



31st August 2011

Secretary
Senate Economics Committee
Department of the Senate
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Parliament House
Canberra ACT 2600
Australia

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Dear Secretary

Submission regarding “The impacts of Supermarket Price decisions on the Dairy Industry”

The Motor Trades Association – Queensland (MTA Queensland) responds to the Senate Economics Committee’s (The Committee) additional invitation for submissions regarding “the impacts of supermarket price decisions on the dairy industry.” Our comments are confined to issues that have direct relevancy to our Service Station and Convenience Store (SS&CS) membership.

Overview:

In our initial submission we acknowledged that the Committee’s focus is on the supermarket’s (Coles, Woolworths, Aldi and Franklins) decisions to heavily discount home-brand milk and the impacts on the dairy industry. We continue to respect this focus but take this additional opportunity to draw The Committee’s attention to ancillary impacts on the independent and non aligned SS&CS sector that do not have home-brand milk products, which their competitors (Coles Express and Caltex Woolworths) carry in their stores.

We previously indicated that the independent and non aligned SS&CS sector has incurred what could be called a double whammy as a result of the supermarkets’ price discounting strategies. It is now the “triple whammy” that includes home-brand milk price discounting, home brand bread discounting and petrol price discounting of up to 8 cents per litre strategies that includes Coles and Woolworths shopper-docket and Coles/Shell and Woolworths/Caltex in-store discounts.

Our Members operate on the basis that consumers expect that SS &CS should be competitive, however this is difficult if not impossible where oligopolistic supermarkets by virtue of their market dominance are in a position to cross-subsidise their aligned service stations and convenience stores. It would seem that the Australian Consumer and

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Competition Commission (ACCC) have made a policy decision that the supermarket/fuel market is competitive and is working in the best interest of consumers.

MTA Queensland is a strong advocate for the ACCC and its responsibilities but in this instance our independent and non-aligned SS&CS are developing the view that there is no agency addressing the longer term consequences of supermarket/fuel sector dominance. In the short term, consumers may be advantaged by the oligopolistic supermarket's and aligned outlets aggressive discounting behaviours but in the medium to longer terms it may prove to be to the consumers detriment as competition is diminished with closure of independent and non-aligned SS&CS, as already evidenced in some areas as a result of apparent anti-competitive petrol price wars against independent operators.

Submission:

The issue of supermarket discounting of fast moving basic consumer products such as milk in the contest for market share in the super market sector is symptomatic of the broader challenge of how to regulate the market power of the grocery "oligopsonies"; and the consequences for national economic security. The "milk", followed by the "bread" issues are likely to be the tip of the iceberg as the supermarket majors continue their quest for market share using staple consumer lines with "price elastic demand" characteristics to raid their competitors. These events will cause collateral damage and inevitably questions will arise on each occasion; these will include:-

- Will Australia's economic self sufficiency be impaired?
- Will the discounting de-capitalise an Australian industry to the point where it is no-longer viable or is vulnerable to trade exposure?
- Will there be longer term economic dislocation or unemployment as a result of the use of oligopsony power?
- Will economic sovereignty and security be threatened?

It appears that this category of issue does not fit neatly within the existing portfolios of government agencies and the actions of the oligopsonist are not fully examined to evaluate all the consequences and collateral impacts.

The Senate Economics Committee may care to consider the establishment of an agency that is specifically mandated to evaluate and report on matters that involve a threat or possible threat to economic sovereignty and economic security arising from the use of oligopolistic or oligopsonistic market power, to ensure that these important matters do not fall between the "cracks".

After careful consideration of the issues we submit the following view for your consideration:

Our Independent and non-aligned SS &CS membership is inclined to the view that the Senate Economics Committee should either give consideration to or examination of the appointment of a Supermarket or Grocery Ombudsman within the Department of Industry.

Responsibilities could include, on submission, the examination of the pricing mechanisms of distributing a specific product or products from supplier to the customer to provide transparency of aggressive and prolonged discounts. The proposed Supermarket or Grocery Ombudsman should have an inclusive role that encompasses all sectors of the supply chain which includes service stations and convenience stores.

MTA Queensland Background

By way of background, MTA Queensland is the peak organisation in the State representing the specific interests of 2,500 businesses in the retail, repair and service sector of Australia's automotive industry. It is an industrial association of employers incorporated pursuant to the *Industrial Relations Act* of Queensland.

The Association, comprising 12 separate divisions represents and promotes the issues of the automotive industries to all levels of government and within Queensland's economic structure. There is a high propensity for the automotive value chain to comprise small to medium enterprises.

MTA Queensland divisions are each representative of a specialist area of the State's automotive industry. They are Australian Automotive Dealers' Association of Queensland; Queensland Farm and Industrial Machinery Dealers' Division; Queensland Motorcycle Industry Division; Automotive Engineers' Division; Queensland Tyre and Undercar Division; Engine Re-conditioners' Association of Queensland; Rental Vehicle Industry Division; Service Station & Convenience Store Association of Queensland; National Auto Collision Alliance; Used Car Division; Independent Tow Truck Operators and Auto Parts Recyclers' Association of Queensland.

Conclusion:

We would be pleased to provide further comment on any matters in our submission that may require further clarification or amplification.

Yours sincerely

Richard Payne
Principal Policy Director