**METROPOLITAN MILK SUPPLY ACT AMENDMENT BILL 1955**

**Legislative Assembly, 29 September 1955, pages 939-41**

Second reading

The Hon. A. W. CHRISTIAN (Minister of Agriculture)—I move—

That this Bill he now read a second time.

It makes amendments of the Metropolitan Milk Supply Act relating to three topics— namely, refusal of licences, zoning of retail milk deliveries, and the sale of reconstituted milk. I will deal with these matters in the order in which they occur in the Bill

Clause 3 deals with, the power of the board to refuse a licence to an applicant whose premises, plant or livestock do not comply with the Act. Under the present law in every case where the premises, plant or livestock are below the prescribed standard, the board, must, unless it is willing to grant the licence, give the applicant notice of the defects and cannot refuse the licence unless after the expiration of three months' the defects still remain. During these three months the applicant is deemed to be licensed and is entitled to all the privileges of a licensed person.

These provisions were inserted in the original Act to protect producers supplying milk to the metropolitan area when the Act came into force. No doubt they were justified when the metropolitan milk scheme was introduced, but today they are a source of considerable concern to the board. They make it possible for substandard premise to be used for a considerable period, since a series of applications can be made in respect of the same premises, and each application gives three months’ exemption from the Act.

Difficulty only arises in connection with new applications. There is no trouble as regards licences granted by way of renewals because the board does not refuse applications for renewals even where the premises are defective. In these cases the practice is to grant the renewal but serve a notice on the proprietor requiring him to remedy the defects. If the notice is not complied with the licence can be cancelled. But as regards premises not previously licensed or premises of which the licence has lapsed there is now no good argument for treating them as licensed for three months in every case where an application is made. In such cases the board desires power either to refuse the licence or to grant a provisional licence. If the board had this power licences for seriously defective premises could be refused, and the applicant could only make a fresh application after the premises had been put in order.

If, however, premises were defective only in a minor degree the board could grant a provisional licence which would enable the proprietor to carry on as a licensed producer for a specified period. Such a licence would set out what had to be done in order to put the premises in order and if the requirements were carried out an ordinary licence would be granted. If the work was not done during the currency of the provisional licence, that licence would lapse and the application would be regarded as having been refused. It will be seen that the main difference between the scheme proposed in clause 3 and the provisions of the present Act is that under the clause there will be no automatic licensing 0j defective premises.

Clause 4 deals with reconstituted milk Reconstituted milk is milk made from dried milk mixed with water or dried skim milk mixed with butter or butterfat and water Some of this milk is already being sold in certain parts of the State. No doubt there is a justification for such sales in places remote from fresh milk supplies; but there is little or no justification for them within the metropolitan area. The Milk Board has asked the Government to empower it to control sales of reconstituted milk within the metropolitan area.

The reason for the request is to give pro­tection to the licensed milk producers. Licensed producers have been required to spend large sums of money on the provision of new premises or the reconstruction of existing premises and many hundreds of thousands of pounds have been spent for the improvement of the metropolitan milk supply. The producers are also required to spend considerable sums in maintaining their premises, plant and equipment in a hygienic condition. The premises are subject to constant supervision and the milk is tested regularly to ensure that it is properly constituted and free from bacteria. There are ample supplies of fresh milk for the city trade, as is shown by the fact that the producer receives the city price for only half of his output. Under the existing legislation re-constituted milk can be brought into and sold in the metropolitan area at lower prices than those fixed for locally produced fresh milk. The lower prices are possible because the milk from which the basic ingredients of recon­stituted milk are derived are purchased at manufacturing rates. The sale of reconstituted milk in the metropolitan area on any scale would eventually undermine the marketing plan which protects producers and has been in operation for a number of years. For these reasons the Government has acceded to the request of the Milk Board that re-constituted milk should only be sold under permits granted by the board. Provision for such permits is contained in clause 4.

Clause 5 deals with the. zoning of milk deliveries. Zoning was introduced during the war by the Commonwealth Government under the National Security Regulations. It was part of the war organization of industry, and produced some satisfactory results. It reduced the amount of travelling which individual milk vendors had to do in order to serve their customers, by allocating to each vendor all the customers within his particular zone. The amount of milk delivered by each man was increased from somewhere about 40 gallons to 65 gallons a day. At the same time the vendors’ profit margins were reduced by about 3id. a gallon in order to give the customers some benefit from savings which were effected in delivery costs. These were substantial advantages, but there was one serious disadvantage in zoning, about which the Govern­ment had frequently had complaints. Zoning made each retail milk vendor a monopolist within his own zone, and although customers may have been dissatisfied with the service given them by their vendor, they had no option but to continue to deal with him.

When the war was over Commonwealth control of zoning came to an end, but zoning was continued by arrangement between the vendors themselves. It was not entirely voluntary, because if a new man desired to enter the retail milk trade and endeavoured to secure customers within the zone of an existing vendor, attempts were made to prevent the new man from being supplied with milk by the wholesale milk suppliers. The Government had complaints about this conduct, but did not receive much detailed information about what happened. By some means, however, zoning has been maintained by the vendors themselves without legal backing.

Clause 5 has the object of protecting the retail consumers. The problem which con­fronts the Government is to retain the advantage of zoning and, at the same time, to do away with the disadvantages to consumers which result from the lack of competition among the vendors. The remedy proposed for this state of affairs is what is commonly called block zoning. This is a system under which each zone is large enough to provide rounds for a number of retail vendors, usually three. Each vendor will be obliged by law to serve the customers who desire to be served by him within his zone, and the customers are free to change their vendors as long as they change, to one of the other vendors operating within the same zone. The Government is informed that this system is quite practicable and works satisfactorily in other places. The Bill, there­fore, confers on the Government the power to make regulations on the various topics which are necessary in order to introduce block zoning.

In preparing the Bill the Government had to make a decision as to the authority which should be charged with the duty of administering block zoning. The choice lay between the Metropolitan County Board and the Metropolitan Milk Board. The Metropolitan County Board is mainly a health authority charged with ensuring the cleanliness of premises of retail dairymen, and the hygienic condition and standards of milk sold by retailers. The Metropolitan Milk Board is concerned with the control of wholesale producers and suppliers, the relations between wholesalers and retailers, and the economic organization of the milk trade. It also has control of prices. The Government took the view that as the zoning of milk deliveries was an economic matter rather than a health matter and involved some control both of the retailer and the wholesaler as regards the milk supplied, that the Metropolitan Milk Board was the more appropriate authority to handle this problem. It happens, too, that the board is well equipped to do the administrative work connected with zoning. It will be noticed that in addition to setting out the regulation making powers necessary for zoning, the Bill states that the Metropolitan Milk Board must, as far as possible, ensure that in each zone there will be at least three persons carrying on business independently of each other as retail vendors of milk and cream.

Mr. O’HALLORAN secured the adjournment of the debate.