted price survey, because I think it is appropriate that when we have a committee like this that we should give it the best possible support we can because these opportunities do not come up every day.

CHAIRMAN - That was my next question. Would you be prepared to participate on an ongoing basis? You may well need resourcing, which we may recommend that you get. You feel confident that you have the staff and the ability?

Mr ORMEROD - Certainly very confident in being able to devote some resources to it, and that will depend on the resources that we have. But I am certainly happy to provide whatever we can to you.

CHAIRMAN - The next one is a very subjective question. Have you had a view on the inquiry so far? Have you been keeping an eye on it?

Mr ORMEROD - To be honest, I have put it to the back of my mind saying, 'Well, one day I'll probably have to attend to that'. But I have not been following it, to be honest, no - sorry.

CHAIRMAN - Okay, fair enough.

Laughter.

Mrs BLADEL - That is all right.

CHAIRMAN - Any other questions?

Mrs BLADEL - Just before Roy goes, I wonder if you have any comment, Roy - and I guess it is a bit unfair to ask you - about the warehousing set-up with goods being taken out of the State into the central warehouse and then returned back? We have been told that there is a differential - and this has come out in other evidence - on sales tax; that sales tax is paid at that point of distribution from the big central warehouse in say, Melbourne, but when it comes back to Tasmania, say, to the independent warehouse, they have to pay their sales tax there. I think that is how it goes.

Mr ORMEROD - Yes. Sales tax is applied on the last wholesale sale of the product.

Mrs BLADEL - The last wholesale selling point.

Mr ORMEROD - Yes.

Mrs BLADEL - So that costs them a lot more than it does - at least that is how I understand the situation goes - it costs them more for sales tax proportionately than it does for the big chains who have their big holding places - their big warehouses - in the other States. Have you come across any -

Mr ORMEROD - I know of one example with paper - Burnie mills. The last time I heard about it was not long ago. If you want to buy Reflex paper, which is what they make, you cannot go to the mill and buy it. No matter how much of it you want to buy, you have to buy it from the mainland - interstate. So it seems odd to me that the paper from the Burnie mill goes across Bass Strait into a warehouse, then back across Bass Strait to here, and we are buying semitrailer loads of the stuff - for instance, the Tasmanian Government does. That is the only way you can actually buy it, if you want to buy through that source, which seems very strange to me. But there may well be some good economic reasons for that.

Mrs BLADEL - I just wonder if it is an economic rationale or whether it is just a convenient customary way of operating, that you just load everything on to the semitrailer and on to the ship and whack it over there.

CHAIRMAN - I am told - because I have followed it up - that they get freight equalisation. So it actually costs no more to shoot it over there and then to bring it back through the normal freight channels. Of course Cadbury's do the same.

Mrs BLADEL - Then you see they are tacking on to that the 320 per cent, or whatever, transport, so the charges are going to increase here because they have to pay for that. Surely if there was a will to help Tasmania have cheaper products, they could make an arrangement, I believe. I do not think it has anything to do with the diversity of goods, because it seems to me that if we are talking about, say, Tassal salmon, that there is so much Tassal salmon bought and sent across, and there is so much sent back to Tasmania, and then the price goes up. I do not see why they just could not allow that salmon to be purchased immediately here and distributed without making that trip across the strait. I suppose they think the fish want to swim backwards and forwards. It just does seem to be an unnecessary on-costing for Tasmanian consumers which could be, with a bit of goodwill, I am sure, reorganised. But anyway.

Mr ORMEROD - Actually it brings out the other issue of fruit and vegetables. Unless you are a reasonably-sized grower in Tasmania, you will not be able to supply to Coles because you cannot guarantee on-going supply. That is an argument they will often put. I do not know whether in fact that is really an argument based on economic rationalism or whether in fact there is any reality to it or not. I would have thought if some of the retail outlets are able to have an association with a local area fruit and veg grower, that they should be able to engender that and encourage that, so that he comes with his truck every morning and loads off a stack of lettuces or tomatoes in season.

Mrs BLADEL - I suppose they would deal with economies of scale, but also it seems rational to me that if you have a supply that you service and you are a local grower, then you can organise to keep up those supplies.

Mr ORMEROD - Providing you can guarantee supply; that is the point.

Mrs BLADEL - Yes, if that could be their point of sale. You certainly should be able to do that with Tassal salmon and with chocolate. There should not be any problems about that at factory-door purchase.

Mr ORMEROD - The other issue, if you do not mind me making mention of, relates to the point of choice and being informed. I do not know whether many supermarkets actually mention to their customers that most of their fresh produce is sprayed every morning with an insecticide in the shop before it is sold. There is probably a good reason for that, to keep things from growing in the shops. But I do wonder. I am aware it does happen in some of the supermarket chains, but I do not know whether the average consumer is aware of the fact that when you buy an apple from a supermarket you should give it a good wash before you eat it.

Mrs HOLLISTER - There are a few average consumers sitting around this table who did not know about that by the look on their faces.

Mr ORMEROD - So that is probably worth considering.

CHAIRMAN - We appreciate that one.

Mrs HOLLISTER - That is really disturbing if you are selling something as an organically-grown produce -fruit or vegetables - and then there is that after-sale add-on.

Mr ORMEROD - I would submit that what they should do is put a sign saying that 'this product has been treated with insecticide'.

Mrs BLADEL - Yes, 'Please wash before eating'.

CHAIRMAN - It makes you think that you cannot knock those grapes off as you go around either any more

Laughter.

Mr ORMEROD - That is right.

CHAIRMAN - Not that anyone here would ever do that of course!

Mrs BLADEL - Or buy a bag of grapes and eat them on the way home.

CHAIRMAN - Well, now we know.

Roy, thank you very much indeed. I am sure the committee will come back to you. I appreciate the offer you have made to us, and thank you for your time.

THE WITNESS WITHDREW

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART, ON MONDAY, 16 JUNE 1997.**

**Mr NOEL BOWMAN, MOTHERS FAVOURITES, WAS CALLED, MADE
THE STATUTORY DECLARATION AND WAS EXAMINED.**

CHAIRMAN (Mr Benneworth) - Thank you, Mr Bowman, and welcome to the committee and we do appreciate your time. I am aware we are having a submission photocopied at the moment. Are you going to speak to that submission?

Mr BOWMAN - Yes. It seemed to me sensible, having regard to my limited resources, to draft up some dot points and also to include any information that might pertain to the sort of things that we are discussing, and that is what it contains.

CHAIRMAN - Okay. For the media people present, the fact is if you ask us to take the document into evidence we cannot then release it. So if you want to release it, by all means you release your own copy.

Mr BOWMAN - Yes. There is nothing controversial in it.

CHAIRMAN - All right, thank you. Over to you.

Mr BOWMAN - One of the things that I would first say is that one often reads in the media and hears from parliamentary and other sources criticisms of the major food chains. As a small manufacturer here in Tasmania, I have none of those criticisms. I think it should first be said that Purity and its staff and Michael Kent encouraged us every bit of the way, and equally the local people from Coles really have gone out of their way to give small Tasmanian business a go. I think it is worth noting that because I hear criticisms - I am not talking about you people, I might add that, but you do -

CHAIRMAN - Please do, everyone else is.

Laughter.

Mr BOWMAN - No, I think some of it perhaps, depending on where you are coming from, can be founded or ill-founded. But we have got excellent relationships with both those organisations and also those people that we do supply - and that is anyone we will supply that are independents and that, and we have great customers there. We deal all over the State with, unfortunately, a slightly lesser success in the north, mainly because of logistic difficulties for small Tasmanian manufacturers, particularly fresh food. It does not matter if you put it in a tin or a jar; it does not matter if it takes a week or a month of weeks to get there, but for us it is a fresh product and it must get there in pristine condition. But we are working on that and we are doing better all the time.

The areas that I want to address are those sections of the notes that I was given about the select committee's terms of reference, and I refer specifically to the 2(a) - recent trends in local processing and manufacturing capacity; (b) - action needed to prevent any further loss of Tasmanian

manufacturing and processing capacity for grocery products; and 3(b) - identification of incentives for existing food producers, processors and manufacturers to increase output to meet identified market opportunities.

We saw a market opportunity in producing a quality product at an affordable price, and that is what Tasmania is supposed to be about. We have been going now eight years and I think we have had reasonable rewards for a huge amount of effort. Some of the faces I know here - and I will not identify them - have been into our premises and know exactly how much effort both my wife, Judy, and I and our staff have put in. It is not easy. To be extremely blunt, 'It's bloody difficult', particularly at this time. Tasmanian business is hurting all over and small business and small manufacturers are really at the hurt end. It is really tough out there at the moment.

We have always pursued excellence - always pursued excellence - and it was to that end that we looked at our product and said, 'How can we reduce the handling, or potentially damaging handling? How can we do things better?' We have spent tens of thousands of dollars doing just that which, for the little guys, is quite substantial.

Recently there has been a new trend enter the marketplace, and a very worthwhile trend particularly as far as Tasmania is concerned, because I come back to that series of words, that we seek to produce the image that we are making and vending products that are great; they are wonderful; they are clean; wonderful waters, and all that sort of thing. In many instances, I believe we have sold ourselves short in that regard - or some manufacturers have not - and vendors/retailers have not always produced the products that met that criteria to a visitor. It is something that has always concerned me personally.

But the new play on the block - the new thing that has come in - is that most - well, certainly the two major companies, both Woolworths and Coles, and from the other side associated with this new agreement between Australia and New Zealand to have common qualities and that in foods and that sort of thing - quality is not only to be a perceived thing, but it must be proven. From my point of view, I absolutely and totally agree with that push. That push of course has come even more into focus with the kind of problems

that were in South Australia and in smallgoods certainly - it comes out of delis where we come from - and Victoria in more recent months, and it is absolutely imperative that everyone not only, as I say, are perceived to produce a quality product but, in actual fact, do.

How do we achieve this? Well, that is where the problem comes into it. If you are a big manufacturer, maybe in Western Australia, and making 1 million pies a month, a year or something, and it costs you 1 cent a pie to assure the quality, it is nothing. But to gain that quality assurance on a lesser - well, if you went from 1 pie to 100 000 pies, the percentage increase is 10 per cent, and that steps up accordingly.

The Tasmanian market is a very small one. I think - and I am only quoting from memory - it is something like about 2 per cent of the national market. Therefore if you are only supplying in to the Tasmanian market, and we are very often constrained from supplying elsewhere by the very problem of freight costs and distribution costs and that sort of thing, particularly with a fresh product, then if you must meet the same standards as the person producing huge quantities, then you are in deep trouble.

Recently - and you will find it within that documentation - Woolworths introduced the Woolworths vendor quality management plan. I am not sure of the actual wording, but it is very similar to that. Again I have no disagreement with what it seeks to achieve, and in actual fact their assessment of it was that we are achieving it. But the documentation must be maintained. The documentation is voluminous, the testing is voluminous, as is the ongoing testing.

We estimate that it will cost us something in the order of maybe \$20 000 to achieve what we need to; even though we are doing it, it will cost us something in the order of \$20 000 to achieve it in the first instance. That is not the only cost; that is the first cost. The costs then on are auditing - auditing maybe desk auditing where nobody needs to visit your premises - \$125 an hour; auditing on site, \$125 an hour plus travel and expenses; it goes on. There is no end to it, nor should there necessarily be an end to it, but the fact remains that it is an open door; you look down the passage and it is very hard to see the way out.

We believe that Tasmania is a special case - well, the results potentially are such that it will force a great many small manufacturers out of the marketplace. We will not be one of them. It is not for me that I am concerned, but the person who makes sauce, the person who makes whatever, is going to be - under governmental agreements between Australia and New Zealand and what have you - up for this kind of testing procedures. There are increased likelihoods of local government, at the manufacturers' cost, requiring more testing and that sort of thing, and specifically if you aspire to a bigger business situation that we have, then the costs are really major. I find it difficult to see how our efforts to make small Tasmanian food businesses more viable and grow them; they will be hindered enormously in doing just that.

One of the major problems is that all of this work is done by 'consultants'. That can always be a bit of a worry for a start, but in Woolworths' case they have engaged a company called Food Operations - they are a Sydney-based company - and the prices they charge are Sydney prices; in other words, I do not think there are many Tasmanians who are getting \$125 an hour for their expertise, and particularly as I have some doubts about some of the expertise provided - well, it is only hearsay and I do not really know, but there have been some doubts cast on some of that. Obviously Woolworths need to have somebody to do that, but what concerns me is that I cannot see why this, what will end up being a substantial amount of money, if one applies it across the wider scene, and then one assumes that the Coles Supermarkets will want to do their own thing, and there is no coordination between either - not at this stage in any case.

One large bakery locally here already has done this sort of exercise for KFC, for McDonalds, and now they are in the process of doing it for Woolworths and, as I say, it will certainly be for Coles too, and each of them are following exactly the HACCP - this is hazards analysis; you know what I am referring to on that - standards. Why are we re-inventing the wheel each time we go into this area? The costs overall are enormous and will just all flow out of the State, not even be kept within the State. I do not think it is any plan, I might add; I think it is just the way it has happened - it is Topsy has grown up.

I was interested - I think Fran - when you talked to the gentleman previously here - or perhaps it was you, Lara - that talked about reducing the range. Fairly obviously that is one effect that it may well have - this kind of thing if it is ongoing - that it will certainly reduce the range because Tasmanian suppliers will be struggling in that situation.

I have noted here microbiological testing and sampling. For instance, if one is to have that done as it should be done - under NATA testing and that sort of thing - the average cost to test a product once is probably about \$800 a product. We make 21 in our small range. If you know the testing procedure, they must have more than one of it so that they get a wider view, and they test them at different stages within the lifespan and/or they are looking for pathogens and all this sort of thing. So if you multiply that \$800 just purely by our number - and this is not to say that in six months' time it should not be done again.

The local NATA people are - the university up here has a department doing that and those are the figures that I am quoting that they supplied me for doing that. It really is a situation that has - I personally believe it is the greatest sleeper as it could possibly affect Tasmanian small business in the food industry.

I also know of a situation, again with a much larger manufacturer whose plant I thought was state-of-the art. I am not saying that it is not, but they have got a quote to bring their - this has nothing to do with fixtures and fittings; this is only to do with consulting - words and pieces of paper - and they already conform in some aspects of their things. But to bring other products in line, they have a quote in hand for \$20 000. Now all of this, somebody has got to pay for it, and when you are working in the Tasmanian economy of small margins, it is a frightening thought, you know.

What I am saying is that Tasmanian small business and manufacturers in food are going to be heavily disadvantaged under these type of situations because they just will not have the chance, unless they are supplying into national markets which, as I say, is extremely difficult - it just cannot amortise these additional costs.

There is another aspect to it also perhaps. One of the things that concerned us is that there is also within some of these testing procedures calls for - in a pie line or something like that - metal detecting. Now everyone says, 'Gee, that's great. Who wants to get a rusty nail in your pie?' - and I am not suggesting that is an appropriate thing in any way, shape or form. However, anything of this nature, nine times out of ten - well, all it will detect for is metal - ferrous metal. It will not detect stainless steel or anything of that nature.

The cost is pretty huge but, more specifically, it usually comes in in the meat - assuming it is a meat pie - or it could come in the vegetables, I guess. Somebody has knocked a little piece off a cog in a gear, or in a grinder or some damned thing. The fact of the matter is that that sort of thing is being called for by Woolworths, and it seems like a great move; I am totally in agreement with it. But for us who buy our meat from the next door butcher shop - and why would we not; it is a good thing, it spreads it in the community, and what have you - he does not have a metal detector, as he would be required to have under this; it will cut him out of the equation. But while it cuts him out of the equation, no small butcher shop will have that kind of equipment.

I would make the point: who owns the greatest number of butcher shops in Australia - the supermarket chains. None of these will have metal detectors too because it is not a practical scenario. So where does it start and where does it end? It must indeed cover all eventualities, or what is the point in covering one small eventuality, particularly as far as we are concerned, who have a very close, hands-on - it is not a huge big production line where a million pies are flashing past in the blink of an eye. So they are just some of the sorts of things that we are faced with.

It seems to me that if I asked the questions I should also perhaps potentially provide something of the answer. It seems to me that what we really need is to have a State-based quality assurance program. I think that should be based on the New Zealand and/or Australian standards, and that if a supplier meets those standards, then it be considered that it is suitable to supply into any place, whoever it may be.

Mrs BLADEL - A set standard?

Mr BOWMAN - Yes. In other words, instead of Woolworths having a standard, Coles having a standard, KFC having a standard - and God knows where it ends - that there be one standard and that that standard be set and assessed once at an overall level, and then obviously with continuing audits at some stage.

I think we have to have a strategy to do that. I think that there is, with the restructure of local government - and anyone who knows me knows that I have been heavily critical of local government as it has operated, because I think they have taken the workers out and brought in the bureaucrats in numbers. This is only incidental. Nobody's drain gets fixed but, boy, they get plenty of bumph.

I think there is a great case for Tasmania to use the expertise. For instance, our local Kingborough Council has an environmental health officer in charge there - a fellow by the name of John Doole who I respect enormously. He is practical, he understands the matters. I have had points of view argued with him - not over quality or that sort of thing, but over implementations. John is a very practical person, and I could see people like John having a role to play there.

I would see perhaps an association or a body. I do not see of necessity that it should in these days of stringent times be government funding, although I would like to see that it have some input in some way to bring the cost of testing, the cost of implementation, the cost of assessing those things, brought down to a level that is commensurate with Tasmania's specific needs.

At the end I think we have to ask ourselves the question, to what greater purpose are we working? Are we seeking to deny all risk, and by doing so

put - I will mention a case in point. A consultant at - this is the other thing: these consultants encourage you to attend seminars where they explain their requirements to everyone. One that I was invited to attend recently, \$400 worth, thank you very much. I did not go. I found that working fourteen hours a day I just did not have the time or \$400 to spend.

But from someone who went, they learned nothing more than they already knew because they had already been down the track, except this wonderful piece of information when they were talking about vegetables particularly. Okay, you have quality assured that the vegetables are right coming from the farm - and it affects the rural industry too, very strongly, I might add - and you have assessed that it has been transported in suitable vehicles; it has arrived at your factory and you have taken it off in a fork-lift and immediately put it into your cold room and everything is perfect. Wrong. How did you know that it was perfect between when it was taken out of the transport vehicle and put into your coolroom? Well, it just came out and I took it across there. But was it under cover? Well, it could not be. Well, what if a jet plane passed overhead to land at Hobart airport and they had a problem and they had to dump some of their fuel, and that fuel came down and landed on the vegetables? Could you prove that it did or it did not? Well, how long is a piece of string? How can I prove that there are not pieces of sky in my pie? I do not know how to identify a piece of sky. That is the kind of nonsense that the situation brings forward.

CHAIRMAN - Have you looked at solutions, Noel?

Mr BOWMAN - Yes.

CHAIRMAN - For example, I am just saying to myself that the State Government could introduce this tomorrow, but Woolworths may well say, 'Well, we want it higher'. So you could never win. If Woolworths do not want us to win, you are never going to win this, are you?

Mr BOWMAN - I would never believe that such was the case. I have not experienced anything but cooperation from them in these sorts of matters. I

think it is a matter of negotiation and making sure, but it is really a case of us having - everyone talks about a level playing field now. I do not think any of those companies would wish to deny anyone a level playing field, and to me they have proved always that they have sought to have that. I am not suggesting - obviously there would have to be some sort of discussions. But at the present moment the situation has been as loose as it could possibly be, and I think in this day and age it is no longer suitable of course to have that degree of looseness.

CHAIRMAN - What I am saying is, I hear exactly what you are saying, and I am sure the committee is hearing what you are saying, but there are industry bodies that would be doing this, I presume, like the TCCI, your local chamber, the Department of Consumer Affairs or the Department of Agriculture. Is anyone doing it, or are you just saying it is not being done and would we do it as a committee?

Mr BOWMAN - I would like to see a body formed, perhaps either nationally or certainly a State thing of that, that would perhaps have a representative or representatives. I am not talking of a committee of 10 000; the smallest number is best. But somebody from the supermarket chains; somebody from the technical side of things; somebody from the implementation people - like local government, John Doole or that sort of thing; somebody from manufacturers, both large and small, and an association formed that would oversee this. I think the guidelines are coming into place - HACCP is the guidelines - and it just seems to me that if we can get the cost of implementation down to a level that small business can accommodate, then we are right. If we cannot, small manufacturers in Tasmania are going to be in deep trouble.

CHAIRMAN - I think there is another association called the Quality Standards Association.

Mr BOWMAN - Yes, but it has not really previously applied - Australian Quality Standards, SQF. They have food guidelines and what-have-you, but again it has been a very, very loose arrangement. I think it is generally considered - I have worked with Michael McGee - and some of you would know Michael - on producing my own documentation, which we are well

into now at great cost. Michael is currently going to Western Australia to the Department of Primary Industries there who, I understand, have a very, very good program. There are programs available, but it needs to be one program rather than multitudinous.

Mrs BLADEL - Through you, Mr Chairman - what you are saying is, say, the milk producers would have their program and the flour millers would have their program. You have given us a flow chart here of making a quiche.

Mr BOWMAN - Yes. That is just one particular product we have only got to now, although it is an extension of that. The document is going to end up about that thick, I would think.

Mrs BLADEL - So instead of segmentation, you would like to see one standard body - one body setting the standard -

Mr BOWMAN - Yes - nationally.

Mrs BLADEL - Nationally. What about the State body?

Mr BOWMAN - I would like there to be individual implementation bodies who work to that one standard. In other words, if the national body has to send people to Tasmania or anywhere to do this monitoring process, you are no better off. But it would seem to me -

Mrs BLADEL - It would be better if the State was doing their own and reporting back to the national body.

Mr BOWMAN - Exactly.

CHAIRMAN - And are you calling on this committee to call on government? Who would we go to?

Mr BOWMAN - My view is I would like to see it brought to the attention of government, certainly as it exists now. I would like to see it brought to the attention of the minister - not the minister, I think his parliamentary secretary, Mr Cheek, whose office over the last three weeks I have tried, before I knew I was going to get an invitation to come here - and I stress that. But Mr Cheek did not seem to be very interested in it, or his office. I never even got to speak to him, I got headed off at the pass every time and I was not terribly impressed, actually.

CHAIRMAN - Well, he is on this committee. I thought he might have been -

Mr BOWMAN - Well, he is not here today either.

CHAIRMAN - No, he is not.

Mr BOWMAN - That is perhaps his level of interest.

CHAIRMAN - I must admit I think I would have probably tried to steer you straight towards Consumer Affairs, or one of those bodies. But I hear exactly what you are saying.

Mrs BLADEL - What about Primary Industry? They have a quality assurance -

CHAIRMAN - Exactly, just as part of that Directions statement.

Mrs BLADEL - Yes, it is. It seems that that is where it might fit.

CHAIRMAN - Yes, it probably goes there.

Mrs HOLLISTER - One of our first witnesses was part of this QA passive thing -

Mrs BLADEL - That is right.

Mrs HOLLISTER - and as we were told then, this is a national and an international drive, but the major companies are actually driving this, as you have just said, Noel.

Mr BOWMAN - Yes.

Mrs HOLLISTER - But it is very expensive for small businesses to fit into this scheme.

Mr BOWMAN - It is hugely expensive. I have tried for four or five years, funnily enough, before any of this was ever mooted, to try to drive it up from the bottom. There is a yachting term that I can use, but not in front of nice ladies.

CHAIRMAN - Or nice men, Noel; you have to be very careful.

Mr BOWMAN - Well, no, you cannot say that about men these days.

Laughter.

CHAIRMAN - I am learning.

Mr BOWMAN - Yes, I know. I am in deep water there.

Mrs BLADEL - Surely Tasmania does need to have its own -

Mrs HOLLISTER - Quality assurance.

Mrs BLADEL - Yes, because we have so many small businesses, so many quality producers. This is the thing about this State, this is the main asset of the State, is it not, that we have these small producers.

Mr BOWMAN - It is indeed.

Mrs BLADEL - So there has to be a recommendation, I would say, from this committee with regard to that.

Mrs HOLLISTER - As this grows, more small businesses are going to have to take part in this -

Mr BOWMAN - Absolutely.

Mrs HOLLISTER - if they want to be part of the whole scheme of export and domestic markets, particularly for the major chains. Do you think that will drive the cost down of the people who are the assessors, so to speak, of the companies who are doing the assessing of passage and HACCP and QA?

Mr BOWMAN - Not unless there is - it is a very interesting observation that somebody passed to me, that a great many of today's assessors were the same people who were doing training under the training levies and what-have-you that were in place federally up until a couple of years ago. They were attracted to that because there was a nice pool of money that they were able to get into up to their armpits - or deeper, in some instances. That pool dried up and I think a lot of these people see a new pool and think that is a top scene.

There are also, I might add - it is probably slightly unfair because people like Dr Christian Barnard, who was the name that has come to me from up at the university, is a highly qualified person and obviously attracts fairly good money. But they also run highly bureaucratic departments and that sort of thing which small business just cannot support that kind of thing. We have to find a way of cutting through the garbage and coming to the gold of the matter.

I asked Michael McGee. The reason I came to him was that I had a lot to do with Michael McGee at Tas Crays. He went through AQIS programs for export and what-have-you which I felt that we could apply to this. Both he and I have done a great deal of study on it, and Michael's notes to me, which I have expanded upon, but I will deal with his last paragraph, and he says: 'It is imperative that all tiers of government address this issue and quickly set down a national code of compliance for quality assurance and self assessment in the food and grocery producing, manufacturing and marketing areas. It is totally necessary that the Government address the specific needs of Tasmanian operators urgently, and initiate the framework that will knit

together the non-directional idealism.'

What he is saying by that is there is also a great deal of people out there who are technically driven, who sit down and say, 'Oh, wouldn't it be a good idea if we knew what was the state of some particular thing?' Whether it is relevant to overall health and safety factors is not necessarily the case. It is a matter of saying it has got to be dealt with as bricks and mortar rather than airy-fairy ideas between local councils, State and Federal governments, on the issue which is very simply directly related to the health and well-being of the Australian nation.

This issue should not only be about best practice for the people who can afford to buy it - and I think that is a very important thing - but also in providing a system which includes quality assured understanding of the way it should be received and implemented by all operators in the food and grocery industry.

CHAIRMAN - Well, that says it all, does it not?

Mr BOWMAN - It does, I think so.

CHAIRMAN - Are there any other questions because I am mindful of the time?

Mrs BLADEL - All I can think of is that perhaps this is an area that should be paid attention to perhaps with the recommendation that a small committee be put together to come up with the guidelines and how it should be implemented for this State.

CHAIRMAN - Yes, absolutely.

Mrs BLADEL - When we look at all our - and Noel I think has mentioned this - small producers of mustards, condiments, treaclements and jams -

Mr BOWMAN - It just goes on.

Mrs BLADEL - Well, that is right - our petite chocolate producers - everybody.

Mr BOWMAN - Who is to suggest wines. I mean, it comes down to testing the water to make sure that the water that comes in is suitable. I am sorry, Fran, I interrupted you; I get a bit enthusiastic.

Mrs BLADEL - No, no, we are on the right track. It seems to me that all those major things would be tested anyway by a good producer, and I can imagine people like Hartz View, for instance -

Mr BOWMAN - Exactly.

Mrs BLADEL - would carry out their appropriate tests because no producer wants to be found to have any materials used wanting. Would this come about Noel, do you think, because of those sausage producers?

Mr BOWMAN - There is no doubt that that has provided an impetuous but, in my view, it is a situation that really needed to be addressed long before that. I am in total agreement with the thrust of where it is going; I am absolutely in agreement. Anybody is very welcome to come down and look at our premises and that. We really go to extraordinary lengths to try and do

it right so we have no specific problems. But the nuances are great and we have to accommodate those other smaller people who are going to have dreadful trouble meeting that, Tony.

The other thing is that if there was to be a committee, whether it be ad hoc or under whatever circumstances, I think it should have somebody from government; it should have somebody from local government - and I am talking hands-on people; I am not talking the mayor - somebody from the major supermarket chains, who I am absolutely certain would welcome it; from the independents perhaps; from people like the Health department who I do know - it was quoted back to me, and again it is only hearsay - that Eric Johnson, I think the chap's name is up there, is deeply concerned about it in his own right because at the present moment there is not any coordination and, more specifically for instance, if it was dumped in the hands of local government at the present moment they could not handle it; they have got probably enough on their plate as it is. But it is a problem that has to be solved.

CHAIRMAN - All right, Noel, thank you very much indeed.

Mr BOWMAN - I hope I was not too wordy.

CHAIRMAN - No, that is fine. Thank you.

THE WITNESS WITHDREW.

UNEDITED TRANSCRIPT

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON GROCERY
MARKETS AND PRICES MET IN COMMITTEE ROOM 2,
PARLIAMENT HOUSE, HOBART ON MONDAY, 16 JUNE 1997.**

**Mr KERRY PETER GIBSON, GENERAL MANAGER, TASMANIAN
FREIGHT SERVICES PTY LTD, WAS CALLED, MADE THE STATUTORY
DECLARATION AND WAS EXAMINED.**

CHAIRMAN (Mr Benneworth) - Kerry, thank you very much for coming down and giving up your time to talk to the committee. Kerry rang me, for the purposes of the committee, after the last time I was on television talking about how freight is a component to Tasmanian grocery prices. I do appreciate that call because it certainly is really what this is all about.

Mr GIBSON - I am sorry you got the impression I was having a go at you.

CHAIRMAN - No, no. But from that came the opportunity for Kerry to come down and give us his point of view on the freight forwarding, so I do appreciate it.

Kerry, the normal procedure is just to hand it to you, and then the members will ask you some questions.

Mr GIBSON - Can I just mention, if you do not mind, that the bit of paper you have is competitor sensitive. Can we keep that highly confidential, please?

CHAIRMAN - Yes, we can.

RESOLVED.

Mr GIBSON - I was concerned when I heard the differences in the freight rates that were quoted by Mr Benneworth that were attributed to some other grocery chain from the last committee meeting, I believe it was - or the last hearings. So I decided to put some things on paper and come up with the actuals that our company actually works on. Whilst we do not know exactly what our competitors are working on, we have a fair idea of course.

CHAIRMAN - Are you going to talk to that bit of paper which you just handed out?

Mr GIBSON - I will not specifically mention any of the figures, but if you wish to ask any questions on that, I will answer them.

CHAIRMAN - Having taken that into evidence and agreeing to hear it secretly, we cannot now talk about it in the presence of a gallery. So we have to make the decision - or you do, frankly - whether you are happy to speak in open forum. If you are going to do that, then we cannot mention anything that is in there.

Mr GIBSON - Well, as long as we do not mention any of the figures specifically.

CHAIRMAN - Okay, I think that is fair enough.

Mr GIBSON - Can we just mention things like 'the price you have mentioned to Devonport', or whatever. I can elaborate on those, if you do not mind.

As I was saying, and relating to these figures, we do not really know definitely what our opposition offers in the sense of across Bass Strait. But we are not all that different; we are all reasonably close together. Our company would be the largest serving Tasmania in a road mechanism, vis-a-vis semitrailers. Even though we are not the largest carrier in Tasmania, we are certainly the largest of the trailer operators, something which I guess the TT-Line would be able to verify, I guess.

CHAIRMAN - Can you just really clarify that? That means that you bring all your -

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?

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 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.

CHAIRMAN - Okay. That is very good information, because -

Mr GIBSON - But you would need to verify that of your own volition.

CHAIRMAN - Yes.

Mr GIBSON - Obviously I cannot speak for those companies concerned - whom I have not mentioned, incidentally.

CHAIRMAN - No, I know that.

Mr GIBSON - My main concern was that the transport industry as such - and the shipping companies incidentally, are always the bad players. I think if you go into a shop even today and you do not have the product on the shelf, it is not the shop's problem or fault that they are not stocking it; it is the shipping company has not delivered it yet. That is not true today. You have sailings on every day of the week into Tasmania today. It is far better than it ever was. The freight rates are cheaper than they have been for probably - we are currently on about 1981 or 1982 rates. The rates across Bass Strait have reduced quite considerably over the last fifteen years. If grocery prices are not coming down, it is not because of freight.

CHAIRMAN - Just slipping off the point there for a minute, would a seacat help? All this talk lately about these big new seacats, are they going to be better for your business?

Mr GIBSON - I have to be careful what I say; he is a customer.

CHAIRMAN - It has nothing to do with this I know, but -

Mr GIBSON - The problems that I see a cat first of all having is getting acceptance because of the George Town experience. Once he has that acceptance, his problem is then going to be on freight rate because I assume he is going to go to Hastings or somewhere like that. That creates logistical problems because you are now talking Melbourne to Hastings which is two and a half hours by truck. So instead of having one truck currently in Melbourne from your depot to the wharf doing maybe six or seven loads a day, he would do one or two. All of a sudden you have a greater land content cost so that has to be taken up in the actual sea freight content; it has to be much more reduced.

The overall cost would probably be the same, but it is going to be logistically a nightmare. It has been tried before incidentally with a ship called the *Roger Rougier* out of Devonport. That service went broke, as did the Stanley one go broke. There is not enough room in Bass Strait at the moment for another player really.

Mrs BLADEL - What, for freight?

Mr GIBSON - There is enough space. There are enough ships there to cover the amount of freight that is there. To put another player on without replacing one of those players - and we saw it with the Stanley ship five years ago. It caused a lot of heartache because a lot of people went broke because it reduces - once you start reducing your rates to a degree that they did, something has to give, people go broke.

So you will find, I think, in those rates that once you start doing your sums, obviously Sydney is very beneficial, Brisbane being - the further away you get, the closer to Tasmania's rates. I believe that we are about 440 kilometres from Melbourne to Devonport, bearing in mind, I guess, that Sydney is about 880, which is exactly twice. We still have a fair way to go with catching up on freight rates in the comparison. Freight equalisation helps that for a product grown here, but for groceries coming in obviously it does not help at all because it is not applicable.

CHAIRMAN - Can I just forget Bass Strait for a minute and ask you a more general freight question, which certainly comes up in the Coles submission, for example, where they are saying that it is not only the Bass Strait component that is expensive, then there is the onforwarding once you get into Tasmania. In other words, you dump all your stock into your distribution centre, which for Coles and Roelf Vos is in Launceston, and then it costs you another 46.8 per cent to move it again down to Hobart stores, and 60 per cent to move it up to the north-west coast - they are not accurate figures; I have just pulled them out of my head.

Mr GIBSON - It can be expensive moving from the north to the south because there is very little freight to come back out of the south.

Mrs BLADEL - So they come down here with full loads and go back empty?

Mr GIBSON - The bulk of the movements. I guess there is more freight moving from north to south, so there is not sufficient freight to backload units going north. You will find that the freight coming to the south can be quite expensive because that truck generally would go back reasonably empty or empty, and so it is paying both ways. But the cost of that is probably about \$35 to \$40 a pallet or a tonne. That is 260 kilometres, Devonport to Hobart. Let me give you an example of Sydney to Orange, which is probably about 120 kilometres, half the distance; \$90 from Sydney to Orange.

Whilst we are not all that well blessed in comparing Melbourne to Sydney and Melbourne to Hobart, but once we get to an on-carriage we are a heck of a lot cheaper than what the mainlanders are in their centres. We are paying this all the time as a Tasmanian operator and Tasmanian owned - one of the very few that is left.

If you look at that letter you will see on the bottom that we actually cover the eastern seaboard ourselves, the only Tasmanian-owned company to actually do that. We actually have a service that leaves Melbourne and actually go to Sydney and Brisbane; we do not just rely on Tasmanian freight for those mainland services. We have been doing this now for about five or six years and, as I say, the only Tasmanian company to do it. So we are probably the only one in a position to be able to tell you all of these figures, apart from Toll transport, of course. But as a Tasmanian company, we are the only ones.

So the on-carriage costs can be expensive in Tasmania, but they are not compared to other States. I will state that a carton of wine from Hobart to Triabunna costs us more than what we charge our customer from Melbourne to Hobart, so work that out.

CHAIRMAN - Say that again.

Mr GIBSON - We bring a carton of wine - and I will tell you the price - from Melbourne to Hobart for \$1.95 a carton. It costs us \$2.50 to \$3.50 to go from Hobart to Triabunna.

CHAIRMAN - Okay. That is economy of scale, I presume, is it?

Mr GIBSON - That is a fact. That is what we pay. That is what we would pay the local carrier to take that carton of wine, if it was going to Triabunna, that is. I am not saying that a deregulation of our licensing system is going to change that, but our local cartage can be quite high, especially in the smalls. We are probably feeding too many people in that regard unfortunately.

Mrs HOLLISTER - Kerry, can I just ask a question about the letter you have given us?

Mr GIBSON - Yes.

Mrs HOLLISTER - In the case of a cargo arriving in Devonport, then there is the oncost to get it to the distribution warehouse which, I believe, are mainly all in the Launceston area. So that is an add-on from what is down here?

Mr GIBSON - You have got your Launceston cost there.

Mrs HOLLISTER - Right. So you would come straight into -

Mr GIBSON - We come to Devonport and then it goes to Launceston. That Launceston price you have there is actually delivered to Launceston.

Mrs HOLLISTER - Is that right?

Mr GIBSON - Yes, that is actually delivered to Launceston. Those FCL figures are the minimum that we would expect to get.

Mrs BLADEL - Well, there is certainly not much difference between, say, Launceston and Brisbane.

Mrs HOLLISTER - That is right.

Mr GIBSON - You can get the possibility of getting a cheaper price from Melbourne to, say, Brisbane or Sydney if you go by rail.

Mrs BLADEL - By rail?

Mr GIBSON - By rail. Rail would give you a cheaper but a much slower effect, and there are not a lot of grocery operators on the mainland using rail. They do to Western Australia, but very rarely up the eastern seaboard, because they want overnight delivery. If you load something in Melbourne today it has to be delivered in Sydney tomorrow or you do not keep the business.

CHAIRMAN - What are you actually saying to us then; that the presumption that Tasmanian grocery prices are dearer because of freight is, in fact, inaccurate?

Mr GIBSON - We do not believe that to be the case - like, to be dearer - and we are certainly by nowhere near the figures that were released in the press in relation to that supermarket chain that made those figures. They were to my - if they had been a third of what they were, I would not have even looked at them. Do you know what I mean? You would have looked at them and said, 'Oh well, that's reasonable'. But when you look at the outlandish figures that were there, you straightaway thought, 'Gee, that just can't possibly be true'. So then you get out the figures and have a look at it and it is not true. I mean, those figures are just -

We do not carry their products into Tassie; we carry products to them for other manufacturers. I would envisage they would even have a better rate than I have just given you because the bulk of what they would be moving would be lightweight products, it would be in large quantities, and they would probably attract a better rate than what I have given you there, because they are not built on volume those; we would expect that to get on our trailers. But if someone came to us with ten trailers worth of freight, they are going to get a better rate than one trailer of freight. I would envisage that that company would have far better rates than what I have just quoted you.

CHAIRMAN - It is a very interesting revelation, let me tell you.

Mrs HOLLISTER - It certainly is, seeing as we heard that transport costs in Tasmania are 334 per cent more expensive than other States today.

Mrs BLADEL - That is a big factor in our higher prices.

Mr GIBSON - It is not true. We do not pay any less to go from Melbourne to Warrnambool than we pay to go Devonport to Hobart, which is exactly the same distance. It costs us the same amount of money.

CHAIRMAN - Yes. As a company like yourself operating across State boundaries, fuel costs, registration costs across State borders, they do not affect you?

Mr GIBSON - Well, up until Kennett just relinquished his 4 cents a litre on the diesel, which he just did in his budget, we were cheaper with the fuel here in Tasmania than Victoria. New South Wales was roughly the same price, and Queensland was obviously well under. But, no, Victoria was

dearer than us on fuel.

CHAIRMAN - So you basically just average your costs out across the nation anyway.

Mr GIBSON - Yes. Victoria was probably about 3 cents a litre dearer. They are just fractionally under Tasmania now that that last .04 cents a litre came off in the last three weeks. If we go back years ago, we were always dearer than most. But when that 3 cents went on for the Pyramid collapse, and has only just been handed back, Victoria now has gone under us from being over. We have not been all that unduly - I mean fuel is still too dear, but we have not been unduly inconvenienced by way of other States, other than Queensland, of course, who probably is the furthest away from the oil fields.

CHAIRMAN - But they do not have the State taxation.

Mr GIBSON - They do not have the State taxation. It is very hard to explain that to truckies though.

CHAIRMAN - I am sure it is. But I am told you can get about 3 000 kilometres out of a tank anyway. Do you fill up up there and come back down? Is that the way you do it?

Mr GIBSON - You can really put the tanks on you want. It does affect the weight and what you can carry as cargo of course, because fuel tends to be heavy. If you put in 1 000 litres, you have a tonne of weight. But most of those trucks that operate out of Brisbane would try to get back to Brisbane. They would buy only a scant amount of fuel south with a view to get back to Brisbane.

CHAIRMAN - I will never forget running into a truckie in the outback and he was going Sydney to Adelaide and I said, 'When do you fill this thing up?' He said, 'I only fill it in Sydney'. He goes over and back and I thought, 'That's mind boggling'. Here I am chomping hundreds of dollars into my little car.

Mr GIBSON - And they only get 2 kilometres a litre. That is how far they can drive on a litre - 2 kilometres. So it is big tanks.

CHAIRMAN - Kerry, thank you very much for coming forward and giving that evidence to the committee; it is very valuable -

Mrs HOLLISTER - It certainly is.

CHAIRMAN - and I do sincerely appreciate you coming down. Is there anything else you would like to add?

Mr GIBSON - No, other than to thank you for the opportunity. I think we had to stand up, the locals anyway - the transport operators - because you have been fed the wrong information.

Mrs HOLLISTER - I am very pleased you did.

CHAIRMAN - Thank you very much indeed, it is much appreciated.

THE WITNESS WITHDREW.