

**Inquiry into the Provisions of the Trade
Practices Legislation Amendment Bill (No.1)
2007 & Trade Practices Amendment (Predatory
Pricing) Bill 2007**

Submission (Part 2)

Southern Sydney Retailers Association

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Part 2 –
NEW INFORMATION NOT CONSIDERED BY THE DAWSON OR SENATE
COMMITTEES.

2.1 Preface

Adam Smith's name is often brought up as the father of free-market capitalism. Over two hundred and thirty years ago, he foresaw the perils of increasingly concentrated markets and left us the following warning in his masterpiece *The Wealth of Nations*¹ (1776)

The interest of the dealers [the stock holding class], however, in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition is always in the interest of the dealers.

To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition the public must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens.

The proposal of any new law or regulation of commerce which comes from this order ought always to be listened to with great precaution, and ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.

If the father of free market capitalism were alive today, he would be rightfully appalled at how Australia had failed to heed his warnings, and how we have left our Trade Practices Act as a broken empty shell, creating a set of conditions that has allowed such “narrowing of the market” especially across our retail sector.

We hope the current Senate heeds Smith’s warnings.²

¹ Adam Smith's *The Wealth of Nations* widely acknowledged as one of the most remarkable books ever written and is credited with changing our understanding of how the principles of free trade, competition, and consumer choice can spur economic development, reduce poverty, and precipitate the social and moral improvement of humankind. Its significance in having changed our understanding of the economic world is often compared on the same level with Newton's *Principia*, which changed our understanding of the physical world.

² It has been commented that Adam Smith's views are irrelevant to the “small market” of Australia, as Smith was referring to the much larger markets of the UK. However, such ill-informed comments overlook the fact that in 1773 the entire population of the UK was less than 10 million.

2.2 Introduction

The government's current proposed amendments to be considered by this committee originated from the Dawson and Senate inquiries.³

However since the Dawson and Senate Committee hearings, substantial new information has come to light especially in relation to price increases, which questions the level of competition in the retail sector, information which was not available to these earlier inquiries— which has possibly undermined the findings of these inquiries.

Submissions were made to these previous inquiries claiming that consumers were benefiting from “low prices” resulting from “vigorous competition”, however the new information available suggests these claims may have been exaggerated at best, if not downright misleading, and these claims should have been subject to extensive examination rather than just accepted as fact.

Further it is our view that the Dawson Inquiry was not given the full picture on the history of Price Discrimination Laws, and was badly let down by what can only be described as a Keystone Cops investigation by the ACCC into Price Discrimination.⁴

Given that the basic premise of both Dawson and the Senate inquiries were that “consumers were benefiting from low prices resulting from vigorous competition” in the retail sector, with this new information placing a big question mark over this basic premises, it therefore casts a shadow of doubt over the recommendations that evolved from these committees as to whether these recommendations were strong enough to repair the Trade Practices Act to ensure protection of consumers and competition.⁵

2.3 The Joint Select Committee into the Australian Retailing Sector (1999)

The pre-runner to the Dawson Inquiry was the The Joint Select Committee into the Australian Retailing Sector held in 1999.

In this inquiry all the evidence was there - misuse of market power, anti-competitive price discrimination, abuse of market dominance, however the Committee overlooked much of this evidence, as committee seemed to be under the assumption that consumers were benefiting from low prices, especially in the supermarket retailing sector and therefore did not make any meaningful recommendations to repair the Trade Practices Act.

³ The Explanatory Memorandum, on the current Bill, states; *The Government response accepts in part of full recommendations 3,5,6,8,9 and 17 of the Senate Report.* See <http://parlinfoweb.aph.gov.au/piweb/Repository/Legis/ems/Linked/20060702.pdf>

⁴ ACCC 2002, *Report to the Senate by the Australian Competition and Consumer Commission on Prices Paid to Suppliers by Retailers in the Australian Grocery Industry*

⁵ Judge Abner Mikva, former White House Counsel under President Bill Clinton; Chief Judge of the U.S. Court of Appeals for the D.C. Circuit; and former Member of Congress (D-IL) stated in 1988, ***“Congress was convinced that, by protecting small businesses, it was also protecting the operation of a competitive economy.”*** However it is our view that small business should not be protected. The operation of a competitive economy and our free enterprise system (and therefore consumers and competition) can only be protected, by the protection of *equality of opportunity* for business of all size.

In their conclusion, they stated the following:

“Despite the growth of the major chains, consumers appear to be benefiting from the competitive forces of the current market structure. The evidence revealed that, since 1986, prices have fallen on average for baskets of food and individual foods at supermarkets..... the Committee accepts that economies of scale and scope have driven prices down in major supermarkets across Australia.”⁶

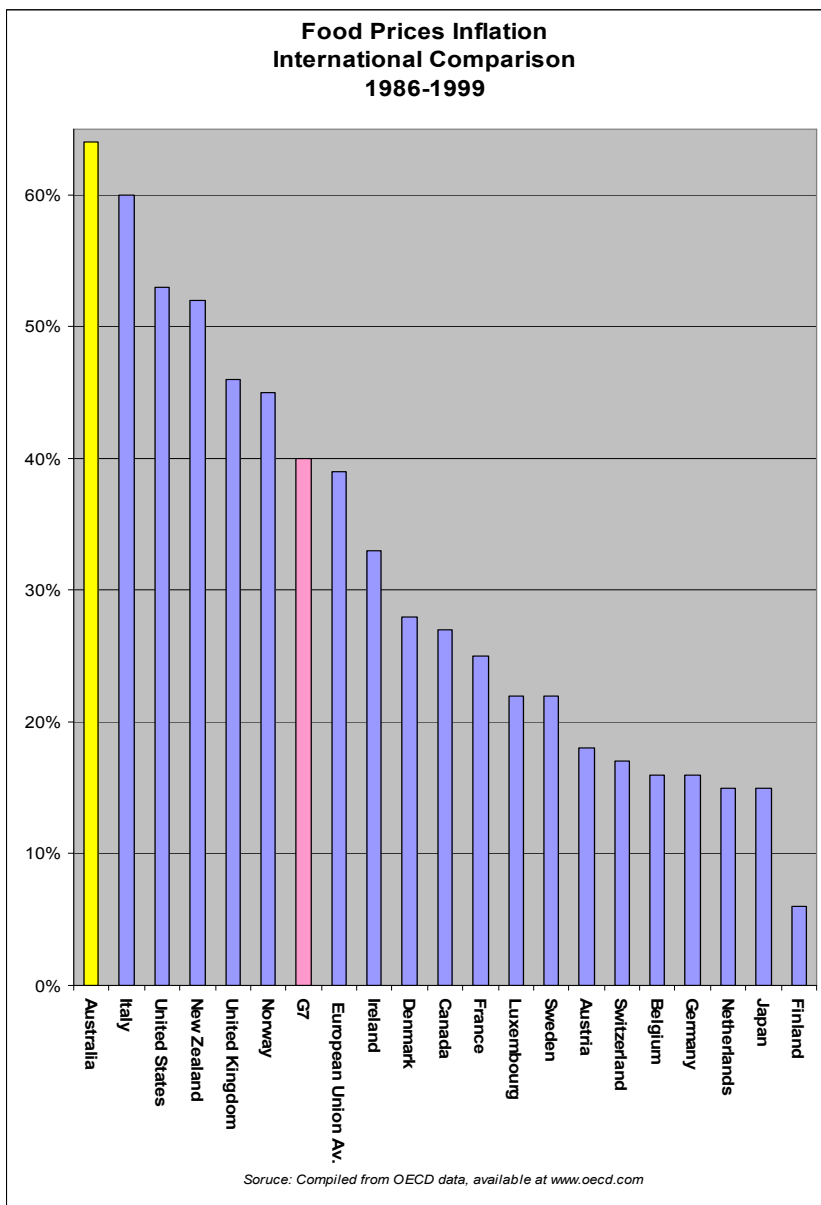
We are unsure how the committee arrived at this conclusion and what evidence that they studied. However where was the evidence that consumers were benefiting ? Where was the evidence that prices had fallen ?

Checking ABS data for price movements of items that would make up a common basket of individual foods typically sold at supermarkets - between the March 1986 quarter and the Dec 1999 quarter - provides a picture of substantial increases in price, contrary to the findings the Joint Select Committee.

For example ABS data for the period show the following;

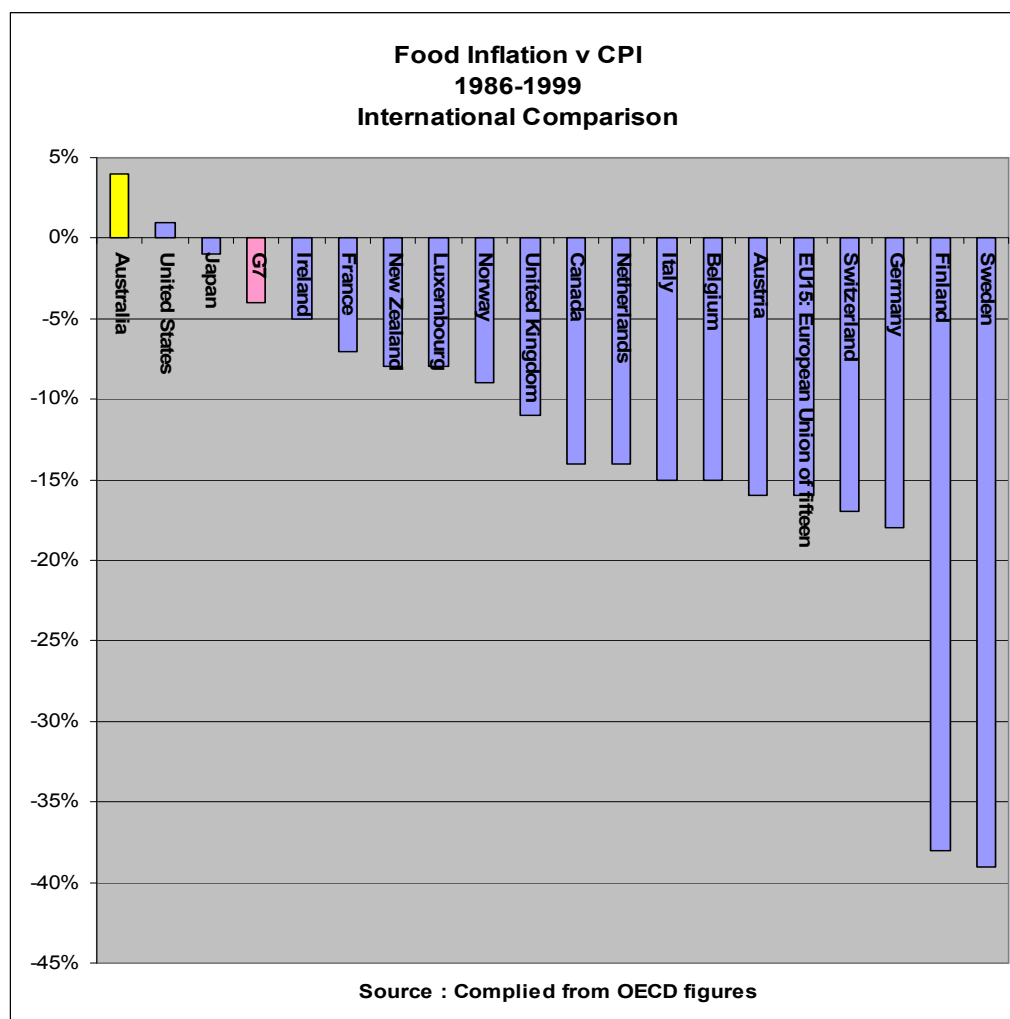
- * Milk up 89%
- * Cheese up 64%
- * Ice Cream up 81%
- * Bread up 116%
- * Cakes & Biscuits up 63%
- * Breakfast Cereals up 63%
- * Beef & Veal up 48%
- * Lamb & Mutton up 84%

Further, Food Inflation figures from OECD indicate the during the period 1986 to 1999 Australia not only had the developed world’s highest Food Inflation, but Australia was one of the only countries in the developed world where Food prices increases had outstripped the CPI.



⁶ http://www.aph.gov.au/senate/committee/retail_ctte/report/b01.htm

Such evidence makes it difficult to understand how the committee reached its conclusions.



Obviously, it was impossible to pin down a single reason as to why prices in supermarkets in Australia were rising faster than anywhere else in developed world between 1986 and 1999.

However an investigation may have looked to see if farm gates prices were increasing substantially faster in Australia than the rest of the world ?

Maybe Australian food processing plants were highly uncompetitive and inefficient compared to the rest of the world ?

Or maybe Australia had a problem with competition in the retail market during this period ?

But unfortunately, the committee appears to have failed even identify this problem, let alone attempt to investigate it – as maybe if they had done so, they could have made recommendations to repair the Trade Practices Act– and then maybe the Dawson Inquiry would have started off on a completely different foot.

The following is the adjusted conclusion that *The Joint Select Committee into the Australian Retailing Sector* (1999) should have reached if they have done their homework.

*During the growth of the major chains from 1986-1999, consumers appear to be ~~benefiting~~ **(the big losers)** from the ~~competitive forces of the current market structure~~. The evidence revealed that, since 1986, prices have ~~fallen~~ **(increased)** on average for baskets of food and individual foods at supermarkets in Australia **(faster than in any other major developed country)**..... the Committee accepts that ~~economies of scale and scope~~ **(the concentrated nature of the Australian retail sector, and ineffective Trade Practices Act appear to have)** driven prices ~~down~~ **(up)** in major supermarkets across Australia **(faster than anywhere else in the developed world)”***

2.4 “Lower Prices” Evidence and findings of the Dawson or Senate Committee

Both the Dawson and Senate Inquiries received submissions claiming lower retail prices.

“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

It appears that the Dawson Committee was influenced by such statements as 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

However, a quick study of economic history books should have sent a warning to the Dawson Committee (and shown how little things have changed over time):

“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”

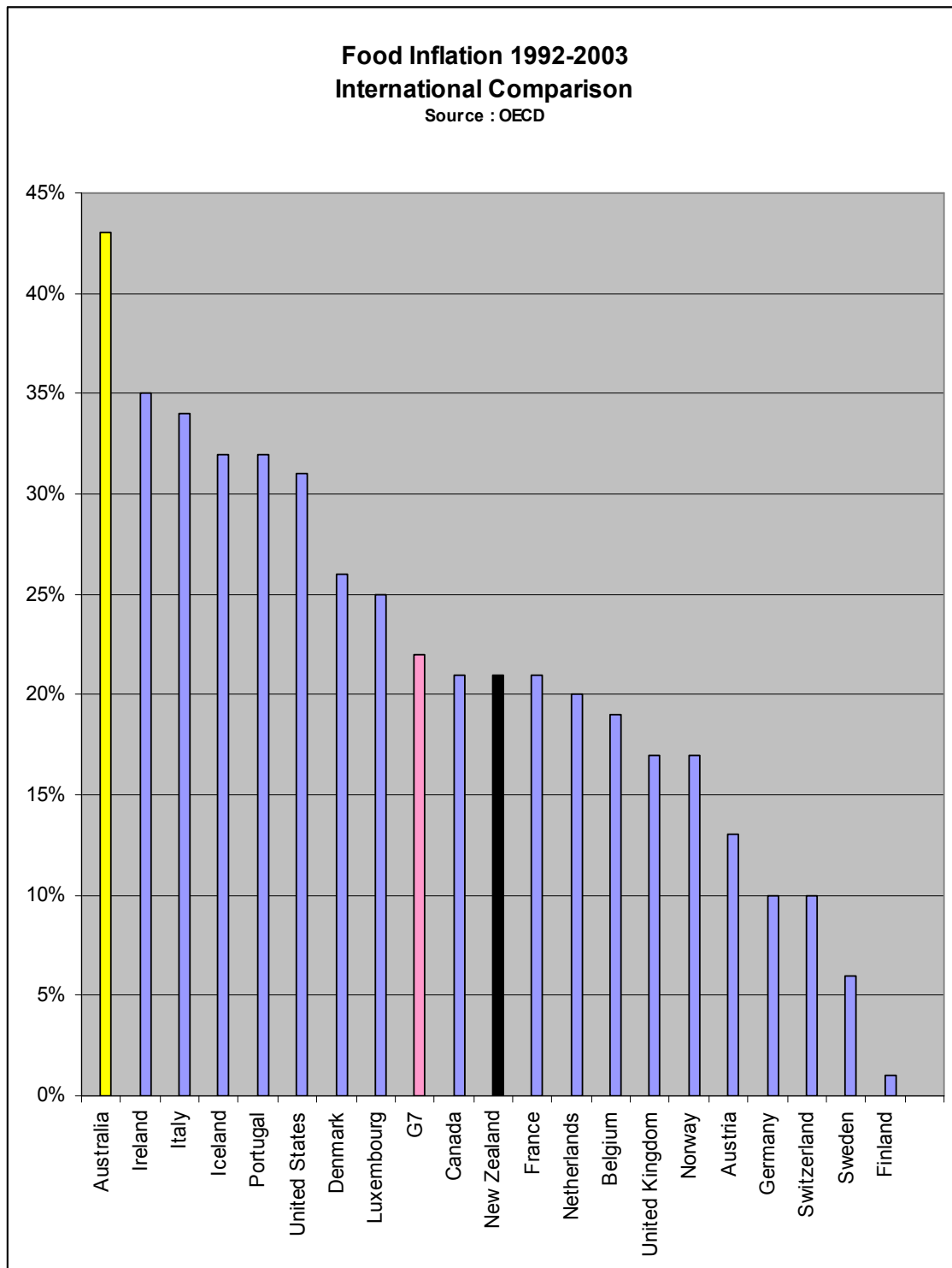
Wright Patman (US Congressman) 1938

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

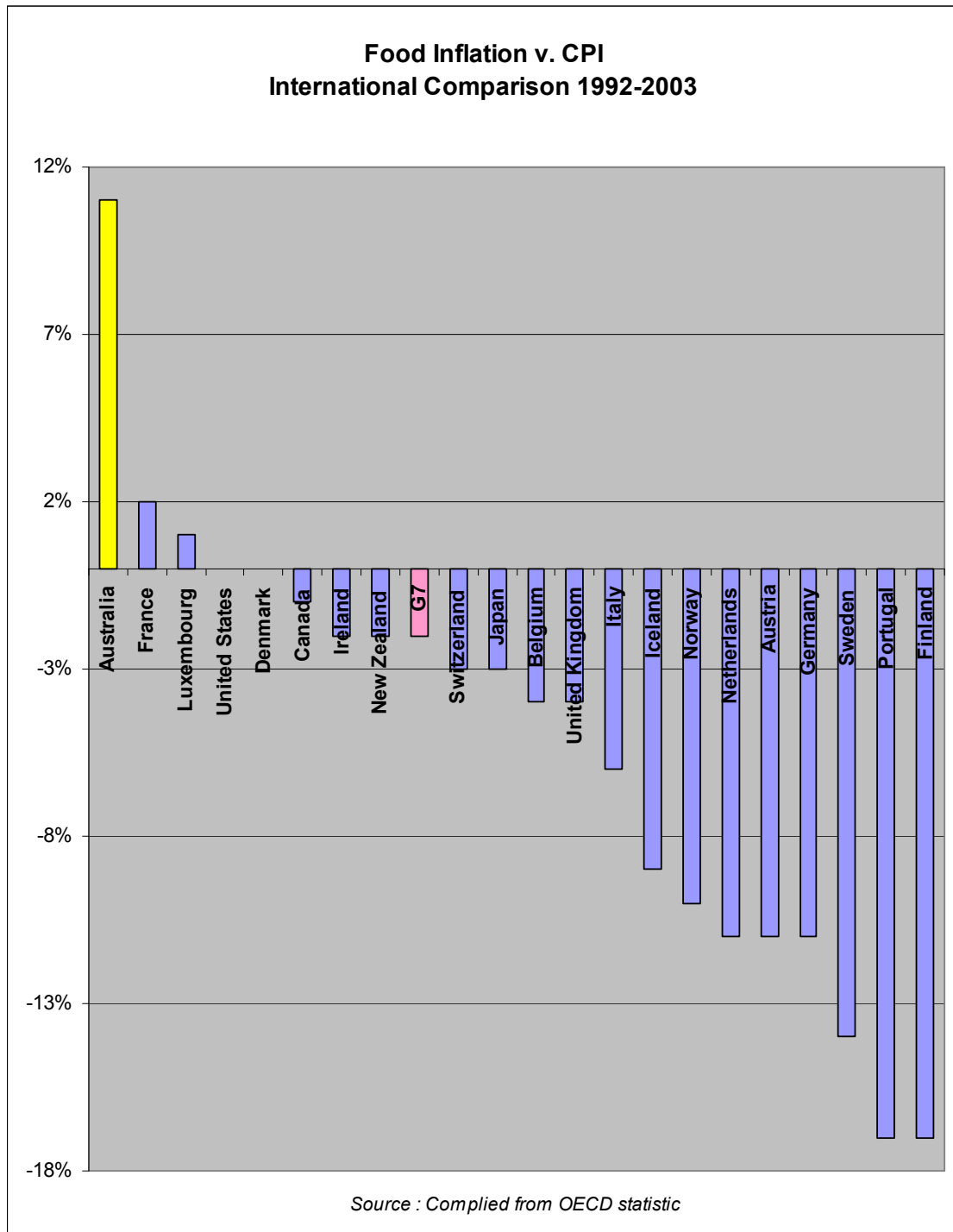
But just like the Retailing Enquiry in 1999, where was the evidence before the Dawson and Senate enquires that consumers were benefiting ? Where was the evidence of lower prices ? Did they just take the submissions at face value ?

Yet again, it appears that nobody even bothered to check the evidence, and just accepted the lines dreamt up in the spin departments of major supermarket chains as economic facts.

To test these claims of “lower prices” made in 2002 and 2003 we researched data on Food Price Inflation available from the OECD to look for any evidence of “lower prices” decade 1992-2003. Again the evidence is shocking.



There are no “lower prices” as claimed by major supermarket chains - to the complete contrary - food prices in Australia were not only **increasing** – but they had **increased faster** than anywhere in the developed world over the previous decade. Further Australia was one of the few countries where Food price increases were outstripping the CPI.



Although the ABS measurement of food prices does not only take prices from the major supermarkets – it seems given the two major supermarkets extremely high market share in Australia, that price movements at the major supermarkets would have a dominant effect on any measurement of Food prices in Australia, and that any price movements recorded by the ABS for food inflation would accurately reflect shelf price movements at the major supermarkets.

The only conclusion that one can reach from the ABS figures, is that any claims of “lower prices” resulting from “vigorous competition” were simply false, and the Dawson and Senate inquires hoodwinked.

This new evidence from the OECD makes it apparent than no less that 3 separate government Inquires have all fallen victim to strategically planted marketing messages in submissions which created a false and misleading perception that the major supermarkets were lowering prices.⁷

It is one thing for a major corporation to misled the Australian public through false advertising claiming prices are falling when they are acting rising, but it’s another to make these claims in a submission which has the potential to mislead the Australian Senate – and it appears yet another prophecy of Adam Smith has come true.⁸

Therefore we hope that this current Senate Committee will not allow itself to be misled by claims of non-existent lower prices like previous inquiries have been.

2.5 Claims from Australian National Retailers Association

However, we note that a new organisation using the name Australian National Retailers Association⁹ (ANRA) has recently been issuing various press releases including one that makes the bizarre claim that “*Aussies pay for Less for Food Today Than 30 years Ago*”.¹⁰

But we don’t pay less for food than we did 30 years ago – OECD figures show food prices have increased almost 4.5 times since 1978. In fact the average grocery trolley at our major supermarkets that costs \$250 today - would have only cost around \$58 back in 1978.

⁷ Mr. Michael Bergdahl (former Walmart executive) whom In a book published in 2004 titled "*What I Learnt from Sam Walton*", p.35 he states;

*“Shopping cart comparisons will prove that Wal-marts prices are not the lowest.....there is however a perception in the mind of the consumer that they are. This perception has been strategically planted there by targeted advertising and marketing messages focused on Wal-Mart’s ‘everyday low prices’ * campaign. Consumers begin to believe that Walmart has the lowest prices on everything so stop doing comparison shopping”*

* One of our major supermarkets used the line “low prices you can count on everyday” and “rollback” which appear to be copied directly from Walmart, and a former CEO of the major supermarket is also a current Director of the Wal-mart corporation.

⁸ *“It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.”- Adam Smith – The Wealth of Nations*

⁹ The Australian National Retailers Association appears to exist for no other reason than to disseminate propaganda for the major supermarket chains. The board of the ANRA includes CEO’s of the major supermarket chains. See http://www.anra.com.au/index.php?option=com_content&task=view&id=12&Itemid=26

¹⁰ <http://www.anra.com.au/images/stories/pdfs/ANRAshoppingbasketJune07.pdf>

The ANRA claims to have an “independent study” that shows Australians had to do just 229 minutes of work in order to buy a typical basket of groceries in 2006 compared to 28 years ago when 250 minutes of work was required.

In their confused state of denial about massive price increases at major supermarkets in Australia, the ARNA seems to have overlooked that this is hardly something to boast about - and instead such an “independent study” is in reality an appalling indictment of the massive price increases that have occurred at our major supermarkets over the last 30 years – and this “independent study in fact raises serious questions about the lack of competition and the wisdom of allowing just two corporations to be the gatekeepers of 80% of the supermarket shelves of the nation.

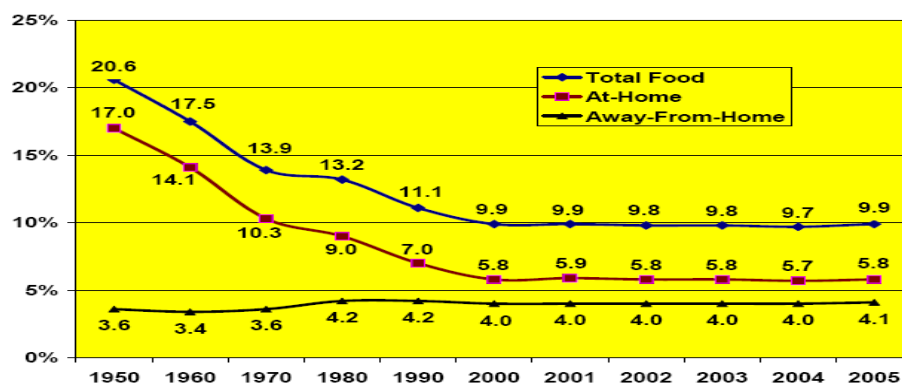
Since 1978, as a nation we have seen great increases in our wealth, and rising real living standards, for which our governments can take some credit for. Our farming sector has experienced major improvements in productivity, and gone through painful periods of deregulation which have seen real falls in farmgate prices. Our major retailers constantly boast about their increased efficiencies - but to think with all this, that there has only been at best a minuscule 8% decrease in time needed to buy a basket of groceries compared to how long our parents had to work 30 years ago – this is an appalling indictment of the current market structure and damning evidence of the detriment to consumers and the nation of the dominance of the major supermarkets.

Further, it is unclear in the ANRA methodology, if they have even made any allowance for the fact that the majority of Australians are working longer hours today.

According to the ABS, the average weekly hours worked for full-time and part-time workers have increased over the last two decades. Full-time working hours for men have increased by 1.9 hours per week to 43.2 hours between 1985 and 2005, and for women by 1.7 hours to 39.3 hours.¹¹ That represents an incredible extra 95 hours a year worked by the average male, which simply means 95 hours less time for family and social activities, even without taking into account the additional travel times to and from work in our capital cities, as major roads become parking lots due to policies of urban consolidation.

The ARNA are also probably unaware of a similar study to theirs undertaken by the USDA Economic Research Service, which shows an almost 40% decrease in the percentage of average Family income spent on food in the USA since 1978 - which only further exposes the appalling situation of increasing food prices in Australia.

Figure 2. Percentage of Family Income Spent on Food

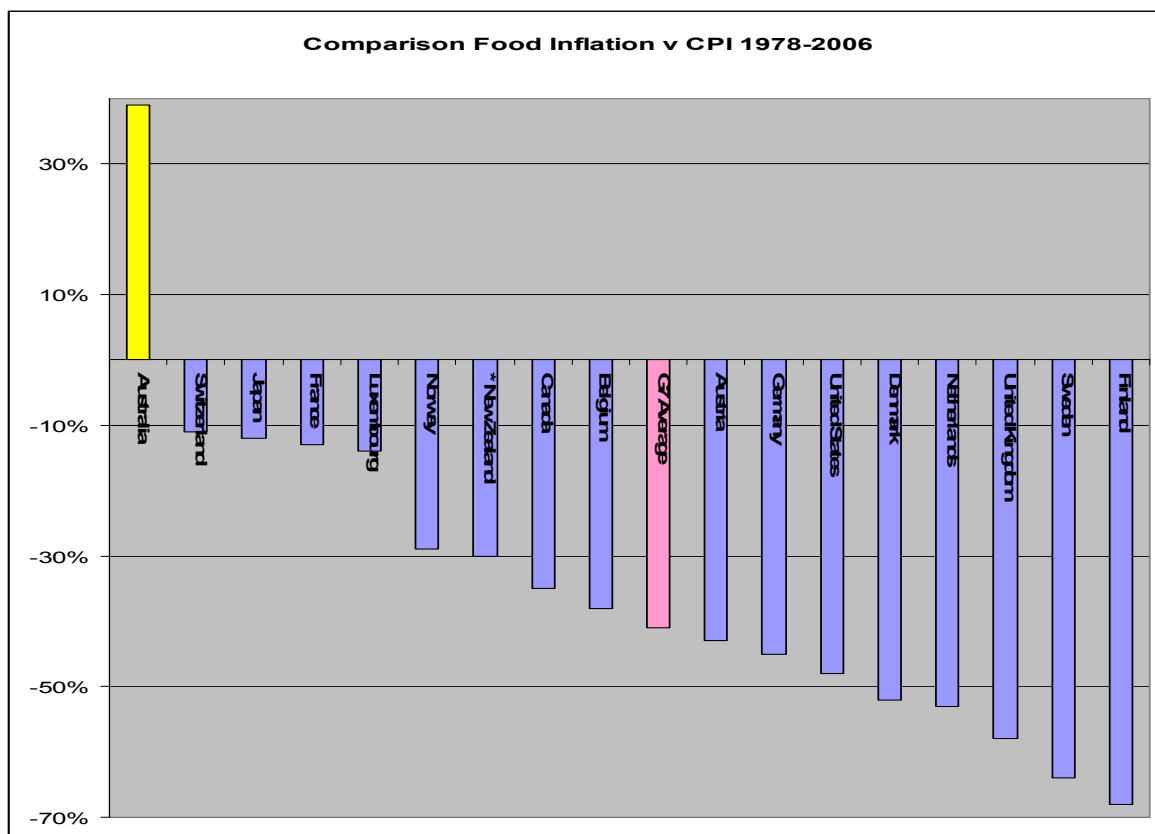


Note: Some figures do not add up due to rounding.
Source: USDA Economic Research Service

¹¹ Source : Australian Bureau of Statistics.

Further, OECD figures indicate that since 1978 in every other developed country in the world, the price of food has fallen significantly since compared to the CPI – well every country except one.

It is also interesting to note that during the period 1975 to 2006, when the Australian supermarket sector experienced unprecedented concentration or “narrowing of the market” where the two major supermarket chains increased their market share from approximately 35% to 80%¹² - nowhere else in the world experienced such increases in concentration – and nowhere else in the developed world did food prices at the supermarket outstrip inflation.



¹² We also note that one of major supermarket chains seems to be highly confused as to what their market share actually is. In this organizations 1997 annual report they boast;

“This financial year ██████████ registered record sales of \$15.5 Billion.....right across Australia our grocery market share has reached an all time high of 33%”

But today despite their market share growing, they seem to have done a backflip and deny what they said in 1997 now claiming to have a much smaller market share. One would think it would be in their interests to boast a high market share to their shareholders, unless they have something to hide for the Government.

Perhaps their backflip has something to do with a recent comment by the CEO of Wal-mart Mr Scott, in relation to high market shares – suggesting that having more than 30 percent of the market in one category is simply too much, Mr Scott was quoted by the London Sunday Times as saying;

“As you get over 30% [market share] and higher I am sure there is a point where government is compelled to intervene.....at some point the government has to look at it”

When the CEO of the world largest retailer suggest 30% market share for one company is too much perhaps its time to listen.

In the same press release the ANRA also made the farcical claim that;

“Through the years, many essential in the groceries basket actually dropped in price.”¹³

Every housewife in the country will testify to the absurdity of such a claim, and one only has to look at the recent figures from the ABS¹⁴ to see the complete nonsense of this statement.

According to the latest ABS figures, since 1990 inflation in Australia excluding food has been running at **52.8%**

But look at what has happened to the prices of “many essentials” in the grocery basket from our major supermarkets that the ANRA claims have “*throughout the years.....actually dropped in price*”

- * Milk – up **96%**
- * Ice Cream – up **70%**
- * Bread - up **113%**
- * Beef – up **61%**
- * Pork - up **74%**
- * Fruit up - **84%**
- * Drinks & Snack Food – up **74%**
- * Eggs – up **101%**
- * Jam, honey and sandwich spreads- up **93%**

All at time when inflation excluding food has just been **52.8%**

There are only two possible explanations – the ARNA’s factual ignorance is only surpassed by it’s lack of familiarity of the tools of economic analysis - they attempting to engage in a hoodwink their fellow citizens.

But putting aside the nonsense from the ANRA, the obvious question that needs investigation - what is the cause of these massive price increases on essentials in the grocery basket – is the empty shell of Trade Practices Act responsible – and is it possible to have his debate without the spin from organizations such as the ARNA and apologists for the supermarket chains.??

2.6 Increasing Farmgate Prices ?

Our farmers enjoying skyrocketing returns from huge increases in farmgate prices that are pushing up retail prices ?

Has the farm gate price of milk increased 96% since 1990 like the retail price has increased ??

¹³ ANRA Press Release “*Aussies Pay Less for Food than 30 years Ago*”
<http://www.anra.com.au/images/stories/pdfs/ANRAshoppingbasketJune07.pdf>

¹⁴ [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/AF299DCEAAE7C706CA2572C6001D63E0/\\$File/64010_mar%202007.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/AF299DCEAAE7C706CA2572C6001D63E0/$File/64010_mar%202007.pdf) (page 20)

Anecdotally the answer seems no, given that a few years ago Dairy farmers in New South Wales and Queensland picketed Woolworths stores in regional areas of New South Wales, Victoria, South Australia and Queensland in protest against the **cut in price** offered to milk producers.¹⁵

Has the egg producer received a 100% increase in the price for his eggs like the retail price has increased ??

Anecdotally the answers seems no, given that Hunter Valley egg producers have been calling on the New South Wales and Federal governments to develop a rescue package to help the struggling egg industry. These Egg Producers say an increase in inter-state eggs being off-loaded in New South Wales has led to an oversupply of produce and an escalating price war, **with prices lower than they were 30 years ago**.¹⁶

2.7 The Drought ?

Certainly the drought over recent years has made life difficult for farmers, but has the drought really pushed up farmgate prices to the same extent as retail prices. ??

First, even ignoring the last 7 years of drought – and looking at Food Price Inflation in the period 1986-1999 – there were still massive price increases at the supermarket-check that outstripped the CPI.

Further a recent article from *The Australian* 12th July 2007 states;

“Queensland farmers Federation chief John Cherry said shelf prices were rising much faster than those paid at the farm gate. Over the past four years retail food prices have risen by 17.8% but farmgate prices have risen just 2.3%”

This indicates that anyone uses “the drought” as an excuse to raise prices, may in fact be engaged in a deception, exploiting the hardships faced by our farming sector, for their own personal gain.

2.8 The Introduction of the GST ?

In 1999 we had the elimination of the old wholesale sales tax system, and with most food items exempt from GST, this should have assisted in the lowering of food prices in relation to the CPI.

Even the Australian Food & Grocery Council clearly recognizes this fact.¹⁷

¹⁵ <http://www.parliament.nsw.gov.au/prod/PARLMENT/hansArt.nsf/V3Key/LC20001011045>

¹⁶ <http://abc.net.au/news/stories/2006/01/05/1542061.htm>

¹⁷ <http://www.afgc.org.au/index.cfm?id=133>

*[The abolition of the sales tax and the introduction of the GST] meant that food prices overall increased at a rate **below** the CPI when the impact of the GST was first recorded in the September quarter of 2000. Responsible measuring and reporting of food price changes needs to take this relatively significant event into account when analysing data before the middle of 2001.*

2.9 Transport Costs ?

Maybe increases in “Transport Costs” are the reason for these massive price hikes at major supermarkets ??

Well not according to the ABS – they have total Transport costs, which include the cost of vehicles, repairs, fuel, parts and other motoring charges at 55.8% for the period 1990-2006 – below the increase of prices at the major supermarkets.

2.10 Sky Rocketing Retail Rents ?

There is evidence in Australia that since 1990 retail rents, especially in the major shopping centers have skyrocketed - and Australia now has some of the world’s highest occupancy costs and rent/sales ratios for independent retailers – an outcome itself the result of further failure of the Trade Practices Act, which fortunately now is the subject of a long over due investigation by the Productivity Commission

May be possible these skyrocketing retail rents in Australia are responsible for such high food inflation in Australia ??

Alternatively maybe the massive levels of Price Discrimination in shopping centre rents - where the major supermarkets enjoy special privileges and independent retailers pay rents up to 1000% higher per square meter for equivalent space compared to the major supermarkets - may have in fact distorted competition, by throwing up an umbrella of protection for the major supermarkets to hide behind, whereby they are shielded from the competitive pressures of the independents – and this reduction in competition could be a reason for higher prices to the consumer.

2.11 Increasing Market Concentration ??

A recent report released by NARGA,¹⁸ includes data compiled by Retail World and AC Nielsen, that indicates that during the period high food inflation in Australia (1990-2006) that the combined market share of the two major supermarket chains had increased from 49% in 1990 to 80% today.

Could there be a link between the “narrowing of the market” with the increasing dominance of the two major supermarket markets chains in Australia and high food inflation ?

¹⁸ "The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia" <http://www.narga.com.au/>

The evidence revealed in the NARGA study tends to support this conclusion. All things being equal, given the unprecedented booming economy in Western Australia, that Perth would have recorded higher consumer inflation (including food inflation) than in Sydney where the economy has been struggling.

However all things are not equal - the Western Australian grocery market differs from that of Sydney, in that Western Australia has a stronger independent sector. In WA there has not been the same “narrowing of the market” that has occurred in Sydney.

The NARGA study indicates that Food Inflation has been significantly higher in Sydney than Perth. This finding leads to the possible conclusion that an increasing market concentration – ‘the narrowing of the market’ that Adam Smith warned about, could have had a direct relationship to increasing consumer prices at the supermarket.

There is also substantial international literature that supports the NARGA findings, that indicate that as supermarket concentration moves toward higher levels, prices tend to follow.

For example, a paper by Professor Ronald W. Cotterill, Professor of Agricultural and Resource Economics and Director of the Food Marketing Policy Center at the University of Connecticut, CT, USA - quotes a study conducted by Marion, Heinforth and Bailey, which concludes;

" [Our] results find a positive linkage between concentration and prices even after holding costs and quality/service constant. The results of this study are consistent with six other studies that found a significant positive relationship between grocery store prices and the concentration of sales in local markets." ¹⁹

All the evidence tends to indicate a relationship between the higher market share of the major chains (a narrowing of the market) and prices rising to higher levels, and that the highly concentrated structure of the Australian supermarket retailing sector - that has been allowed to evolve under the current provision of the Trade Practices Act - has been detrimental to consumers.

[2.12 Competitive Nature of the Retail Sector in Australia ??](#)

We note the ANRA have stated in their current submission;

“the competitive nature of the retail sector in Australia also puts strong downward pressure on prices”

But the obvious question to ask, when all the facts and figures clearly show there is **no** downward pressures on prices – and to the contrary, there is in fact **strong upward** pressures on prices – does the existing strong upward price pressure indicate the

¹⁹ "Strategic Groups, Competition and Retail Food Prices," in Ronald Cotterill (ed.), Competitive Strategy Analysis in the Food System (Boulder, CO, 1993) at 197.

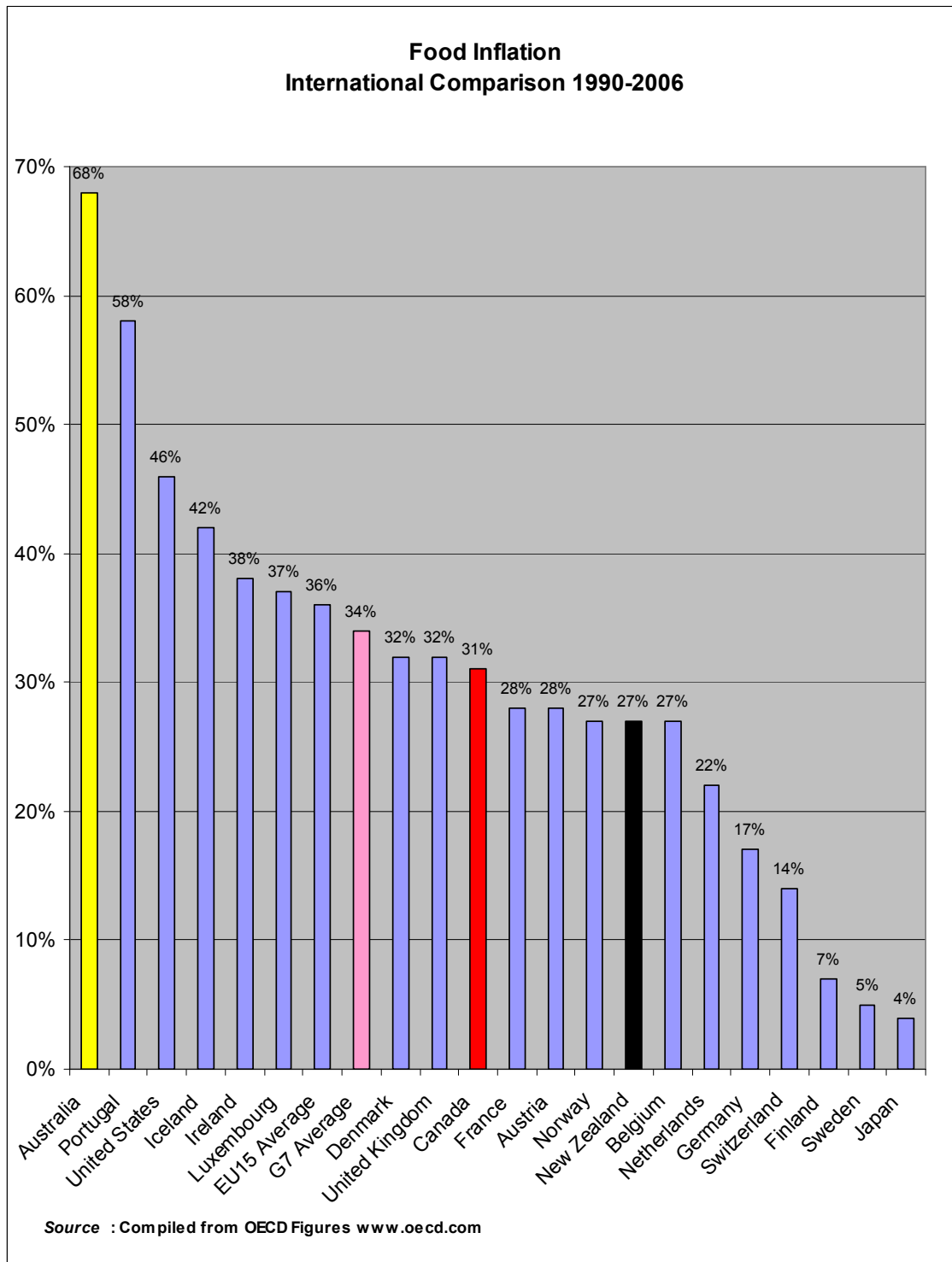
uncompetitive nature of the retail sector in Australia, resulting from failed competition policy ???

The evidence appears to indicate that the current structure of the Trade Practices Act is a resulting in a major dampening of competition in Australia.

2.12a Current International Comparison

To ensure this current Senate Committee is not misled like the previous Committee's, we have prepared the following chart to compare Food Inflation in Australia since 1990 in comparison with the rest of the world.

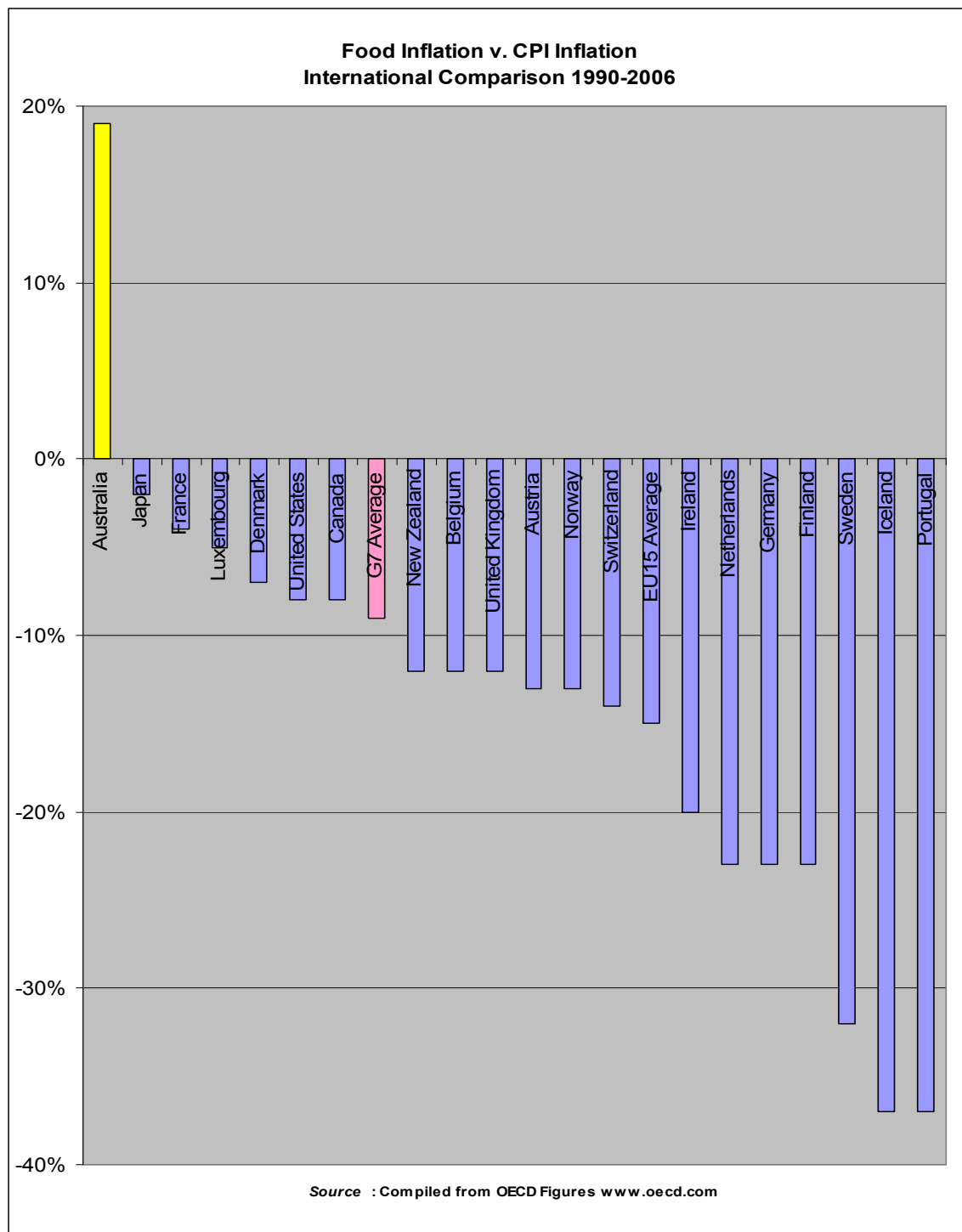
Again the evidence is puzzling. Australia has the developed world's highest food inflation since 1990 – and we are a country mile ahead of the rest of the world, even well ahead our neighbors across the Tasman, and similar economies such as Canada.



The only country that even comes close to Australia is the basket case of Portugal, where they had lost control of inflation over the period. Something is clearly wrong in Australia.

The only conclusion that can be drawn, is that in no other developed country are prices at the supermarket rising like they are in Australia - and no other developed country has such a highly concentrated retail market as Australia.

However the truly alarming situation of Food Prices Inflation in Australia is even more apparent when we compare Food Inflation v CPI since 1990 - everywhere in the developed world consumers seem to be benefiting from competitive retail markets, where Food Inflation, especially supermarket prices, are lower than the CPI – well everywhere in the developed world – except one remarkable stand-out exception.



Certainly there can be many factors unique to each country that affects their food inflation but the question must be - what is different in Australia ?

Could there be a direct relationship between the developed world's most highly concentrated retail market, and the developed world's highest food inflation, and the only country in the developed world where prices at the supermarket are outstripping inflation ??

These facts are made even more puzzling, when our largest supermarket operator in Australia is claiming to have engaged in a program;

“that has stripped out more than \$4 billion of costs since 1999 and reinvested about 75 per cent of the savings in lower prices. By the time the current phase of the project ends next financial year the cumulative savings will be more than \$9 billion, most of which will have been reinvested into lower prices.”²⁰

Obviously something is very, very wrong – how can there be \$9 billion in cumulative savings “reinvested into lower prices”, when the ABS and the OECD shows that food inflation is skyrocketing in Australia like no where else in the developed world ??

Something is wrong.

If the purpose of the Trade Practices Act ²¹ is ‘to enhance the welfare of Australians through the promotion of competition and fair trading and provision for consumer protection’ when consumers are being slugged with these massive price increases at the supermarkets – it is obvious - the Trade Practices Act is failing miserably in its stated purpose.

Perhaps the time has come that we need complete re-think on competition laws in Australia – as maybe we have the Trade Practices Act completely wrong.

²⁰ <http://www.smh.com.au/news/business/alp-plan-smacks-of-posturing/2007/07/11/1183833597977.html>

²¹ Section 2 – the Purpose of the *Trade Practices Act*, was inserted in 1995 at the recommendation of the ‘Independent Committee’ headed by Westfield Director Fred Hilmer. We note that Mr. Hilmer committee’s neglected to include in the words “equitable opportunity” in the purpose of the Act. In contrast, “the purpose” of the Canadian version of the Trade Practices Act the *Canadian Competition Act*, states.

*“The purpose of this Act is to maintain and encourage competition in Canada in order to promote the efficiency and adaptability of the Canadian economy... in order to **ensure that small and medium-sized enterprises have an equitable opportunity to participate in the Canadian economy...**”*

The word’s “equitable opportunity” are nowhere to be found in any section of the Australian Trade Practices Act. We further note that Canada, with its many similarities to Australia, is outperforming Australia in just about every economic indicator, including interest rates which are a full 2 percentage points lower than Australia, and while Australia continues to rack up trade deficits month after month, (even despite a once in century in mineral boom) adding to our mountain of foreign debt, Canada is running a trade surplus. Perhaps we need to take a lesson from Canada’s competition laws.