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Transcript
Dr Craig Emerson interviewed by Steve Liebmann
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Subject: Grocery prices.

LIEBMANN: Craig Emerson, good morning to you.

EMERSON: Good Morning Steve.

LIEBMANN: Look, the truth is in spite of your promise of tough action consumers can likely say they've been badly let down when it comes to the whole issue of grocery prices.

EMERSON: Well what we're doing Steve is we are giving customers more options as to where they shop so that they are not restricted to just shopping at Coles and Woolworths – that they can go to stores like ALDI. There's a big new Costco store to open up on Parramatta Road at Auburn. So our whole focus is to give consumers more options as to where they shop by tearing down the barriers to entry that have led to Coles and Woolworths having a such a dominant position in the market. And that's what we're doing. We've torn up 700 restrictive agreements between Coles and Woolworths and shopping centre owners that have prevented rivals from going into those markets. And just as an example ALDI which came in 2002 into Australia has now got 200 stores but is now going up to 700 stores which will make them real rivals to Coles and Woolworths. They are just a couple of the things we are doing to open up the market to competition.

LIEBMANN: And yet in response to that someone like Professor Frank Zumbo would say the relaxation of foreign investment rules is only

going to help where the overseas owned supermarkets can get access to suitable retail sites and the -

EMERSON: And this is the point I'm making. We are in fact in the process of tearing up these 700 agreements that have prevented other supermarket rivals from entering into the major shopping centres. So when you go into a shopping centre you're more likely to see a Coles or a Woolworths but you won't see other major competitors. Under the reforms to those restrictive agreements that we've insisted upon then you will see ALDI ramping up its presence from 200 stores to 700 stores. Now, no previous government has had the guts frankly, to take on those 700 restrictive agreements and tear them up. So I think Frank Zumbo is right to point to the problem but he probably should acknowledge that this is the first government that has stepped in and said those restrictive agreements are going.

LIEBMANN: And yet in spite of all of that at the moment the people who are listening to you and me this Friday morning know that Australia consistently faces, and this is again according to Zumbo, some of the highest levels of food inflation prices in the developed world and we are paying more and more for a standard basket of grocery products. Is he wrong?

EMERSON: Then Frank Zumbo would need to acknowledge that there is a price war going on right now, right now between Coles and Woolworths where thousands of supermarket items have gone down in price. This is after those figures that you referred to in your introduction and Coles and Woolworths have identified the entry of more rivals into the market as a very important force in this price war. What they're trying to do is hold onto their market share in the face of an aggressive competitor, in this case ALDI, and we don't mind Steve, whether its ALDI or Costco or IGA stores or Franklins or whoever, we welcome all comers because the more competition there is in the market the more options your listeners have as to where they go to shop. At present they are pretty restricted in having to choose either Coles or Woolworths. Now what we're doing is opening up the market. We're also legislating, we've toughened the laws on predatory pricing to make it difficult for a dominant retailer to just cut its prices for a sufficiently long period to drive other small retailers out of the market. And we're revising the planning and zoning laws in consultation with New South Wales Government because in many cases Steve those laws themselves have restricted the capacity of rivals to set up in competition with Coles and Woolworths and other supermarket chains.

LIEBMANN: But can you – can you tell me now of the people listening to it, how the cost of a standard basket of goods can rise by \$10 in 84 days?

EMERSON: Well I'm not a price commissar who can apply a price rule and step in like it's the Soviet Union and say Coles, Woolworths these are the price you must charge. What I can do is tear down the barriers to entry to give customers more options as to where they will shop and therefore pursue the best value for money that's on offer around the place with various supermarkets. We've also introduced unit pricing which is very popular and allows for customers to compare different sizes of the same product on a shelf and choose again the best value for money -

LIEBMANN: Yeah but the supermarkets -

EMERSON: Now frankly, Steve, no government before this has even tried to open up the market to competition. That's what we're doing to give customers more choice.

LIEBMANN: Now you talk about unit pricing. What do you say to those who would argue that unit pricing does nothing to lower prices that have been inflated across the board by a supermarket chain.

EMERSON: Unit pricing is designed specifically to give people the capacity to make a calculation of which product and which size of product represents the best value for money. I've never asserted that unit pricing reduces the price of products. What it does is allow people to say I'll take the medium size package or the small or the large because it represents the best value for money. I'm not saying that unit pricing was introduced for the purpose of driving supermarket pricing down. I've never said that, the government has never said that. What we've said is that unit pricing allows people to do those calculations very easily to get the best value for money on supermarket shelves. All of the other reforms, however, Steve are designed to tear down the barriers to entry so that customers will have more choice in the future and it's already happening as ALDI steps up from 200 stores to 700 stores because of the reforms that we're introducing.

LIEBMANN: See I think people listening to this I'm sure their eyes are starting to glaze over because they think 'that's great but the truth is I'm paying 14 cents more for a packet of biscuits, I'm paying 23 cents more for a packet of sliced cheese'. And all this talk about there's going to be more competition and we've introduced the – they're saying that's fine but I'm going shopping this morning and I'm going to be pay more than I paid last week or a month ago.

EMERSON: I did say to you a moment ago that there is a price war going on between Coles and Woolworths right now and the figures that you're quoting, and I fully empathise with shoppers, I'm a shopper myself, no one likes rising prices. The price war that's going on right now between Coles and Woolworths covers several thousand items. I know many of your listeners will be sceptical about that, they'll probably say well they're going to increase the

prices of other products that are on the supermarket shelves. Coles and Woolworths say they are not going to do that. Well people can make up their own minds about that but you can't get pressure on prices without more competition and that's what drives prices, well restrains prices and that is more competition. As I say no other government has attempted this. This government has been in for two years, for two years and we've already through that list of measures that I've just said to you Steve, implemented these pro-competition reforms so that people do have choices. If they don't have choices and it's just Coles and Woolworths then the situation is the same as its been over the last 10 years. We're making the changes that are necessary to restrain price rises.

LIEBMANN: I've just got an email from George at Maroubra, Sydney New South Wales. He says "As you're talking to Craig Emerson this morning about supermarket prices how about raising this issue – both Coles and Woolworths are offering selected latest release DVDs for under \$10 with a trolley spend of between \$80 to \$100. The latest examples of latest release DVDs sold for under \$10". And then he nominates a couple – he says "they are purchasing these DVD's for \$25 or more and selling them for under \$10. Are these the latest DVD's being subsidised by grocery prices? Is this considered predatory pricing? Is the Minister's department investigating supermarkets in relation to their selling a \$25 product for under \$10? What prices will supermarkets charge when there's no competition left?" Now what do you say to say to George of Maroubra.

EMERSON: I say to George of Maroubra that I am aware of the issue and I have referred that issue to the competition watchdog the Australian Competition and Consumer Commission. I am aware of it because I go into DVD stores, I go into Coles and Woolworths, I know exactly what the situation -

LIEBMANN: Okay, Minister that was last year. Have you had any reaction, any response from the competition watchdog?

EMERSON: I've had a discussion with the competition commission just the other day and they are examining it but under the law, Steve, I cannot direct the Australian Competition and Consumer Commission to make a particular finding. What I can do is to draw their attention to this issue, to express my concerns about this issue on behalf of consumers around Australia. On the one hand the DVDs are cheap but I think probably what George is saying will they remain cheap for a very long time if they are successful in driving competitors like Video Ezy and Blockbuster out of the market -

LIEBMANN: Well that's possible isn't it –

EMERSON: - and as Minister I can take that up with the competition watchdog which I've done but I cannot direct the competition watchdog just as you can't tell a judge in a court of law to reach a particular finding.

LIEBMANN: So video stores go the same way that say the local butcher or the small greengrocer is gone because of the arrival and the continued competition from the big supermarkets.

EMERSON: Well it's not the arrival of the competition; Coles and Woolworths have been there a long time. And as I say I have drawn this to the attention formally of the ACCC. I've had discussions with the ACCC. I am concerned about it. It is impossible for me to do the equivalent of saying to a judge in a court of law this is the finding as a Minister that I want you to bring down. That is not within my power. It should not be within my power. But I can and have raised this as an issue about which I am very concerned on behalf of consumers. In the meantime and it's only the short term, these prices are very low. So if we are talking about low prices this is an example of low prices. I'm just going to make a more general point. We are trying to achieve low prices and when low prices are appearing I don't think that we should then say that's really bad that prices are low. It's bad if the low prices are used to drive competitors out of the market – that's called predatory pricing. We've toughened the laws on predatory pricing - one of the measures that I've mentioned to you that weren't tough enough until this government came in. And I have referred this very issue about which I am concerned to the competition watchdog and have already had a discussion with them just last week.

LIEBMANN: All right well I'd like to get back to you or perhaps your folk could get in touch with us when you've got a decision or at least some form of detailed response from the Competition Watchdog. In the meantime let me thank you for your time this morning.

EMERSON: Okay and thanks for having us on the program.

LIEBMANN: Any time.

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