

Public Submission
to
ACCC Grocery Inquiry

By

Southern Sydney Retailers Association

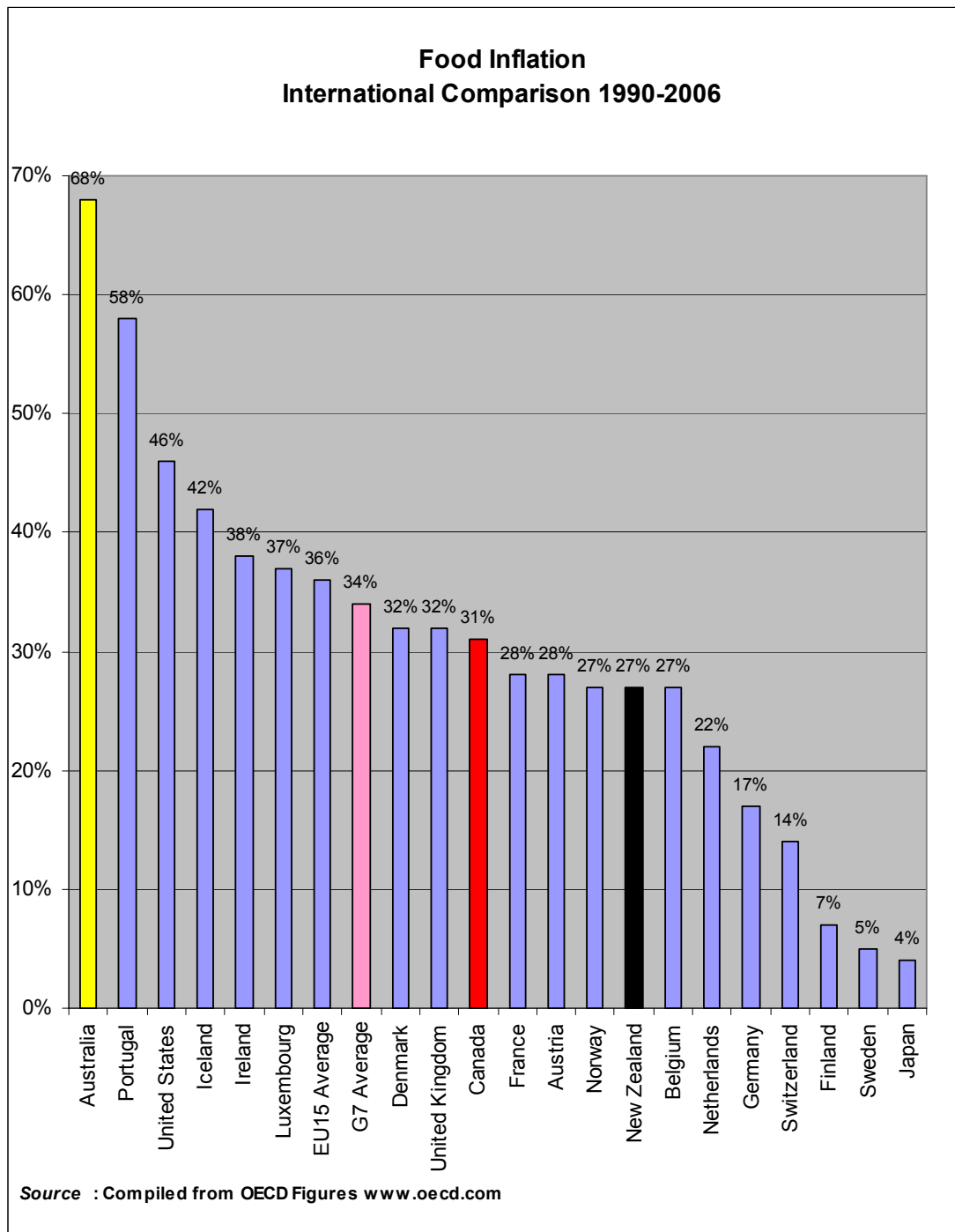
Contact : Craig Kelly 0413 433 288

On

11th Feb 2008

We congratulate the new government and the Assistant Treasurer & Minister for Competition Policy & Consumer Affairs, Chris Bowen, for not only calling this inquiry, but for being one of the few politicians brave enough to finally admit that Australia has a huge problem with increasing supermarket prices, which are punishing Australian families, adding to inflation and placing upward pressure on interest rates.

As the following comparison shows, since 1990 Australia has led the developed world in Food Inflation, and by a country mile. It is appalling to think, that during this time, Food inflation in Australia has been exactly double the G7 average.



This is the first inquiry into the retail sector, where there has been an admission up front that a problem exists. Previous inquiries have simply been hoodwinked and had the wool pulled over their eyes by the supermarket giants. For example, both the Dawson and Senate Inquiries which could have addressed the problem with amendments to the Trade Practices Act, both received submissions claiming “lower retail prices” - which were swallowed hook, line and sinker.

“Woolworths is continuing to push for lower costs across its stores through the “Project Refresh” initiative and to pass these benefits to consumers through lower retail prices.....that has meant retail prices are lower.....retail competition is both vigorous and healthy and the end beneficiary is the Australian consumer.”

Woolworths (Trade Practices Review -Dawson Committee) 2002

“Savings from volume buying are passed onto consumers in the form of lower prices...intense rivalry between the major domestic food retailers is the driving force for increased service levels and lower prices.....”

Woolworths (Senate Enquiry) 2003

“Consumers throughout Australia are benefiting from intensity of competition in the retailing sector.”

ColesMyer (Senate Enquiry) 2003

The Dawson Committee was so influenced by such misleading statements that in their final report they stated;

“It was said that consumers are benefiting from the competitive environment.....”

Dawson Committee Report (Trade Practices Act Review) 2003

How can consumers be “benefiting from the a competitive environment” when prices are rising faster than anywhere else in the developed world ?? A quick study of economic history books should have sent a warning to the Dawson Committee, and demonstrate the old truism that “history repeats”.

“History shows, that while the claim of reducing prices to the consumer has always been advanced in defence of monopolistic interests, actually the reverse occurs. The price the producer receives (farmgate prices) continues to remain depressed while the prices to the consumers are often raised to an exorbitant degree”

Wright Patman (US Congressman) 1938

*The Robinson Patman Act, What you CAN and CANNOT do under the Law,
The Ronald Press Company 1938*

No doubt these same players, guilty of these past deceptions, will be up to their old tricks attempting to again hoodwink this inquiry by claiming that their “efficiencies” and “buying power” are reducing prices, when actually the reverse is occurring.

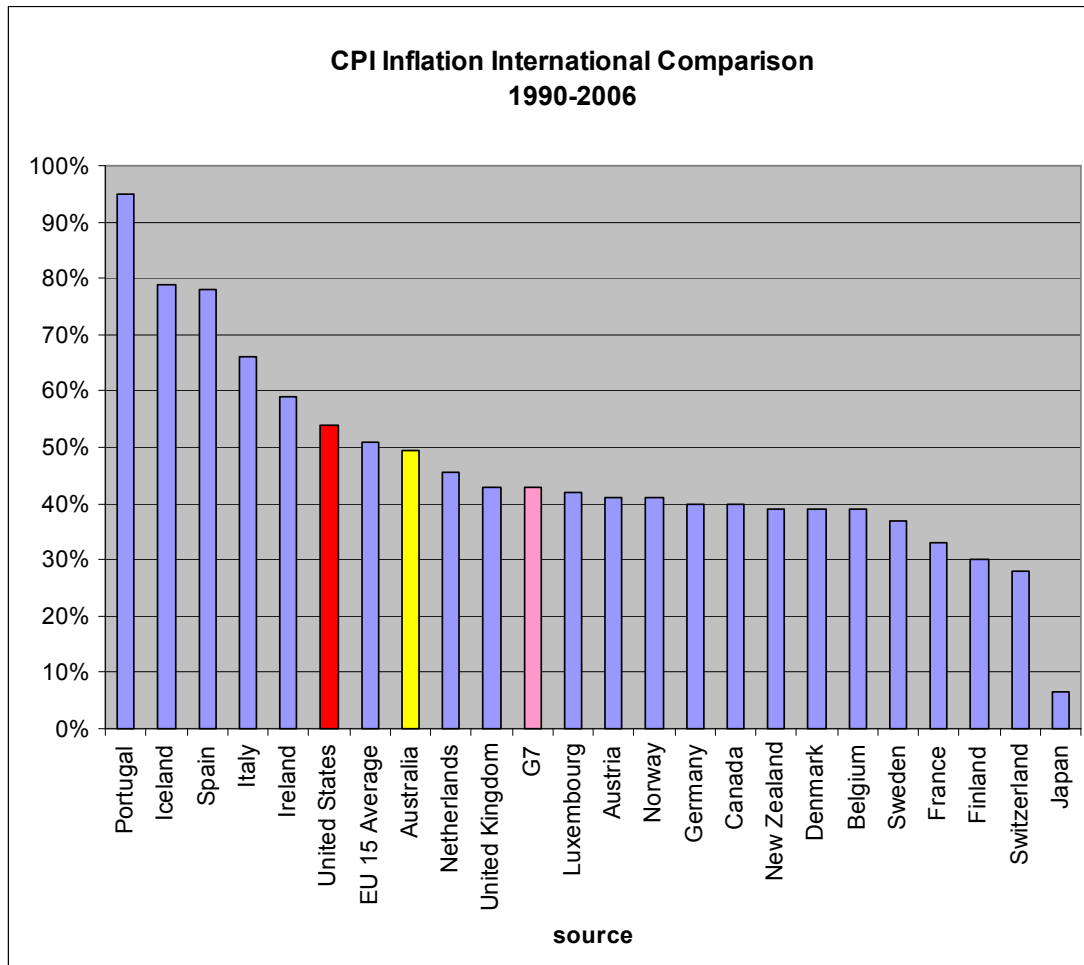
It should be expected that their submissions will be riddled with the old furbies of “vigorous competition” and claims Australia has the “world’s most competitive retail market”.

But how can Australia have the worlds most competitive retail market - when over the last 17 years retail prices have risen faster in Australia in than anywhere else in the developed world ??

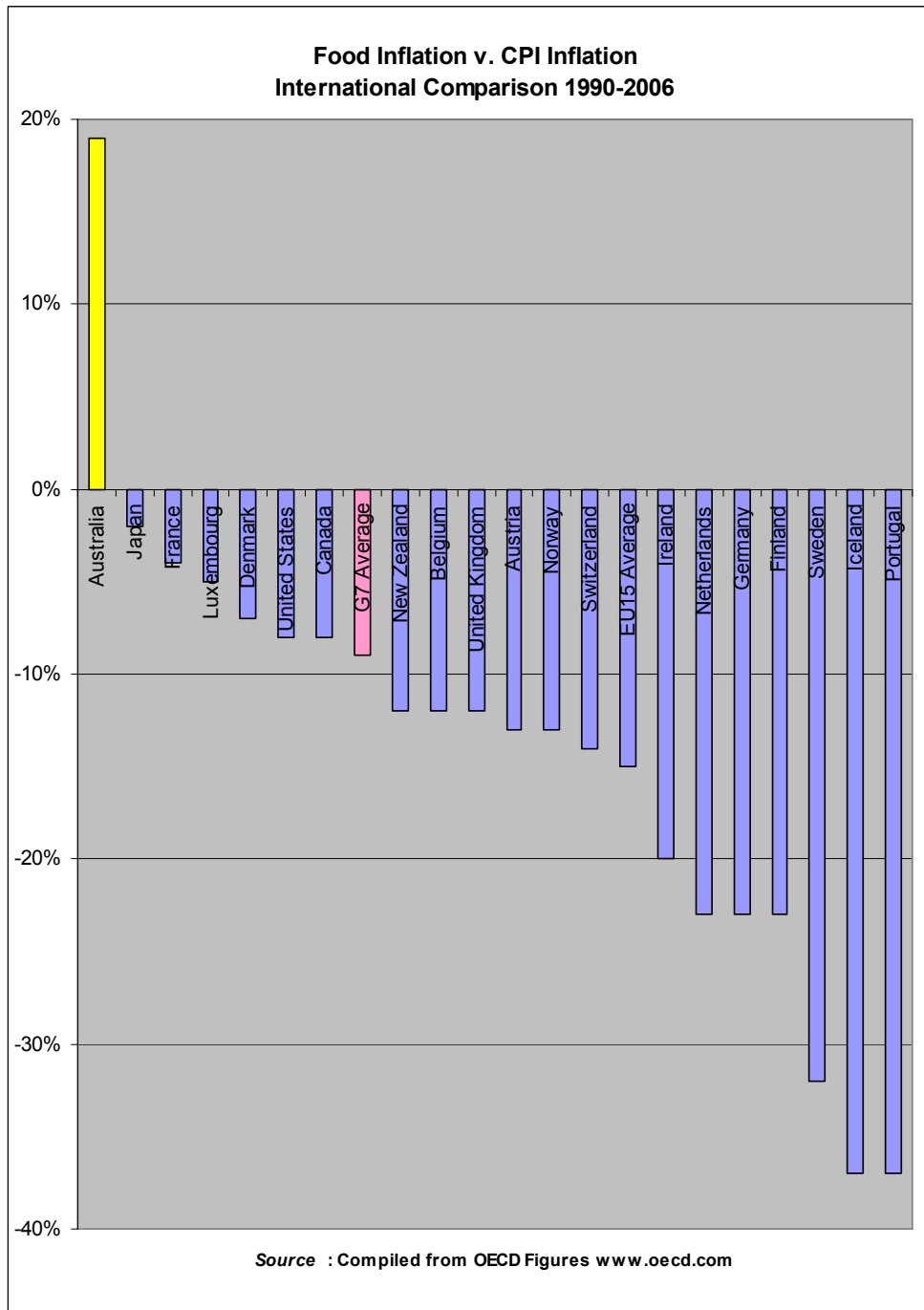
Something is clearly wrong in Australia – and very wrong.

Hopefully the ACCC will be on guard, and will not allow itself to be hoodwinked, like in the past, and if a problem exists, the ACCC will show no fear or favour, in its final report.

Further, the true extend of the shocking problem of high and increasing Supermarket prices in Australia, is revealed by a comparison between General Inflation (CPI) and Food Inflation.



While Australia is close to the G7 average for general inflation, when comparing the CPI v Food inflation, Australia is the **only** country in the developed world where supermarket prices have been increasing faster than inflation.



There can only be two reasons for this scandalise problem in Australian supermarkets ;

- 1) Our farmers have increased farm gate prices significantly faster (perhaps double) than has occurred in the rest of the developed world.
- 2) Competition has collapsed at the retail level, and that our Trade Practices Act is based on a wholly mistaken economic theory, and allowed the market to evolve into one where 2 mega retailers act as gate-keepers for 80% of nations supermarket shelves, has been highly detrimental to consumers and the national economy. If so, we need a complete and urgent re-think on repairing the Trade Practices Act, otherwise this appalling situation, punishing every Australia consumer, and pushing up inflation will continue - a situation that will result in the public *again* extracting revenge against any government that sticks it head in the sand and refuses to act.

And finally, it needs to be acknowledged that this is not a short term problem, which has occurred only over recent years, just coinciding with the drought.

The drought cannot be used as a scapegoat for increasing supermarket prices.

Exactly the same result occurred in period 1986-1999 – when yet again Australian led the developed world with the world fastest increasing Food prices at the supermarket.

