

3 April 2003

Mr David Robertson
Commissioner
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Mr Robertson

As requested, here is the feedback you sought following our meeting last month.

The general apparel environment

Consumers are increasingly value conscious and are searching for and demanding greater value. Better informed and more astute consumers are finding new ways to spend their money and are devoting less to apparel, while at the same time, being more demanding when it comes to fashionability, functionality and wear.

The retail environment is intensely competitive with growing numbers of retailers of all sizes, often operating with very similar offers. Each retailer is striving to gain a greater share of the consumer's limited spend on apparel which is placing continuing downward pressure on prices.

In order to meet consumer demands for value, fashionability and functionality over their competitor, retailers rely on a strong supply base that can provide a differentiated product, a low cost product or, depending on the life cycle of a product, both.

Australian consumers have benefited from lower prices, wide range and improved quality and choice.

Supplier criteria

When selecting a supplier, the main criteria for Coles Myer are:

- Ability to interpret fashion trends to suit our customers and deliver a quality product on a timely basis;
- The supplier track record of delivering wanted ranges and product;
- The cost of the product supplied; and
- The efficiency and cost of the suppliers' supply chain and how effectively it integrates with the retailers' supply chain.

The pressure on prices and the need to differentiate an offer may lead retailers to reassess their supply source removing intermediate costs so as to deal directly with the manufacturing source which is often overseas.

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Note: Coles Myer expects its local suppliers to comply with the National Retailers/TCFUA Ethical Clothing Code of Practice. Overseas suppliers are required to either complete an evaluation report that confirms no child exploitation has occurred or sign a Declaration that “no child labour has been used in the manufacture of this merchandise”. Compliance with these standards is monitored through factory visits and regular communications.

Local production

Coles Myer is the largest purchaser of local product and we would like to see a viable local industry. There is still considerable demand for “Made in Australia” product. We are looking to local Australian manufacturers to provide value beyond what can be provided by overseas manufacturers operating in low cost environments. This includes:

- Wanted brands / labels;
- Product design – innovative and timely interpretation of fashion trends;
- Incremental advantages in their supply chain, which cannot be matched by the retailer;
- A true partnership including a willingness to challenge a retailer’s current offer and interpretation of their customers wants, and
- Ability to trade electronically.

Regulatory environment

The following regulatory improvements would benefit retailers, the many local manufacturers who import, and ultimately consumers:

- Removal of TCF product chapters from the ‘excluded goods schedule’ because these products are not made here. For example, specialist sporting footwear and women’s bras. This will enable importers to apply for a Tariff Concession Order and eliminate the import duty.
- Greater design effort to eliminate fraud opportunities in any new assistance arrangements eg over-valuation and (Fiji) origin issues with Import Credit Scheme.
- Maintain WTO friendly anti-dumping regime that does not introduce a bias that disadvantages Australian importers.
- The removal of payroll tax would assist local TCF manufacturers to become more competitive and help retailers lower their employment and product costs with further consumer benefits through lower prices.

I trust that this information is of assistance in your analysis.

Yours sincerely



Kevin Elkington
Company Secretary