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**Queensland  
Government**

Department of  
**Primary Industries and Fisheries**

Reference: 05/08610

**17 JUN 2005**

Ms Susan Philp  
Acting Director  
Adjudication Branch  
Australian Competition and Consumer Commission  
PO Box 1199  
**Dickson ACT 2602**

Dear Ms Philp

**Application for revocation of an authorisation and substitute by replacement  
authorisation lodged by Premium Milk Limited**

I refer to your letter of 29 May 2005 in regard to an application from Premium Milk Limited (Premium Milk) for a revocation of an existing authorisation and for the substitution of a replacement authorisation under the *Trade Practices Act 1974* (TPA) for collective bargaining negotiations between dairy farmers and milk processors.

As I understand the position, the existing TPA authorisation held by Premium Milk will expire on 30 June 2005, and Premium Milk wishes to obtain a new TPA authorisation to commence on 1 July 2005 and to run for five years to 30 June 2010.

Since the national deregulation of the dairy industry in mid-2000, the Queensland Minister for Primary Industries and Fisheries, the Honourable Henry Palaszczuk, MP, has consistently, and publicly, supported the concept of collective bargaining negotiations between producer representatives and individual processors as a means of countering the obvious imbalance of market power that exists in the dairy industry. As you would be aware, the majority of dairy producers are essentially "captive" to a single processor or, at the most, have a choice between supplying to two processors, due to geographic factors and historic supply patterns - a situation compounded in recent years by the on-going rationalisation of the processing sector.

Successful collective bargaining requires TPA authorisation in the first instance.

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It is recognised that the Australian Competition and Consumer Commission (ACCC) has responded positively to industry requests for collective bargaining authorisations, as evidenced by a present authorisation (currently subject of a separate extension request) in regard to Australian Dairyfarmers' Federation (ADF), which allows collective bargaining in any State by producer supply groups with individual participating milk processors, and by the initial authorisation issued in December 2001 to Premium Milk. That authorisation, which has been of significant benefit to the Queensland dairy industry, and which has provided a model for the dairy industry in several other States, allows suppliers to the State's major processor (Parmalat Ltd, formerly Pauls Ltd) to group into regional supply co-operatives for collective bargaining purposes.

It is also noted that the current ADF authorisation was upheld, subject to some minor modifications, in the Australian Competition Tribunal in August 2002 following an application by a particular processor for review of the ACCC decision to issue the authorisation. In my view, the Tribunal decision is also clear evidence of the need for a proper collective bargaining framework in the dairy industry.

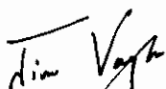
The Queensland Department of Primary Industries and Fisheries (DPI&F) is an economic development agency that has a simple single mission – to ensure profitable primary industries.

In the dairy industry, this can only be achieved in the post-regulatory era by allowing suppliers to address market imbalance through a proper collective bargaining process.

It therefore follows that DPI&F supports the Premium Milk application for a continuation of the currently approved TPA authorisation process.

Thank you for the opportunity for DPI&F to provide input to this exercise. I have nominated Mr Harold Brown, Manager, Industry Issues, Strategic Policy as this Department's nominee to handle any further inquiries in respect of this matter. Mr Brown can be contacted on telephone 07 3239 3211 or email [harold.brown@dpi.qld.gov.au](mailto:harold.brown@dpi.qld.gov.au).

Yours sincerely



Jim Varghese  
Director-General