Bob Katter MP

Member for Kennedy

PUBLIC SUBMISSION TO ACCC GROCERY INQUIRY

on

14 April 2008

Preamble

This initiative of the current Government and the responsible Minister in calling on the ACCC to conduct this Inquiry is most welcome and long overdue. It must be firmly stated that it needs to be ensured that this Inquiry does not end up a travesty as did the 1999 Inquiry.

There are a number of observations that need to be made in the broad context of this Inquiry: observations that have markedly affected product pricing. Harsh criticisms are levelled at the competition regulator for its handling of aspects of its price monitoring and review function; and upon the effectiveness of our current trade practices regime and its failure to rein in market power and the growth in market share of the major grocery chains.

This presentation draws upon decades of representation of the producers, and consumers, of North Queensland. Not a week goes by when I am not privy to some account of business from the perspective of the farm gate or the shopfront. The Tablelands and Coastal regions and cattle areas covered by the Kennedy electorate, are the nation's collective kitchen gardens producing staple foodstuffs and products – sugar, milk, beef, eggs, bananas, mangoes, potatoes, pawpaw, peanuts and a vast array of other produce.

The lessons of deregulation

I am arguably one of the few people in the federal parliament with a long-term time frame of involvement, and a national perspective, on the effect of deregulation on Australia's basic food industries.

Milk, sugar and eggs are analysed in this submission since North Queensland was a significant producer of all three.

Similar analyses could have been done for corn, peanuts, pork, beef – in fact, it would be hard to name a food item, for which the public benefit and the farmer interest have not suffered as a result of this policy of allowing an unbridled market concentration.

This Inquiry would be derelict in its duty to the Minister, the parliament and the Australian people if it overlooked the effects of deregulation, or in other words, national competition policy, on the pricing of basic foodstuffs.

I would like to put the following deregulation case studies before the Inquiry:

1. Eggs

The benefits of deregulation of the egg industry were clearly stated:

- Increased competition
- Lowering of prices to consumers
- More international competitiveness

The facts are stark and tell a different story: pre-deregulation there were over 1,500 egg producers; by the late 1990s there were under 300. North Queensland went from 10 producers to only one producer with over 10,000 birds.

The ABS Average Retail Prices of Selected Items[1] shows that for the June Quarter 1992, egg prices were 185 cents per dozen.[2] This was pre-deregulation before the National Competition Policy Agreements came into effect.

Post-deregulation, the ABS Catalogue shows that by the December Quarter 2002, egg prices were 299 cents per dozen.[3]

---

[1] ABS Catalogue 6403
[2] Average for capital cities
[3] December Quarter 2004: 319 cents/dozen Brisbane, Sydney, Melbourne, Perth, Adelaide average

The price paid to producers in 1992 was 117 cents per dozen whereas the price received by producers by 2002 had fallen to 105 cents per dozen.

Consumers were paying 114 cents per dozen more; farmers were being paid 12 cents per dozen less; and since over 240 million dozen eggs are sold each year in Australia, someone was getting $302 million a year in extra profits that they shouldn't have been getting.

So, the outcome of egg deregulation was consumers paying over 50 per cent more, producers getting paid over 10 per cent less, and the retailers and others in between picking up $302 million a year in extra profits.

2. Sugar

Like the Europeans, Australia embargoed sugar – sugar imports were banned up until 1989. Unlike the Europeans, Australia replaced the embargo with tariffication (as per the WTO Agreement). The tariff was $115 per tonne and the world price was $358 per tonne (average) for home market sugar; the sugar producer received $473 per tonne.

By 2002 – after deregulation and tariff abolition – the sugar producer was only receiving $279 per tonne. Did the consumer benefit from this drop in price of 41 per cent? No, the price to the consumers actually went up from 104 cents per kg in 1989-1990 to 116 cents per kg[4] in 2001-2002.

So, the producer was getting $191 per tonne less, the consumer was paying $115 per tonne more and, since 1.016 million tonnes was the average annual home consumption in 2002, someone was getting $311 million a year in extra profits that they shouldn't have been getting.

[4] December Quarter 2004: 201 cents/kg

3. Milk

Milk deregulation had a triple effect:

- Predictably, it reduced the income to farmers by one third.
- Again predictably, the price to consumers increased by over 30 per cent.
- One of the few success stories Australia had in the export arena was seriously damaged.

After deregulation, exports fell – from $2,677 million in 2001 to a post-deregulation level in 2004 of only $1,980 million.

The price to consumers rose 41 cents from 115 cents per litre at the start of 1999, that is, pre-deregulation[5] to 156 cents per litre in December 2002 after deregulation.[6]

The price to farmers fell 19 cents, from 53 cents per litre pre-deregulation[7] to 34 cents per litre after deregulation.[8]

If the NSW and Queensland figures are extrapolated to the rest of Australia, and considering the national consumption figure for Australia averaged for these years was 1,884 million litres, one can see serious profits were made from deregulation; in fact, someone was getting $1,130 million every year in extra profits that they shouldn't have been getting.

Managing Public Opinion

In a piece of appalling intentional or unintentional deceitfulness, the retail chains increased the price of milk dramatically in 1999-2000, the year prior to deregulation; then in the first year of deregulation, they reduced the price.

---

[5] ABS Catalogue 2403 Average June Quarter 96-97-98
[6] ABS - December Quarter 2002
[7] AMPA Survey of selected areas memo to Dairy Farmers co-operative suppliers - 6 March 2000
[8] Whilst these figures are for NSW and Queensland, Victoria's deregulation occurred over a longer period and prices were dominated by international market influences but Victoria's figures, whilst harder to quantify, are actually worse than NSW and Queensland.

Like a well-oiled machine the government and industry spin doctors quoted this significant benefit to the consumers in answer to the howls of outrage coming from the dairy farmers.

The dairy farmers typically received a brief letter in the mail; North Queensland dairy farmers were a good example, supplying about 4 per cent of Australia's fresh milk market, they received a letter with the extract below from their local dairy factory:

> "Currently suppliers receive 58.9 cents/litre …. From 1st July 2000 the price to North Queensland farmers will be 41.5 cents/litre … this is due to a movement from a regulated to a deregulated market … the price we are paying is between 2 cents to 4 cents / litre above the level of our competition in Queensland, New South Wales and Victoria."

The retail chains piously pointed to the fact that they had passed the deregulation price reductions to the consumers. The Queensland/NSW average retail price before deregulation was 140 cents per litre – seven months after deregulation, it had fallen to 137 cents per litre.

In response to public criticism, the then government announced an Inquiry to be carried out by the ACCC – but the public watchdog outcome was pre-determined by the parameters that were set. The outcome supported the government decision to deregulate. No surprise here.

The ACCC took the price at the time of deregulation, 140 cents per litre and then the price six months after deregulation of 137 cents per litre as its benchmarks. It concluded there had been a significant consumer benefit, i.e. the milk industry deregulation was beneficial to the public interest.

Any proper assessment would have been over a period sufficiently long enough to eliminate spikes and troughs and would, in this case, have shown a very different reality indeed.

I stress it is not my purpose to criticise the efforts of particular individuals at the ACCC, nor to undermine the credibility of the current Inquiry, which has my full support.

My point is either the regulator is adequately resourced and competent and independent of the government of the day or we might just as well all go home.

To illustrate the gross inadequacy of the ACCC's approach, it is necessary to provide some statistical detail.

There were four distinct periods telling the whole story of deregulation:

Period 1: The era before deregulation.

The December Quarter 1994 average price was 107 cents per litre; by the December Quarter 1998, the average price was 118 cents per litre. This was an increase of 11 cents over 4 years – an annual increase (↑) of 2.5 per cent.

Period 2: Between the deregulation announcement and actual deregulation.

This was the period of public relations manoeuvrings pre-deregulation.

The December Quarter 1998 average price was 118 cents per litre; the June Quarter 2000 average price was 140 cents per litre. This was an increase of 22 cents over 1.5 years – an annual increase (↑↑) of 12.7 per cent.

This huge increase would enable a decrease to be made after deregulation.

Period 3: The period of public scrutiny from 30 June 2000 (the date of deregulation) to the December Quarter 2000.

This was the time span of the ACCC Inquiry. The wave of bad publicity over the huge reduction in payments to farmers was offset by a ubiquitous advertising campaign by supermarkets.

The June Quarter 2000 average price was 140 cents per litre; by the December Quarter 2000, the average price was 137 cents per litre. This was a decrease of 3 cents over 6 months, an annual decrease (↓) of 4.3 per cent.

Period 4: The period after public scrutiny.

The ACCC published its report. Only 10 pages of the 149 page report refer to the farmers. The report notes that farm prices in NSW, Queensland and WA have been reduced by 29 per cent, 24 per cent and 30 per cent respectively. (Victoria was deregulated long past.)

In the December Quarter 2000, the average price was 137 cents per litre; by the December Quarter 2002, the average price was 157 cents per litre. This was an increase of 20 cents over two years – an annual increase (↑↑) of 7.3 per cent.

The report does not state the plight of farmers as a problem and pointed that the growing export sector may be their salvation. This was very unfortunate for the authors of the report – deregulation would on the contrary go on to shatter the export market (see page 4).

ACCC Dairy Report 2000: Conclusion

In the summary conclusion of the report on page 111, there is a series of most extraordinary statements:

> "In the … process of deregulation an important step was the abolition of the regulated milk prices at the retail level… this reform … led to higher retail prices for fresh milk. This was perhaps not surprising because the objective of regulation had been to keep retail margins tight."

It gets better a paragraph further on:

> "A key goal of the ACCC's monitoring has been to determine the impact on consumer prices of dairy industry deregulation. Six months would normally be considered a relatively short period to fully assess the impact of such a substantial change."

This was breathtaking in its mendacity but worse was to come. In one of English language's finest examples of hyperbolic understatement, the report concludes by saying:

> "Farmers' groups are seeking new ways to lift their bargaining power."

The final sentence delivers a final coup de grâce to reality:

> "Assuming retail price levels remain largely unchanged in the medium term, the reduction in the average price of milk sold in supermarkets would represent a saving to Australian milk consumers of around $118 million a year."

So, the first concluding paragraph tells us that retail prices have risen and explains this away as a good thing.

But the report then tells us at the bottom of the page the exact opposite – that "retail prices have been reduced by $118m/year."

The report adds that:

> "Supermarket chains have indicated that these lower prices will apply indefinitely."[9]

"Dairy deregulation" was announced by the federal president of the dairy farmers, Pat Rowley, as "inevitable" in 1998. This statement absolutely ensured that deregulation was going to happen.

So, this was the base year and up till this year we had a benign market whose annual increase paralleled CPI, as it should.

At the start of 1999, milk was 118 cents per litre; by December Quarter 2002, the price had risen to 157 cents per litre. There is no saving to milk consumers of $118 million a year; rather, since annual milk consumption is 1, 884 million litres, there is an increased cost to consumers of $735 million a year.

[9] ACCC Report p 88

WHAT HAPPENED TO THE FARMERS?

As for the farmers "seeking new ways to lift their bargaining power: the ACCC's own report states that farm gate milk prices to the farmers – their gross incomes – fell in the states deregulated in 2000 by 29 per cent in NSW, 24 per cent in Queensland, and 30 per cent in WA.[10]

At 50 cents per litre, this average price fall of 28 per cent at 1,884 million litres annual consumption, provides a further windfall to the supermarket chains of some $264 million a year.

This reduction in price would in a truly competitive market have been passed on to the consumer. Not only wasn't it passed on, but instead just the opposite occurred – a huge price increase took place of some 81 cents per litre; from the 118 cents per litre in early 1999 to 199 cents per litre by the end of 2007; from an annual increase of 2.5 per cent pre-deregulation to 9.7 per cent post deregulation.

It will be most interesting to see what new ways what's left of Australia's 12,888 farmers will find to lift their bargaining power when they come up against just two giant buyers, Woolworths and Coles, which according to their own annual reports, have over 82 per cent of supermarket sales.

Few would give the farmers much chance.

Government decision had taken away 28 per cent of the farmers' gross income. This would be greater in most cases than their net sales income so most would have moved to an operating loss.

After Mr Truss, Mr Amery and Mr Palaszczuk[11] had made their announcements and the battle of deregulation was lost, I decided for reasons I would not be able to explain to visit dairy farmers for the next two days. All 11 farms visited had no employee,

---

[10] ACCC Report p 31
[11] Federal, NSW and Qld Ag ministers

except one farm that had one employee. The farms were all run by the husband and wife both working. They rose every day of their lives around 5:30am. Both husband and wife herded in their cows, cleaned udders, attached milking suction caps, and over a number of hours worked the herd through. Prior to milking they had to put feed into troughs and clean down.

They both fixed fences, delivered cans, collected feed, concreted washaways – most took a midday siesta then started afternoon, work and evening milking which finished well after 7pm and they did this every day of the year, for most every year of their lives. Many, possibly most, were now working at an operating loss.

North Queensland farmers, mostly big farmers, would drop from over 240 farms to under 80. Production would drop by nearly 30 per cent.

Farm supply business would drop like a cascade; feed suppliers, transport operators, electrical and light engineering contractors, plumbers, fencers, all would go under. The local Maize Board would fail, putting 20 employees out of work.

By 2005 in a fine example of historical irony, Jeff Kennett was appointed chairman of beyondblue, the organisation for combating suicide. Kennett had been the Premier who anticipated national deregulation, to go it alone in Victoria and introduced his own state deregulation.

Kennett on taking the position announced the particularly sad situation in Victoria where there was:

“A farmer committing suicide every four days”

Most of these were dairy farmers – Australia’s hardest-working and arguably most productive citizens.

Woolworths and Coles

The federal government in 1999 set up a Select Committee to investigate food retailing in Australia. This Joint Select Committee on the Retailing Sector was known universally and from its inception as the Woolworths-Coles Inquiry. Its report was formally entitled "Fair Market or Market Failure?"[12] It was completed and published in August 1999. The Inquiry and its finding and recommendations provide a glimpse into the darkness of the brave new world of Australia's 21st Century.

The quite Orwellian nature of this Inquiry, or more specifically its outcome, amazes even at a distance of time. To understand just how amazing, one has to visit the reasons for the Inquiry.

The first sentence in the report produced by the Inquiry quotes the National Association of Retail Grocers of Australia (NARGA) spokesman, Alan McKenzie:

> "Are we going to sustain a viable independent sector or are we not. If we do nothing the reality is that this independent sector is on a one way street to oblivion."

The report itself then commences:

"The National Association of Retail Grocers of Australia has raised concerns with the Commonwealth Parliament about the growth of the large supermarket chains and the implications this has for the ongoing viability of small and independent retailers."

The report continues two paragraphs further on:

> "At a micro level Australia has seen the demise of hundreds of small grocery stores, butchers, bakers, florists, green grocers, pharmacists, newsagents, liquor outlets and

[12] Fair Market or Market Failure? – A review of Australia's retailing sector. Report by the Joint Select Committee on the Retailing Sector, August 1999.

> other small retailers as a result of the continuous expansion of major supermarket chains.
>
> At a macro level the process of globalisation has seen increased pressures on the supply side of the market … the primary producers."

The importance of the lack of competition in the retail sector is starkly illustrated in the following table:

Total Retail Turnover 1998[13]

Category	Monthly Turnover ($m)	Per Cent of Total
Supermarkets & grocery stores	3275.5	27.44
Takeaway food	583.6	4.89
Other food	848.8	7.11
Total food	**4707.9**	**39.44**
Department stores	1150.2	9.64
Clothing & soft goods	805.4	6.75
Household goods (furniture, domestic hardware, appliances recorded music, etc)	1266.9	10.61
Recreational goods (newspapers, books, sports equipment, toys, games, etc)	692.4	5.80
Other (pharmaceutical, jewellery, garden supplies, etc)	1247.7	10.45
Hospitality & services (hotels, clubs, pubs, cafes and restaurants, etc, hairdressing, video hire)	2066.4	17.31
Total - non-food	**7229**	**60.56**
Total	**11936.9**	**100**

This was in 1998 a quarterly food turnover of $4,707.9 million. This is an annual expenditure at supermarkets of $39,300 million out of a total national expenditure on *inter alia* houses, cars, TVs, whitegoods, a total national spending (GDP) of $531,044 million.

Nearly 10 per cent therefore of Australia's entire spending is taken by supermarkets – which are 82 per cent controlled by just two corporations, Woolworths and Coles.

---

[13] *Source*: ABS, Retail Trade *Catalogue No. 8501.0*, November 1998.

The Select Committee Report provides OECD Market Share Comparisons:[14]

Japan	Top 5 Retailers	17.5
Germany	Top 5 Retailers	37.0
France	Top 2 Retailers	30.2
United States	Top 3 Retailers	21.0
Italy	Top 2 Retailers	30.0
(United Kingdom	Top 4 Retailers	65.0)

Australia	Top 3 Retailers	75.4[15]

The big three in 1999 were Woolworths, Coles and Franklins. Franklins though was even then, by comparison, small beer and later all but folded. Most of its market share is now held by Woolworths and Coles.

What Should Be Done?

One of the most underestimated achievements of the Fraser-Anthony Government was the *Sites Act*.[16] It was a head-on collision with the oil companies: Mobil, Shell, Caltex and BP. The independent service station owners were being pressured out of existence by the Big Four. Government committees investigated, media did heartbreak stories on little blokes being bankrupted; petrol price rises hitting ordinary Australians were constantly headlined. Regularly, cases were brought forward where the price the independent operators paid for petrol was greater than the company service station on the next corner was retailing it for.

The Coalition government legislated to restrict the Big Four – to limit the oil company outlets to only 420 sites. There were then some 6,000 service stations in Australia.

---

[14] Report pp 108-115
[15] Select Committee on Retail Sector Report p 43
[16] *Petroleum Retail Marketing Sites Act* 1980

In a paper produced by Evan Jones, Associate Professor of Political Economy at the University of Sydney in January 2004, referring to the need for amending and strengthening the *Trade Practices Act* sections 46, 50, 51AC, 52[17] and quoted in the *News Weekly* magazine:

> "Moreover the rampant colonisation by Coles Myer and Woolworths of new terrain facilitates strategic territorial expansion of market share by cross subsidisation.
>
> "Finally, the monopoly rents made by Woolworths and Coles Myer get capitalised in the share price, forcing the two mega beasts into another round of colonisation to feed the equally insatiable appetite of the market analysts."

Jones' paper really got to the heart of the matter but ironically so did the Committee's report:

The Committee tabled the extraordinary growth of market share by the Giant Twins:

Grocery Retailing Industry Market Share[18]

1991	Woolworths	28.9	Coles	21.6	50.5%
1992	Woolworths	30.3	Coles	26.8	57.1%
1995	Woolworths	33.1	Coles	24.3	57.4%
1996	Woolworths	34.3	Coles	26.3	60.6%
1998	Woolworths	35.5	Coles	30.0	65.5%
1999	Woolworths	35.9	Coles	32.0	67.9%
2000	Woolworths	37.0	Coles	32.9	*69.9%
2002	Woolworths	41.4	Coles	35.3	*76.7%

The table above was compiled from the AC Nielsen series published annually in *Retail World* – the monthly magazine for

[17] s46: misuse of market power; s50: prohibition of acquisitions substantially lessening competition; s51AC: unconscionable conduct in business transactions; s52: misleading or deceptive conduct
[18] Source: AC Nielsen Scan track, published by Retail World
* These two figures are inserted for illustration; they were of course published after the 1999 report

the grocery supermarket industry. The series was discontinued in 2002. This was curious for the publication provided an ever increasing weight of argument for compelling government intervention in the retail sector.

The Committee of Inquiry recommended that the situation be reassessed in 4 years' time from the publication of the report.

The report was published in August 1999. This would mean that the situation should have been reassessed in August 2003 and it is disappointing and curious that the most powerful argument for action on this market concentration, the AC Nielsen series in Retail World, was discontinued in the year 2004, the year reassessment was due to be carried out.

The Committee published the AC Nielsen series. It also used two ABS special data service reports on Retail Trade.

The first showed market growth from the 1994-1995 year to the 1997-1998 year. In 1994-1995, Coles had 23 per cent and Woolworths had 34.8 per cent of market share; collectively they held 57.8 per cent.

By 1997-1998, Coles had 27.5 per cent and Woolworths 36.9 per cent. Their collective market share had risen to 64.4 per cent.

An increase of 6.6 per cent over 3 years. This is a dramatic growth. If they had gone back to 1991, the figures would have been even more stark, as the AC Nielsen series showed.

The second series covering an expanded market of goods, *inter alia*, liquor, bread, cakes, meats, fruit and vegetables, gave Coles and Woolworths a 53.3 per cent market share in 1998. A 5.0 per cent increase over 48.3 per cent in 1995.

So the Committee knew over a 10 to 12 year period Woolworths and Coles' market share would grow to, depending on definitions, somewhere between 75 and 90 per cent.

At the setting up of the Committee it was generally assumed that Prime Minister Howard was genuine in securing some constructive action.

His act of good faith was to appoint to the Committee a National Party Senator from Queensland who had been playing a leading role in providing NARGA, pharmacists and other groups fighting Woolworths and Coles a conduit to government and had played an important role in what was a continuing fight.

I kept a continual dialogue with this key player knowing that his role on the Committee was as anchorman for the forces fighting the two giant retail chains.

I made it perfectly clear to him that in this issue there were only three pathways down which to travel. Not that any Einstein was needed here: on one of the days I attended the hearings, ALP Senator Chris Schacht put forward, as many others would have, the same three pathways:

1. Capping and divestment as urged by NARGA. Woolworths-Coles market share would be capped and over an 8-year time frame, by law this market share would be reduced to a maximum of 45 per cent.
2. US style antitrust anti-monopoly legislation as instituted by Theodore Roosevelt to break up Rockefeller's Eastern States Standard Oil Company of New Jersey (ESSO)[19]
3. Amendment of the *Trade Practices Act* proscribing market concentration as inhibiting the free flow of market forces.

These three courses of action were considered and specifically rejected by the Committee. In Recommendation 4, the Committee did propose that all further acquisitions and

[19] The Supreme Court directed that ESSO be broken up into 13 separate companies.

developments (new stores) be by law submitted to the ACCC and that ACCC approval be sought before any market-increasing initiatives could be undertaken. In simple terms, ACCC approval would be required before Woolworths, Coles (or Metcash or Franklins, for that matter) could purchase or build any additional stores.

However the teeth needed in the legislation was some objective measure of what constitutes a competitive market place. NARGA's submission that market share for any two retailers be capped at the then existing level of 65 per cent and progressively reduced to 45 per cent was the objective type criteria without which the ACCC powers would be limited effectively to moral suasion.

The ACCC, if it refused an application for a new store without specified criteria, would be in a legal minefield with the massed ranks of the big battalions arrayed and waiting, a veritable army of legal mercenaries paid for by the these huge conglomerates.

Whilst some legislative amendments and modification have taken place, proof of their ineffectiveness lies in the supermarkets' own annual reports. According to Coles and Woolworths' annual reports for 2003, allowing for GDP and CPI growth, a market share growth of 5.4 per cent is claimed by Woolworths, with Coles admitting to a decline of 0.3 per cent.

This would increase the 2002 market share of the Big Two from 76.7 per cent to 81.8 per cent and whilst there may be some creative accounting involved in the blowing of trumpets at annual report time, the Joint Select Committee Report records that Coles/Woolworths market share had an average annual increase of 2.2 per cent. At this 2.2 per cent rate, market share by 2005 would be 83.3 per cent.

The farmers probably more than any other specific sector of the economy were to be the biggest losers by this remarkable do-nothing outcome. Invariably now no matter what the

commodity whether potatoes or beef or oranges or milk thousands of farmers would be selling effectively to just 2 buyers.

Laws of supply and demand were not going to determine price when thousands of sellers of agricultural food products had effectively only two buyers to whom they could sell.

Franklins, a third retail chain holding 14 per cent of the market, along with David's and QUT (a Queensland independent group), were the only other significant players and all would be literally crushed out of existence in the following years. By 2000 they would all be gone.

Woolworths and Coles have moved in 2003 and 2004 into the petrol retailing business. Petrol retailing has given the two giants by 2004 another 1060 supermarket retailing outlets.[20] To put this in perspective in the one outstanding achievement of the Fraser-Anthony Government – the *Sites Act* – the Government reduced the Big 4 Oil Companies to ownership of only 420 outlets.

These 1060 sites are often as not now held by Woolworths and Coles along with their partners Caltex and Shell and are most if not all supplying 'after hours' grocery and food retailing outlets.

These service station grocery outlets provide a launching pad for the Big Two to take out what is left of the independent food and grocery retailing sector, the after hours corner stores, Nite Owls, 7-Elevens and numerous unbranded independents.

Woolworths and Coles were also using their considerable influence to widen trading hours, thus cutting away another large part of the independents' market.

The income of many of the small independents fell below the minimum wage levels of the arbitration commission and even

[20] The New Investor, March 2004

for this meagre income they were working very long hours – many couldn’t retire as their businesses could not be sold as they are not commercially viable.

As corner stores closed the local community meeting place was lost. During the 2003 Queensland state election campaign candidates met with the President of the Townsville Retirees’ Association. He told them that the closing of the local corner store was very damaging for old people. It was their last real facility for social intercourse. With their closure, many older Australians would be living isolated from the rest of society.

Outside of metropolitan Australia, very little in the way of commuter transport exists and the ability for these people to actually shop at all is very limited if the local corner store closes.

*Trade Practices Ac*t

I have made some observations about the average milk price and the manner in which the price fluctuated around the time of deregulation. The theory was that deregulation and national competition would deliver benefits for milk consumers. Supply and demand, clearly, as these examples illustrate, will not determine price in a market where there is effectively only two buyers – this is an oligopoly or a monopoly of two.

Let Milton Friedman (Nobel Laureate) in *Newsweek* magazine in 1972 have the last word:

> *Supply and demand only determine price on the basis of certain assumptions: where there is an infinite number of buyers and sellers, where there is a completely free and unfettered access and egress to the market, and a free and unfettered flow of goods between buyers and sellers.*

The example I have given of the setting of the milk price by the retail chains, to force fuel the increase of milk before

deregulation, only to lower the retail price once deregulation of the industry had come in, serves to illustrate the proverbial "elephant in the room" that is overlooked when leaving the setting of prices of basic consumer goods over to the forces of supply and demand.

And, again, as I have explained in the milk example, the consumer watch dog for milk at the time, failed us in its report on the dairy industry post deregulation.

What's worse, in delivering a report which presented a favourable picture for consumers about the benefits of deregulation, rather than giving the full sequence of milk prices over a longer term, the ACCC missed the opportunity to shed light on the manipulative might of the major supermarket chains. The ACCC missed or ignored the elephant so visible to the rest of Australia.

I repeat, I have only one intention in making these remarks about the past performance of our competition and consumer regulator – I challenge the ACCC to follow its statutory charter effectively and fearlessly, and moreover – and this is my call to the Rudd government – that the ACCC be given the wherewithal – solid legislation and proper provisioning for enforcement actions – to contain the mammoth (read Woolies/Coles) power of these giant grocery chains.