

Productivity Commission Inquiry

The market for retail tenancy leases in Australia

Non-confidential

We request that this submission be published on the PC website

Submission No.3

THE CURRENT STATE OF THE AUSTRALIAN RETAILING SECTOR

Southern Sydney Retailers Association

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August 2007

THE CURRENT STATE OF THE AUSTRALIAN RETAILING SECTOR

Executive Summary – Key Facts

The Australian economy has enjoyed strong growth over the last decade with rising real incomes and low inflation, but despite these facts ;

1. The number of retail businesses running at loss has tripled since 1997/8, and today at least 1 in 3 retail businesses are running at loss.
2. Between 1994/5 to 2005/6 almost 100,000 households “gave up” being small business entrepreneurs and are now corporate employees.
3. Between 2001/2 and 2004/5 the profitability (EBIT%) of the small retailing sector has slumped, meanwhile the large retail sector has seen profits skyrocket.
4. A total of \$4.8 Billion in operating profits has been transferred from small business to big business in the retail industry between 2002 and 2005. On current trends, by 2007/8 over \$10 billion will be transferred from small businesses to big businesses in the retail sector, representing the largest asset transfer in Australia’s history.
5. The decline of small business and the increasing dominance of big business in the retail sector has coincided with Australian consumers being punished with retail prices for food rising faster than anywhere in the developed world, increasing inflation and putting pressure on interest rates.
6. There is a constant theme of poor productivity growth in Australia.

THE CURRENT STATE OF THE AUSTRALIAN RETAILING SECTOR

We are concerned that this.....regulation [State leasing laws for retail shops] has not delivered the many benefits promised.¹

Shopping centre Council Media Release, June 2007

We concur with the Shopping Centre Council.

3.1 Over 30% (and increasing) of Retail Businesses are Running at a Loss

Since 1997 (The time of Federal Government inquiry, *Finding a Balance, Towards Fairer Trading in Australia*) the Australian economy has enjoyed great prosperity, with low inflation, low interest rates, and increasing real incomes. However despite these otherwise favorable conditions, Small Businesses in the retail sector have never experienced such increasingly difficult times, with data from the Australian Bureau of Statistics showing the number of small retailers running at loss, has increased every year since 1997/8.

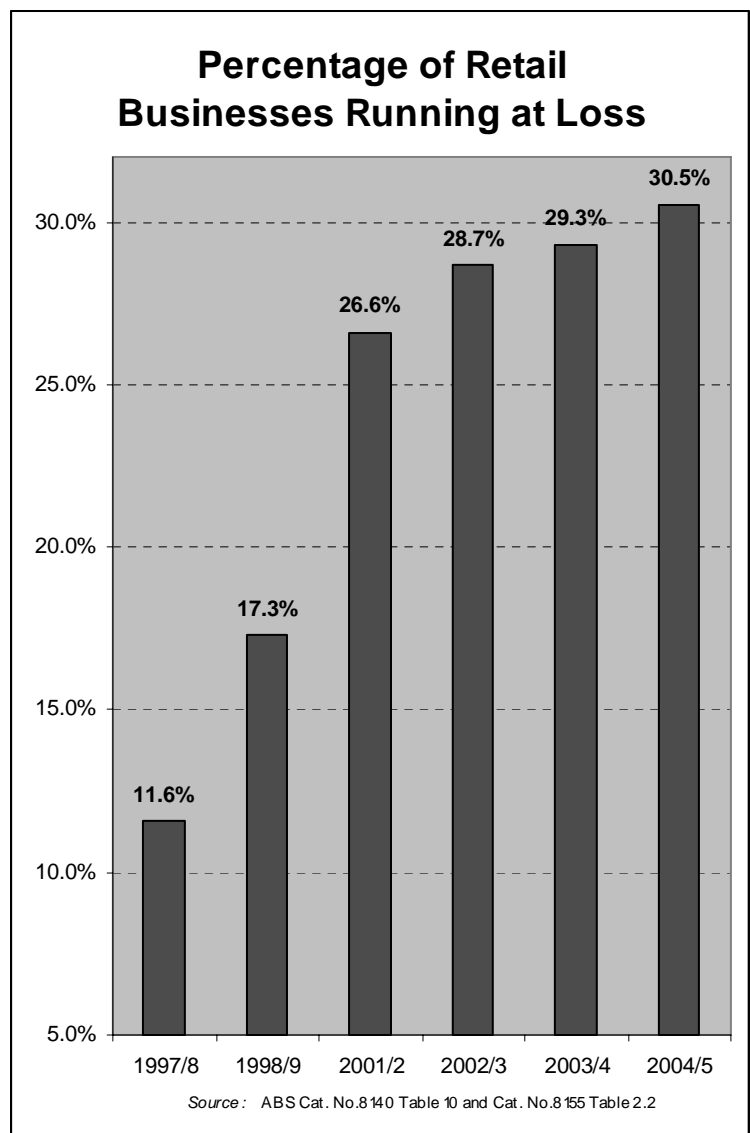
In 2004/5 (the last figures available from the ABS) the shocking facts are that **30.5%** of all retail businesses in Australia were losing money. Clearly something is wrong.

Further, in shopping centers where 5 year leases have become the maximum for small retailers, there is evidence that very few retailers are making correct accounting provisions under IAS 38 to depreciate all fitout and business establishment expenses over the term of the lease²

It is therefore highly likely that the number of small retailers, whom are running at a loss, is actually substantially higher than recorded by the ABS.

Although the 2005/6 and 2006/7 figures are yet to be published, this alarming situation would have only deteriorated further given the standard escalation clauses in leases³ which has seen retail rents continuing to increase faster than inflation, and the competitive disadvantage between small and large retailers has continued to widen.

The appalling facts are that today at least



¹ Shopping Centre Council Media Release

<http://www.scca.org.au/2007PDFs/SCCA%20Media%20Release%20PC%20Inquiry%2019%20June%202007.pdf>

² See Reuters : "Retailers seen taking lease accounting hit" (copy attached at end of this submission)

<http://www.reuters.com/article/fundsFundsNews/idUSN1230002220070612>

³ Standard leases in Shopping Centres often contain an "escalation clause" whereby rents increase CPI + 1.5%.

1 in 3 small retailers are trading at a loss that is eating away their asset base, often the family home, brick by brick.

3.2 “Lack of Business Acumen”

The existing retail hierarchy is likely role out one of their favorite phrases; “*lack of business acumen*” in an attempt to explain the high number of small retailers facing the daily prospect of operating a business that is making a loss. They will attempt to claim that this has nothing to do with the world’s highest occupancy costs, nor the massive competitive disadvantage against large retailers that results from small retailers paying 1000% higher price for their space – according to the existing retail hierarchy; its all because of “lack of business acumen”

But the nonsense of such an argument is exposed by the fact that the number of retail business making a loss *has tripled* since 1997.

3.3 The Cause of the Decline

There is no escaping reality, in an otherwise expanding economy, small retailers should be enjoying strong profitability – but to think that they are facing declining profitability and the number of businesses running at a loss has *increased every year* and has actually *tripled* since 1997 - there is something drastically wrong with the operation of the market. The small retailer sector is on the verge of collapse - In our opinion this has resulted from the following factors ;

- a) The exploitation of market power by shopping centre landlords has enabled them to increase rents faster than inflation, which has increased operating costs for small retailers, and pushed occupancy costs to unsustainable levels.
- b) The massive information dissymmetry that exists between landlord and tenant - and the secret market of retail rents that has seen new retailers unknowingly entering into leases where they face an undisclosed competitive disadvantage against existing retailers.
- c) Through Price Discrimination in; retail rents, outgoings and lease terms - small retailers face an *ever growing* competitive disadvantage against large retailers, and the already “unlevel playing field” is tilted further to the advantage of big retailers every year.
- d) The three recent government inquires, The Joint Select Committee into the Australian Retailing Sector (1999), The Dawson Inquiry (2003) and the Senate Inquiry into the effectiveness of the Trade Practices Act (2004) - were all hoodwinked by the supermarket duopoly with their false and misleading claims of “lower prices” which resulted in the Government making only cosmetic changes Trade Practices Act - leaving small retailers exposed to anti-competitive Price Discrimination, Predatory Pricing and Geographical Price Discrimination (Price Flexing)
- e) The shameful admission by ACCC that they had “gone soft” on bigger businesses that try to bully their smaller counterparts and “being lax” in pursuing unconscionable conduct cases. ⁴
- f) The appalling commercial naivety of the supporters of the changes to Collective Bargaining Authorizations fooled into believing these “changes” would make any difference.
- g) The skillful abilities of the advocates for the major shopping owners (backed by large sums of cash)⁵ have simply outplayed and out maneuvered various hapless state government bureaucrats whom have signed off on ineffective state legislation.

⁴ See *The Australian* 4th July 2007 p35 “Watchdog to Crack down on Bullies”

⁵ In the form of political donations.

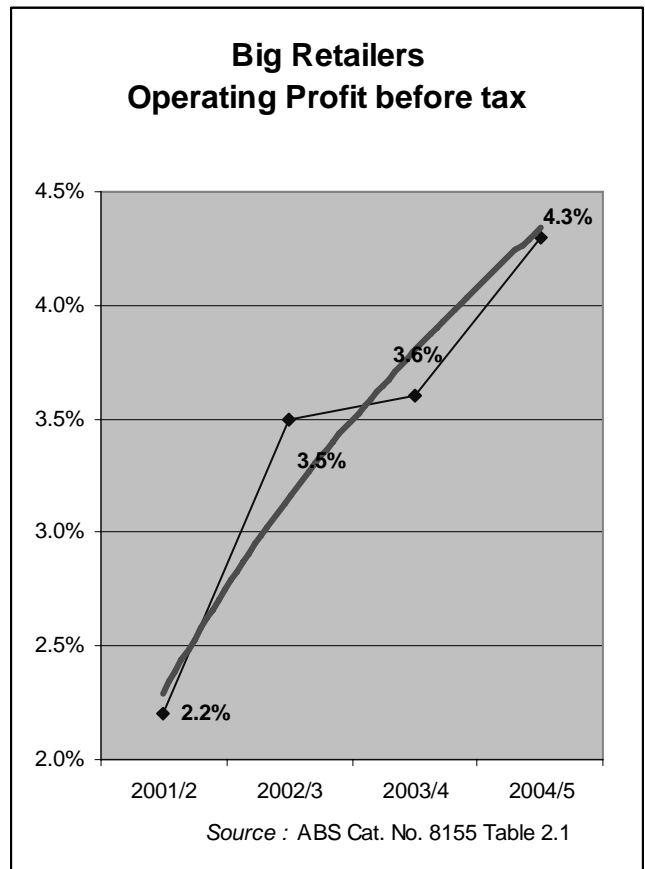
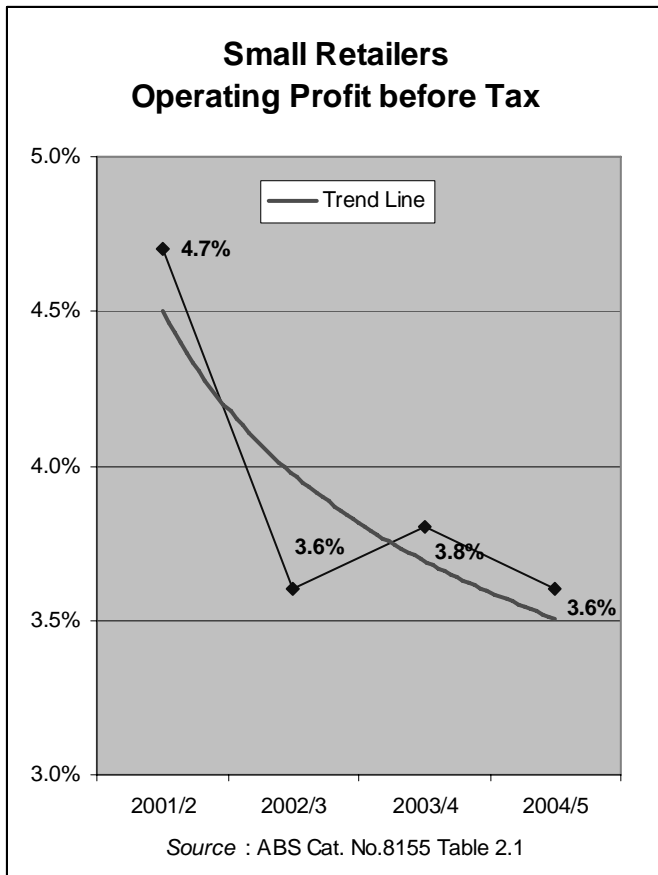
3.4 The Future faced by Small Retailers

If the given the current favorable economic conditions, that at least 1 in 3 small businesses in the retail sector is running at loss – what does the future hold with rising interest rates, demands for increasing rents, and an ever growing competitive disadvantage against large retailers - there is a danger that the entire small independent retailer sector in Australia could collapse, bringing down with it the wholesale system that supports it.

This would send shock waves through the economy, even affecting the large retailers, whom in shopping centers operate as free riders, where the rent they pay fails to cover the economic cost of the premises they occupy, leaving the small retailers to subsidize them. If the small retailing sector collapses, the large retailers will have no one left to subsidize them - other than the Australian consumer.

3.5 Declining Profitability for Small Retailers – Skyrocketing Profitability for Lge Retailers

But while small retailers future viability is threatened, and they are operating in an environment of declining profitability, declining return on assets, and an ever increasing competitive disadvantage against large retailers, it is no surprise to find, that the big retailers benefiting from the fact that their smaller competitors are being hopelessly handicapped with rents 1000% higher, and the substantial lessening of competition that this results in, have never had it so good, with their profit margins skyrocketing.



3.6 Soaring Profits for Big Retailers

“In Comparison to grocery retailers overseas, Woolworths operates on very low margins”

Woolworths Submission to the Senate Committee.

Although the most recent ABS figures are only for 2004/5, the financial reports from Woolworths/Coles show that the ever growing profitability for big retailers has continued to increase at abnormal rates and substantially above international comparisons.

Some ill-informed commentators have attempted to claim that profit margins of Australian grocery retailers are low by international comparison, but they are not comparing apples with apples or grocery retailers with grocery retailers.

The most accurate international average of profitability in grocery/supermarket retailing (food & liquor) sector is a study conducted by the Washington DC based Food & Marketing Institute (FMI)

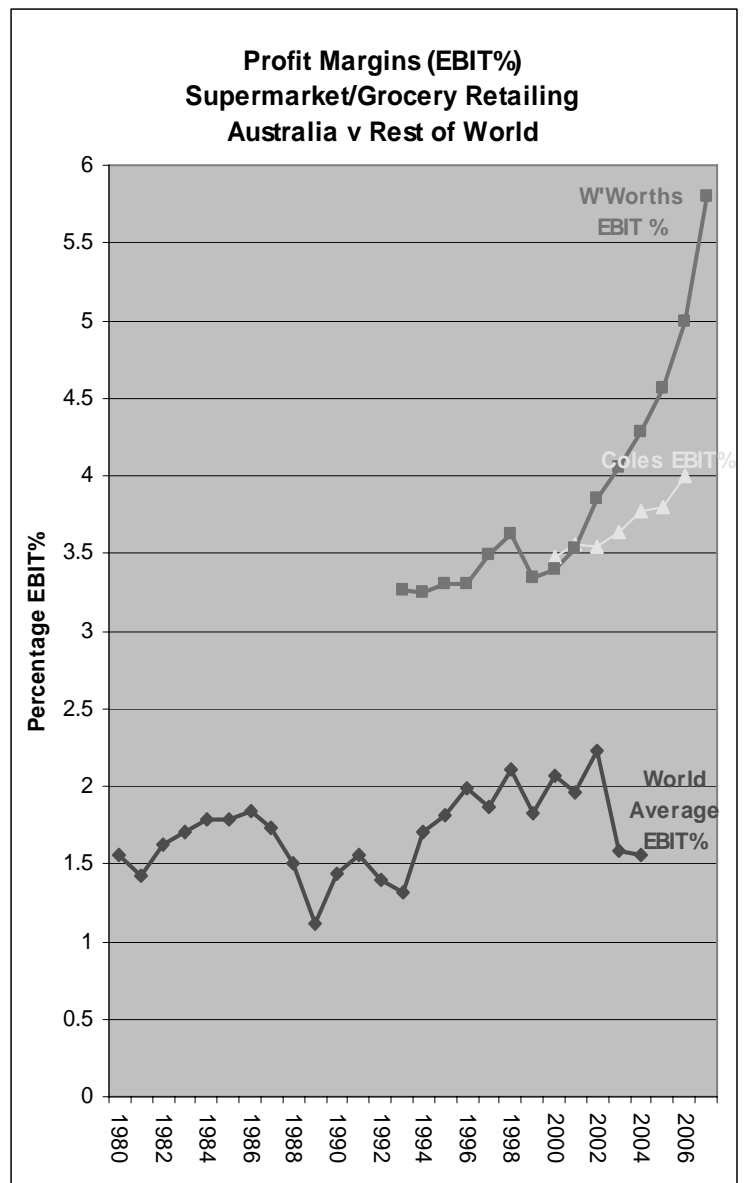
The FMI conduct a yearly study that measures the profit margins of their members which consist of over 2,300 companies (not stores) spread over 60 countries in the grocery/supermarket sector. In the USA alone, data comes from 26,000 retail food stores with combined sales of US\$340 billion (75% of all grocery retail sales in the USA). This study has been undertaken every year since 1974.

The Food & Marketing Institute state⁶;

The intense competition among food retailers for the consumer dollar is best demonstrated by profit margins that continue to be 1% of sales [1.5% EBIT%] ...this has remained in the 1% range throughout the industries history”

This begs the question – if worldwide “intense competition” among food retailers has resulted in industry average EBIT of **1.5%** – what is going on in Australia where EBIT’s are up to three times higher with Woolworths at 6% and Coles 4% ??

And further – if the FMI state profits margins have remained in a 1.5% EBIT range “throughout the industries history” - what is going on in Australia where



Source : FMI, Annual Reports Woolworths Ltd and ColesMyer Ltd.

⁶ http://www.fmi.org/facts_figs/CompetitionandProfit.pdf

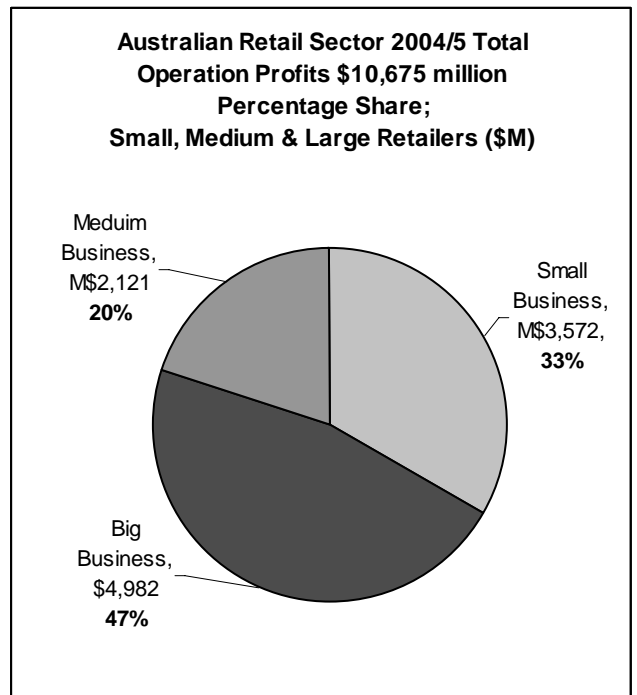
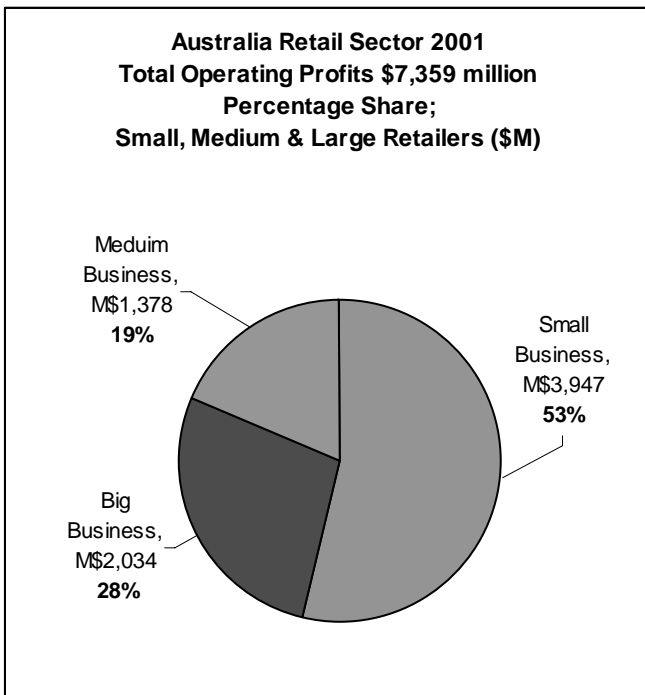
Woolworths/Coles EBIT's have **both** continued to relentless march upwards year after year.

3.7 Record Profits for Some

“Australia’s food retailing industry is considered one of the most favourable operating environments for retailers globally. For all practical purposes, it is a closed shop dominated by Woolworths and Coles.....any overseas [or local] retailer that want to challenge Coles and Woolworths is thwarted by significant barriers.”⁷

The latest ABS figures show that the **total** retail sector has never extracted more profits from consumers, with total operating profits increasing from \$7.36 Billion in 2001/2 to \$10.68 Billion in 2004/5 – an incredible increase of 45% in just 4 years.

However despite the massive increase in total profits, small retailers have seen their share of the pie reduced from **53%** to just **33%** - and despite the massive increase in profits over the entire retail sector, the operating profits for small retailers have actually gone backwards between 2001/2 and 2004/5



Source : ABS Cat. No.8155.0 Industry Performance Table 2.1

However large retailers have increased their share of the pie from 28% to 47%

This has resulted in one of the **greatest asset transfers** in Australian history, with \$4.8 billion in operating profits from the retail sector being transferred from small retailers to big retailers in just three years from 2002/3 to 2004/5.

On current trends by 2007/8 a total of over \$10 billion in operating profits will have been transferred from the small business community to large retailers.

⁷ The Australian Financial Review, 19-20th August “Coles, a natural target” p.20

3.8 The Decline of an Entrepreneurial Culture.

“...much of the productivity improvements over time comes from new ideas, new business models, new production activities and new firms. Governments should ensure that business environment is conducive to innovative behaviour”

St George Bank Month Economic Outlook July 2007

Another disturbing piece of data from the ABS is the decline in percentage of households that have their principle source of income from small business.

Despite a Liberal/National government that claims to be a supporter of small business,⁸ since 1994/5 to 2005/6 the number of households that rely on small business income has declined from **7.3%** to **6.1%**, while the number that rely on wages has increased from 56.8% to 59.3%.⁹

The only conclusion is that under the current legislative settings of the Liberal/National government, ***almost 100,000 households have gone from being entrepreneurial small business people, to corporate employees.*** This is hardly surprising given the endemic anti-competitive Price Discrimination¹⁰ not only in retail rents, but also rampant in almost every other business input that has destroyed the level playing field, and crushed the Australian concept of “a fair go”, by placing small business at a massive competitive disadvantage - so that 100,000 former small business entrepreneurs have just given up.

Such legislative settings can only dampen the nation’s productivity growth. As Ralph Nader – explained in “Taming the Giant Corporation”;

“The best innovations usually emerges from solo inventors or small and medium sized firms – not our giant corporations....if you already dominate an industry where is the incentive to take a chance on a new or costly approach ?

We don’t associate inventiveness with Centralized Planners or socialist economies, though the planners in these centralised economies have substantial resources under their control. They, like big corporations are not eager to give the green light to new ways which threaten the status quo”

With the current once-in-a-century mineral boom and record commodity prices Australia should be experiencing a golden age of productivity growth. But in 2005 as a nation we went backwards and were one of the worst performing nations in the world in terms of Productivity growth.¹¹

Australia’s performance for 2006 was no better, and is best summed up in a report by the St George Bank titled “The Productivity Puzzle” which states;

⁸ *“The government is thoroughly committed to the interests of small business..[and] will stand up for small business and will resist all efforts to undermine the vital role of the Australia small business community.”* John Howard, Australian Prime Minister, 2003 Federal Election brochure “Supporting Small Business in our Area”

⁹ *The Australian*, 4th August 2007 “Howard the wage slaves best friend, figures reveal” by G. Megalogenis

¹⁰ Section 49 of the Trade Practices Act was a specific section to outlaw Price Discrimination, however this was repealed in 1995 by Prime Minister Keating at the recommendations of Westfield Director and head of the “Independent” Committee Fred Hilmer.

¹¹ Source : The Conference Board, “Productivity and Global Competitiveness” Jan 2006
http://www.sharedxpertise.com/uploaded/documents/EAR%20Productivity%2001_2006.pdf

“There is a constant theme of poor productivity growth [in Australia] – it certainly seems that productivity growth has slowed – the implication is that there is no productive growth in 2006”¹²

3.9 What about Consumers ?

“We think of competition as a mechanism for discovery of market information and for the enforcement of business decisions in the light of this information. It is a mechanism first for discovering the kinds of goods and services the community wants and the manner in which these may be supplied in the cheapest possible way”¹³

But at the end of the day, many economists will argue, as long as prices are “lower” - what does it matter if all small businesses are driven from the market and we end up with an economy dominated by a few corporate giants ?

What does it matter, if we end up with an economic order where an individual who wants to be an entrepreneur rather than an employee has his opportunities crushed ?

Who cares about the principle of “equality of opportunity” and “a fair go” for all ? It all about “lower prices” nothing else matters according to these economists.

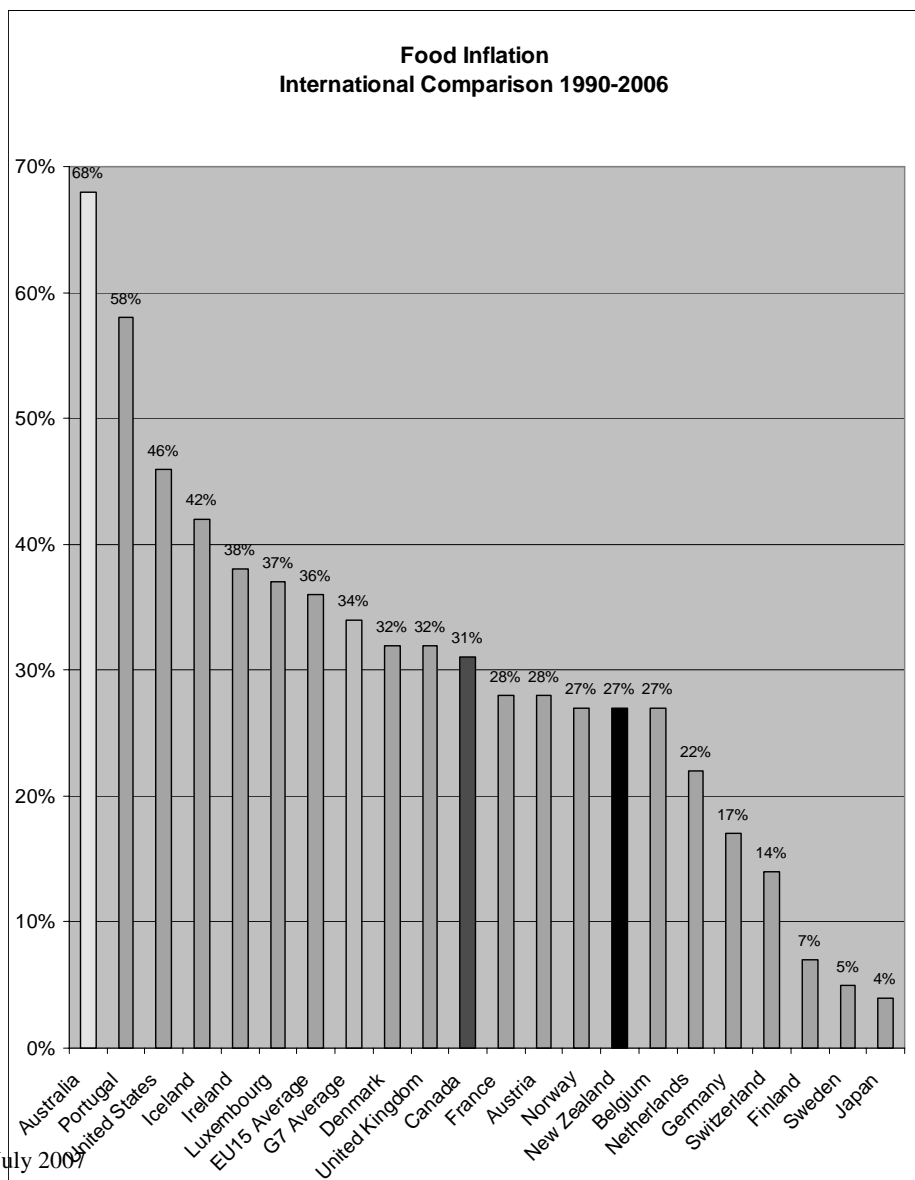
But are Australian consumers actually getting lower prices ?

Reading Woolworths & Coles press releases, from their propaganda arm the Australian National Retailers Associations (ANRA) – they tell us that prices have never been lower !! ¹⁴

Food prices cannot be measured over a short period of time - but 17 years gives us a good perspective

Cutting through the smoke and mirrors of ARNA, the data from the OECD shows the true appalling situation faced by Australian consumers under the current legislative settings.

The appalling facts are that Australian consumers are being punished, with food prices in retail shops in Australia increasing not only faster than any other developed country in the world - but at a rate **twice as**



¹² St George Bank Month Economic Outlook July 2007

¹³ Tribunals determination is *QCMA and Defiance Holdings* (1976) 25 FLR 169 at 187

¹⁴ See the comical study; “*Australian pay less for groceries than 30 years ago*”
<http://www.anra.com.au/images/stories/pdfs/ANRAshoppingbasketJune07.pdf>

fast an the developed world's average.

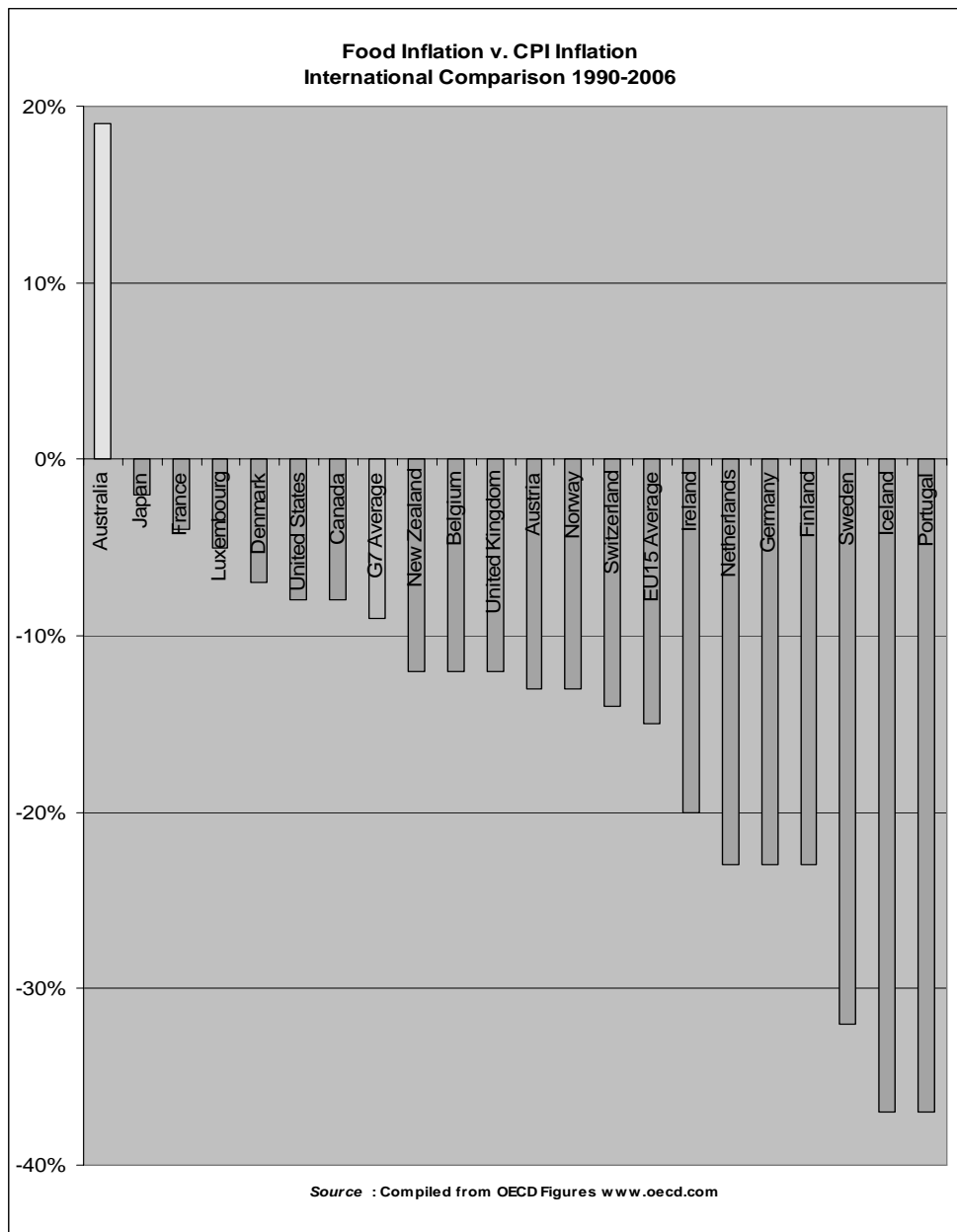
3.10 Food Inflation v CPI.

“Australia has one of the best balanced and most competitive food and grocery markets in the world”.

Woolworths Submission to the Senate Committee.

I suppose from Woolworth's point of view Australia is the best balance market in the world - they have only one true competitor, the dysfunctional Coles organization, and enjoy a situation where the vast majority of their smaller competitors are handicapped paying rents up to 1000% higher, which throws up an umbrella of protection for Woolworths to hide behind. What better balance could they ask for ?

The truly alarming situation of “balance and competition” in Australia is even more apparent when we compare ‘Food Inflation’ v ‘CPI’ between 1990 and 2006. Everywhere in the developed world consumers seem to be benefiting from competitive retail markets, where Food Inflation is lower than the CPI – well everywhere in the developed world – except one remarkable stand-out exception.



3.11 Small Retailers are more efficient.

“Mr. Speaker..... communities depend primarily upon local enterprise for the support of their social, educational, and spiritual institutions, their schools, their churches, their hospitals, their civic enterprises of all kinds. The backbone of that local enterprise is the local independent businessman, whether manufacturer, merchant, or producer of raw materials. It is a mistake to assume that he is less efficient just because he is small. For that very reason, on the contrary, he is often more efficient. He has less overheads, less of a top-heavy, unwieldy organisation, less of this activities devoted to the crushing of competition rather than to services really productive.”¹⁵

The sad facts for the Australian consumers, is that current government regulatory settings under the Trade Practices Act remain pro-big business, based on the naive perception of endless “economies of scale”.

However this overlooks that as businesses increases in size, very quickly, “economies of scale” are overtaken by their evil twin “bureaucratic inefficiencies” leaving big business, like big government, bloated and larded with redundant layers of management - where they just cannot compete on a level playing field against the superior entrepreneurial efficiencies of a small business competitor.

The following price comparison shows, that given a level playing field, small business simply slaughters their larger competitors, and without some of type of artificial advantage (such as below cost rents that don’t cover the true economic cost of the premises occupied) many larger retailers simply could not compete.

But the problem for Australia, is that our most efficient and competitive retailers – the small independent retailers, supported by a highly efficient network of wholesalers and distributors, have fallen victim to the undue market power of the shopping center landlords, whom have ruthlessly exploited the small retailing sector by pumping occupancy costs to absurd levels, to help compensate for privileged, uneconomic terms given to large retailers. This has simply resulted in a reduction in competition in the market, and higher prices for consumers.

In the following price survey, it is important to note that the independent retailer was not located in a shopping centre, thus his landlord is unable to exercise undue market power artificially inflating his rent.

Therefore in the following survey, for a basket 27 everyday items, Woolworths had prices 44% higher than their more efficient small business competitor.

These prices would be available to all Australian consumers if the retail leasing market operated on a level playing field, in a free and open competitive market.

¹⁵ John Utterback (1872-1955) , representative from Maine - *US Congressional Record* 15th June 1935 page. 9415 debating the need for the strengthening of laws to Prohibit Geographic Price Discrimination.

**Price Comparison Fruit & Veg.
South West Sydney 21st - 22nd Oct 2006**

		unit	Woolworths Corporation Revesby	Local Independent Casula	Woolworths Higher Price
1	Rockmelon Lge	ea.	\$5.95	\$3.99	49%
	<i>Rockmelon Md</i>	ea.		\$1.99	
2	Grapefruit	kg	\$2.97	\$1.99	49%
3	Pears (Packman)	kg	\$4.48	\$2.99	50%
4	Capsicum Red	kg	\$5.96	\$3.99	49%
5	Potato Pontiac/Desiree	kg	\$3.83	\$2.99	28%
6	Tomato Roma/Egg	kg	\$4.96	\$4.99	-1%
7	Lettuce ***	ea.	\$1.67	\$1.99	-16%
8	Onion Brown	kg	\$3.67	\$2.49	47%
9	Lemon	kg	\$3.47	\$0.99	251%
10	Onion White	kg	\$4.74	\$2.99	59%
11	Lime	kg	\$24.98	\$14.99	67%
12	Avocado (hass)	ea.	\$2.77	\$1.99	39%
13	Carrot	kg	\$2.55	\$1.99	28%
14	Apple Granny Smith	kg	\$5.97	\$3.99	50%
15	Banana	kg	\$11.98	\$9.99	20%
16	Apple Pink Lady	kg	\$5.97	\$3.99	50%
17	Apple Sundowner	kg	\$4.97	\$3.99	25%
18	Orange Navel	kg	\$2.97	\$2.49	19%
	<i>Orange Navel Bkt</i>	kg		\$0.99	
	<i>Orange Navel Small</i>	kg		\$0.69	
19	Mandarin Murcott	kg	\$5.97	\$3.99	50%
20	Tomato	kg	\$1.96	\$3.99	-51%
	<i>Tomato Bkt</i>	kg		\$1.59	
21	Potato Brushed/G.Delight	kg	\$2.24	\$1.99	13%
22	Potato Washed	kg	\$3.83	\$2.99	28%
23	Cucumber Lebanese	ea.	\$3.96	\$1.99	99%
24	Strawberry 250gram	ea.	\$2.50	\$1.90	32%
25	Onion Red/Spanish	kg	\$4.74	\$3.99	19%
26	Apple Fuji	kg	\$5.97	\$4.99	20%
27	Watermelon s/Less Cut	kg	\$3.98	\$2.49	60%
	<i>Watermelon S/less whole</i>	kg		\$1.69	
Average Higher Price at W'Worths					44%

****The lettuces were not an accurate comparison of like for like

The Lettuce from W'Worths was in a plastic bag. Where the stork was cut it had turned brown an indication that the lettuce was not fresh. "Sad" was the best way to describe the W'Worths product. While the Lettuce from the independent had a clean freshly cut stork and was twice the size.

All other items were "like for like" or a comparison of "apples for apples"

Although in our opinion the Woolworths items were of a slightly lower quality and not as fresh, however we acknowledge that this is a subjective opinion.

3.12 Conclusion

As data from the Australian Bureau of Statistics makes clear, today the small retailing sector in Australia is at crisis point.

With occupancy costs for many retailers pushed to 20% and operating in a shopping centre where they only have 5 years to depreciate all establishment expenses, the majority of small retail business can only be running at a loss.

The Shopping centre landlords have closed their eyes to the fact that they cannot keep pushing occupancy costs to 20% and beyond for some (small retailers) while leaving their others (large retailers) with occupancy costs at less than 5%.

This *ever growing* competitive disadvantage between small and large retailers is like a giant elastic band, if it is stretched further, it will snap, and the entire independent retail sector risks imploding. This will send shock waves through the entire economy.

There are nine million Australians that share ownership in Australian shopping centers through their superannuation funds – and these funds must be viable in 30 to 40 years, yet Shopping Centers Manager’s rarely look beyond the next opportunity to increase rents.

If current trends are allowed to continue, and major reforms are not made to repair the market for retail leasing, the Shopping Centre Landlords will drive to extinction the goose the lays their golden eggs – the small retailers.

This is current market situation that the Productivity Commission faces. Given these facts, failure to act, to recommend meaningful legislative reform will not only condemn the Australian economy to higher inflation, higher interest rates and lower productivity growth, but it will put at risk the retirement savings of nine million Australians. The market must be viable for all players – small and large retailers and landlords over the long term.

3.13 Recommendations

The Southern Sydney Retailers Association will be making recommendations for improving the operation of retail tenancy market in supplementary submissions.

We suggest a good place to start is to take a lesson from the St George bank economic research team whom have stated;

So how can Australia improve it productivity ?

Finally, because much of the productivity improvements over time comes from new ideas, new business models, new production facilities and new firms, Governments should ensure that the business environment is conducive to innovative behavior. This includes ongoing focus on education and attainment of knowledge. It also implies that policy should focus on productivity at the micro level; that is within industries and firms.

Certainly a “focus on education and attainment of knowledge” – such recommendations will not include allowing the continuation of the secret market for retail rents, with secret rebates and hidden kickbacks and the non-disclosure of competitive disadvantages faced by new entrants to the retail sector.

And certainly as “much of productivity improvement over time comes from new business models and *new firms*” – such recommendations will not include policies that result in yet further concentration in the world’s most highly concentrated retail market.

3.14 Attachment 1.– “ Retailers seen taking lease accounting hit”

Tue Jun 12 22:28:38 UTC 2007

By Emily Chasan

NEW YORK (Reuters) - Retailers could see some big changes in their earnings reports and balance sheets, as accounting rulemakers move forward with a project to change the way companies account for leases, a study showed on Tuesday.

The Financial Accounting Standards Board (FASB), which sets U.S. accounting rules, voted last year to begin a joint project with the International Accounting Standards Board to reconsider accounting for leases.

Companies could eventually be required to recognize leases on their balance sheets, rather than in financial statement footnotes. The study, headed by Georgia Tech Accounting Professor Charles Mulford, applied the expected changes to lease accounting rules to retailers' 2006 earnings.

"It is clear that excluding operating leases from the balance sheet causes a material distortion of the financial position of the company," the study's authors wrote.

Retailers, who often lease most of their store locations, are likely to see earnings decrease if the change requires companies to capitalize their leases, according to the study on Tuesday from the Georgia Tech Financial Analysis Lab.

Under the potential changes, retailers would see earnings reduced because they would have to record interest expenses based on the present value of the leases, **and reflect expenses from the way the company pays off its leases over their lifetime.**

According to the study, under the accounting standard, No. 3 U.S. warehouse club operator BJ's Wholesale Club Inc. <BJ.N> would have seen earnings from continuing operations fall from \$1.40 per share to 28 cents per share. Department store Saks Inc. <SKS.N> would have seen a loss from continuing operations of 5 cents a share increase to a loss of 44 cents a share, according to the study.

"For both companies, the increased interest and amortization expenses were greater than the reduction in rent and income tax expenses," the study read. **On average, earnings from continuing operations of the 19 companies profiled would have been reduced by 5.3 percent.**

In some cases -- including retailers J.C. Penney Co. Inc. <JCP.N> and Wal-Mart Stores Inc. <WMT.N> -- effects from amortization and depreciation of leasing properties under the expected accounting changes were actually less than the rent cost. The study showed that Wal-Mart could have added 3 cents per share to its earnings from continuing operations under the expected changes, while J.C. Penney could have added 11 cents a share.

The study also showed companies could see significant changes to the balance sheet if new rules are adopted.

The median increase in assets was 14.6 percent for the retailers, while the median increase in liabilities was 26.4 percent, the study showed. FASB members have said they expect the lease accounting project to pick up steam next year, and produce a final standard some time in 2009.

3.15 Attachment 2 - Dockets for Price Study.

'The Fresh Food People'
WOOLWORTHS

TAX INVOICE - ABN 88 000 014 675
 REVESBY PH: 9771 9668
 Store Manager is: R. Morsan

	\$
MELN ROCK LGE	5.95
GRAPEFRUIT RUBY	
0.398kg NET @	\$2.97/kg 1.18
PEAR RIPE READY	
0.203kg NET @	\$4.48/kg 0.91
CAPSIUM RED	
0.283kg NET @	\$5.96/kg 1.69
POT PONTIAC LSE	
0.128kg NET @	\$3.83/kg 0.49
TOMATO ROMA RED	
0.088kg NET @	\$4.96/kg 0.44
LETTUCE WRAPPED	1.67
ONION BRN LSE	
0.178kg NET @	\$3.67/kg 0.65
LEMON LOOSE	
0.178kg NET @	\$3.47/kg 0.62
ONION WHT LSE	
0.148kg NET @	\$4.74/kg 0.70
LIME LOOSE	
0.073kg NET @	\$24.98/kg 1.82
AVOCADO HASS	2.77
CARROT	
0.213kg NET @	\$2.55/kg 0.54
APL GR SMITH MED	
0.198kg NET @	\$5.97/kg 1.18
BANANA	
0.158kg NET @	\$11.98/kg 1.89
APL PINK LDY MED	
0.168kg NET @	\$5.97/kg 1.00
APL SUNDOWNER MED	
0.138kg NET @	\$4.97/kg 0.69
ORANGE NAVEL LSE	
0.198kg NET @	\$2.97/kg 0.59
MANDARIN MURCOTT	
0.173kg NET @	\$5.97/kg 1.03
TOMATO GRMT MED	
0.143kg NET @	\$1.96/kg 0.28
POTATO G/DELIGHT	
0.193kg NET @	\$2.24/kg 0.43
POT WASH WHT, LSE	
0.098kg NET @	\$3.83/kg 0.38
CUCUMB LEB	
0.103kg NET @	\$3.96/kg 0.41
BERRY STRAW LID	2.50
ONION RED LOOSE	
0.138kg NET @	\$4.74/kg 0.65
APL FUJI MED	
0.158kg NET @	\$5.97/kg 0.94
MELN WATR RED CT	
1.465kg NET @	\$3.98/kg 5.83

27 SUBTOTAL	\$37.23
ROUNDING	\$0.02
TOTAL	\$37.25
CASH	\$50.00
CHANGE	\$12.75

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**CASULA FRUIT
 WORLD
 CASULA**

SHOP 11
 CNR HUME HWY & DEMEYRICK AVENUE
 CASULA NSW 2170
 PHONE 9602 6807

ITEM	QTY	PRICE	TOTAL \$
ROCKMELON LGE	1.000 ea	\$3.99 /ea	3.99
ROCKMELON MEDIUM	1.000 ea	\$1.99 /ea	1.99
GRAPEFRUIT	0.395 kg	\$1.99 /kg	0.79
PEARS PACKHAM	0.260 kg	\$2.99 /kg	0.78
CAPSIUM RED	0.245 kg	\$3.99 /kg	0.98
POTATOES DESIREE	0.125 kg	\$2.99 /kg	0.37
TOMATO EGG	0.115 kg	\$4.99 /kg	0.57
LETTUCE	1.000 ea	\$1.99 /ea	1.99
LEMON BKT	1.850 kg	\$0.99 /kg	1.83
ONIONS WHITE	0.135 kg	\$2.99 /kg	0.40
LIMES	0.070 kg	\$14.99 /kg	1.05
AVOCADOES LGE	1.000 ea	\$1.99 /ea	1.99
CARROTS	0.155 kg	\$1.99 /kg	0.31
APPLE G/SMITH LGE	0.165 kg	\$3.99 /kg	0.66
APPLE PINK LADY LGE	0.170 kg	\$3.99 /kg	0.68
APPLE SUNDOWNER	0.170 kg	\$3.99 /kg	0.68
BANANAS	0.125 kg	\$9.99 /kg	1.25
ORANGE NAVEL MED.	0.195 kg	\$2.49 /kg	0.49
ORANGE NAVEL BKT	3.325 kg	\$0.99 /kg	3.29
TOMATO BKT	1.660 kg	\$1.59 /kg	2.64
TOMATO	0.125 kg	\$3.99 /kg	0.50
MANDARINES MURCOT L	0.180 kg	\$3.99 /kg	0.76
POTATOES BRUSHED	0.115 kg	\$1.99 /kg	0.23
POTATOES WASHED L00	0.105 kg	\$2.99 /kg	0.31
CUCUMBER LEBANESE	0.125 kg	\$1.99 /kg	0.25
ONIONS SPANISH	0.115 kg	\$3.99 /kg	0.46
APPLE FUJI LGE	0.160 kg	\$4.99 /kg	0.80
STRAWBERRIES SML	1.000 ea	\$1.99 /ea	1.99
WATERMELON S/LESS C	1.585 kg	\$2.49 /kg	3.95
Total Due			\$35.98
GST Component			\$0.00
Cash			\$50.00
CHANGE			\$14.00
Cash			\$14.00
ROUNDING			\$0.02

22 Oct 2006 13:43:51 2 0731 00577903
 Salesperson : DUNIA

Tax Invoice ABN 82 051 437 542
 Thanks for shopping at CASULA FRUIT WORLD

**CASULA FRUIT
 WORLD
 CASULA**

SHOP 11
 CNR HUME HWY & DEMEYRICK AVENUE
 CASULA NSW 2170
 PHONE 9602 6807

ITEM	QTY	PRICE	TOTAL \$
WATERMELON S/LESS W	3.965 kg	\$1.69 /kg	6.70
ORANGES NAVEL SML	1.120 kg	\$0.69 /kg	0.77
Total Due			\$7.47
GST Component			\$0.00
Cash			\$10.00
ROUNDING			\$0.02
CHANGE			\$2.55
Cash			\$2.55

22 Oct 2006 14:03:53 2 0731 00577913
 Salesperson : DUNIA

Tax Invoice ABN 82 051 437 542
 Thanks for shopping at CASULA FRUIT WORLD