



# Submission to the Competition Policy Review

Competition Policy Review Secretariat

The Treasury

Langton Crescent

PARKES ACT 2600

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## Executive Summary

Fair competition is vital to achieve a dynamic, innovative and diverse market and provide consumers with real choice, fair prices and improved social outcomes. White's Grocers consists of three independently owned supermarkets and recognises by virtue of experience the key factors which contribute to achieving a balance in today's market.

Roz & Michael White have been in the supermarket industry for 20 years and understand the various challenges involved to participate in an unequivocally dominated and highly competitive trading environment. Long term sustainability of any business requires maintaining financial viability just as consumers are reliant on supportive, cohesive and prosperous communities.

Diverse cultures are embraced in our multicultural nation thus consumers deserve to be offered genuine choice and variety. An equitable balance of big, small and medium sized business enterprise will achieve retail diversity and create a fair playing field. Local and domestic economies drive innovation and dynamism. Small and medium sized operations deliver positive social and economic impacts and sustain cohesive community hubs.

Dominant players entering a market without necessary preliminary impact analyses being undertaken can decimate and fragment a central community hub which brings the need for this review into focus. Consideration needs to be given to long and immediate impacts on social and economic outcomes.

Roz and Michael White welcome the scrutiny of existing competition policy this review proposes to achieve. This submission aims to highlight vital factors small and medium independent business contributes to setting a fair and sustainable market and the essential components in achieving a dynamic, diverse and prosperous culture.

## 1. Purpose of Submission

The purpose of this submission is to contribute to the overarching objective of the Competition Review and to highlight the benefits to the consumer of achieving a fair and competitive playing field but also to allow small and medium enterprise operators (SME's) to achieve long term sustainability and successfully fulfil the pivotal role they play in our communities.

In particular this submission will address the debate which has centred on whether the activities and dominance of the major supermarket chains are potentially leading to outcomes that are not in the long term interests of consumers.

We accept that competitive markets are dynamic and innovative, which can benefit Australians both now and into the future. Fair competition policy seeks to protect, enhance and extend competition. This report seeks to outline the key areas which potentially create adverse impacts that will affect the long term viability of existing and new supermarkets and other small business operators.

White's Grocers would like to thank The Prime Minister and the Minister for Small Business for this important review of competition policy as announced on the 4<sup>th</sup> December, 2013. Further, we are grateful for the opportunity to contribute to the panel with this submission.

## 2. Who are We?

White's Grocers started from humble beginnings with the purchase of a Nightowl Convenience store at Maroochydore in October 1993. Roz and Michael White operated the 7 day a week, 18 hour a day business with the assistance of 3 staff. Long hours and hard work resulted in a robust expansion strategy which became a group of 6 small and mid-sized supermarkets over the next 14 years.

Today, White's Grocers consists of 2 IGA stores (mid-sized supermarkets) and 1 Supa IGA store (full line supermarket), all located on the Sunshine Coast, Queensland, employing 250 fulltime, part time and casual staff.

Famous in their local communities for supporting many charities, clubs, schools and organisations in which their businesses exist, proves Roz & Michael actively endorse an interest in social issues. Predominantly a tourist destination, the Sunshine Coast has a certain element of transient consumers however the main shopper demographic is locally based.

Hands on operators, Roz and Michael are engaged within the business on a daily basis. A significant leadership role was appointed to Roz within the wider IGA network. Roz is the immediate past chairman of the IGA Queensland and Northern NSW State Retail Board, previous IGA National Council board member and active participant of various industry committees.

Currently Roz is Chair of the Queensland IGA Trading Hours committee; Roz liaises with members of the supermarket industry association – Master Grocers of Australia and other industry leaders to oppose changes to trading hour's laws and review other important industry issues.

### 3. Market Power of Major Chains Continues to Increase<sup>1</sup>

The independent supermarket sector includes more than 4,000 independently owned and operated supermarket and grocery stores, of which 2,100 are branded and operate under the banners Foodland, Foodworks, Supa IGA, IGA, IGA Xpress, SPAR, Supabarn and Friendly Grocer. Independent stores turn over an estimated \$13 billion in retail sales and employ a total of more than 115,000 people (full time, part time and casual). They form the largest block of competitors against the two major chains, Woolworths and Coles.

Woolworths and Coles account for about 80 per cent of the Australian grocery market. This is believed to be the most extreme example of grocery market domination in the developed world. By comparison, the largest two supermarket chains in the United States of America account for only 20 per cent of the national grocery market and in the United Kingdom, the top five chains account for about 83 per cent of the market. This situation arose over the past three to four decades. In 1975, Woolworths and Coles jointly held only about 34 per cent of the Australian grocery market. Their rapid growth since then has been due to various strategies, including the acquisition of green field sites, creeping acquisitions of independent supermarkets and the development of anti-competitive covenants.

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<sup>1</sup> LET'S HAVE FAIR COMPETITION! The risk of losing retail diversity, choice and true competition in the Australian supermarket industry Independent Liquor Outlets Master Grocers Australia Suite 5, 1 Milton Parade Malvern Victoria 3144

## 4. Local Economic Impacts

Small and medium enterprises are generally owned and operated by residents of the local community. White's Grocers are a perfect example of this. Roz and Michael live in the local community in which their businesses exist and are motivated to create a positive impact both economically and socially. The \$30 million annual turnover generated through the supermarket business supports other local suppliers and producers, local professional service providers, other industries traders and various charities, clubs, organisations, events and schools.

White's Grocers have reinvested \$10 million over the past 12 months redeveloping a shopping precinct with the construction of a brand new supermarket premises. Infrastructure and innovation stimulates and fuels other industries generating new employment opportunities. 100's of new job opportunities were introduced with this reinvestment in the local area including an additional 80 full-time, part-time and casual supermarket positions. A further \$1.4 million per annum has been injected into the job market subsequently strengthening the local economy.

So, what is the difference between big business spending and small businesses spend? Money earned locally by smaller stakeholders is generally spent locally. In contrast, whilst big business spends locally too the centralised nature of their operation would tend to see them move to national deals and contracts. Independent operators play a vital role in sustaining local and domestic economies through their support of a variety of smaller players and industry traders operating in the local environment.

Viable small business operations can afford reinvestment and innovation can flourish in a supportive trading environment. On the contrary it can easily be strangled and snuffed out through the dominance of corporate parties less inclined to deal with local providers and motivated to please shareholders or re-direct profits offshore through multi-national ownership.

## 5. Vital Community Support

White's Grocers proudly and heartily contribute to many community groups and charities through their business enterprises. Community partners include local sporting clubs, local state schools and kindergartens, school chaplaincy programs, local and national charities such as Montrose Access, Cancer Council, St Vincent de Paul, McGrath Foundation, Red Nose Day, Mater Little Miracles to name just a few. As well White's sponsor recreational clubs, events and organisations. Feel free to view the list of community partners on our website – [www.whitesgrocers.com.au](http://www.whitesgrocers.com.au) .

White's Grocers not only provides financial support to community groups but Roz is a voluntary Director on the Board of Montrose Access, a Queensland based charity supporting 600 children with physical disabilities and their families. Similarly, White's Grocers owners and staff are involved with a local special school soccer program assisting children with one-on-one ball skills to promote health, well-being and good fun.

Roz also provides her support as an Advisory Board Member to the Sunshine Coast Community Foundation assisting with allocating grants to other local community groups.

## 6. Retail Diversity and Genuine Consumer Choice

Consumers can make a difference by 'voting with their feet'. If they choose to shop with a variety of retailers it will deliver an ongoing genuine competitive environment and create retail diversity. Independent grocery stores generally co-exist in neighbourhood centres with other industry traders such as newsagents, hairdressers, butchers, bakeries, cafes, bottle shops and medical providers as an example. This cohesive approach creates retail diversity and genuine competitive choice to the consumer.

Similarly, many emerging artists, producers and suppliers are able to create leverage for their brand and product through small business outlets i.e. boutiques, supermarkets, retail outlets etc. They just need a start. Small business allows them to deal directly with the owner of the business who in turn agrees to stock their product. This allows them to build their market share and expand their business. This also creates retail diversity for the consumer and an opportunity for new business growth. Who will facilitate this in the future if there are only big players to deal with?

## 7. Trading Hours

Regulated trading hours exist in Queensland as well as other states such as Western Australia and South Australia. The overarching principle of the IGA Queensland Trading Hours Committee is to oppose any further extension or deregulation of trading hours.

50 zones of various trading hours exist right throughout Queensland. The Queensland Industrial Relations Commission (QIRC) presides over allowable trading hours matters. National Retail Association, the industry association representing both Coles and Woolworths in our view has actually contributed to creating the vast disparity of trading hours throughout these zones with their relentless and continual lodgement of applications to extend trading hours. In fact they are now criticising this very matter and are proposing harmonisation of trading hours to amend the disparity. The frequent and repetitive nature of the applications being made in Queensland and the lack of a more effective provision to prevent is what we see as an abuse of the current legislation.

Allowing non-exempt stores to trade beyond the existing authorised hours would transfer further market power to an already dominated market and most likely have a detrimental effect on existing IGA operators across the state. Key adverse impacts, apart from a decline in custom, turnover and profitability of smaller retailers, owners would potentially find themselves working longer hours, experience a long term reduction in capital value of the business, and the destruction of many full time, part-time and casual jobs. Sadly, there is no real evidence these job losses would transfer into the non-exempt sector even though they would potentially be the beneficiaries of deregulated trading hours.

The greatest number of retailers is small and medium sized businesses. 2 million small businesses employ 5 million people in Australia. Large supermarkets, predominantly Coles and Woolworths, employ 108,833 FTE's as opposed to Independent grocery stores who employ 144,267 FTE's<sup>2</sup>. These businesses employ the majority of staff in retail, yet they are not calling for further deregulation of trading hours. Similarly, would employees really want to be obligated to fulfil a 24 hour day, seven day a week roster, leading to long term detrimental impacts on families and communities? I should think not.

We commend the Queensland Government for its current support and its commitment to standing by small business and opposing the relentless pursuit by the Australian National Retail Association to seek a legislative change on this matter to allow full deregulation of trading hours not only in Queensland but across the nation.

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<sup>2</sup> PricewaterhouseCoopers, The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia (2007).

## 8. The Loss

White's Grocers purchased the IGA Tin Can Bay in 2005 and which employed 30-35 full time, part-time and casual staff members. The store had a weekly turnover of approximately \$95 000. Tin Can Bay includes a population of approximately 2000 with a further 1800 residents' located at a newer housing estate 'Cooloola Cove' situated 6-8 kilometres outside of the main township. Major shopping precincts and services are located approximately 90 kilometres away in the regional town of Gympie.

From 2005 to mid-2008 the stores average weekly sales grew to \$200 000 and offered consumers a competitive choice of fresh and well stocked lines with excellent customer service and strong community engagement. This generated new employment opportunities with a 100% growth in staffing numbers at the IGA.

Sitting adjacent to the IGA store the Dolphin Shopping Centre in Tin Can Bay comprised 100% occupancy of tenants such as QML, Medical Practitioners, a chemist shop, newsagency, Mitre 10, menswear store, shoe shop, café, bakery, fruit and vegetable vendor to name a few.

In mid-2008 a brand new shopping complex was opened at Cooloola Cove with a Woolworth's supermarket and a few co-tenants. The only medical centre in the Tin Can Bay area relocated to this new site which meant residents were obligated to travel out of town to visit a Doctor. This impacted on a large population of retiree's particularly with a limited offer of public transport in the area. Simultaneously, a change of foot traffic occurred having a detrimental impact on the once thriving Dolphin Shopping Centre. Occupancy rates dropped to approximately 50-65%. Many stores closed. Further, trade figures at the IGA store had dropped back to an average weekly turnover of \$110 000. Redundancies were enacted. Consumers had shopping choice, but at what cost? The entire central bustling hub of a community had been dismantled and fragmented. The opening of a shopping centre 6-8 km's out of town with a major retail player had seemingly decimated a once thriving, cohesive hub of successful traders.

By the end of 2008 the introduction of Sunday trading being authorised to commence in the Cooloola Cove area meant a further 30% reduction of trade on that day taking it to a financially unsustainable level of our business model. We experienced a significant reduction in the capital value of our asset and sold the business.

The above scenario raises some critical key questions:

- a) Should an effects test or an economic impact study have been conducted prior to the introduction of a major player into this community?
- b) How profitable is the Woolworths store or is it a cross subsidised model?
- c) Is this floor space crowding with an oversized supermarket footprint model being built well in advance of the requirements of the population of this community?
- d) What consideration was undertaken for town planning purposes with respect to achieving a central hub, beneficial to an entire community?
- e) What recompense exists for the demise of market players and industries when larger, more dominant players can enter a market, left unchecked, until they are the only man standing per se?
- f) What economic and social impact considerations were undertaken by the relevant jurisdictions prior to the introduction of Sunday trading in the Tin Can Bay region?

## 9. Creating a Fair Trading Environment

Competitive markets benefit Australians now and into the future but its imperative success is based on a balanced and fair playing field. Big business plays a critical role in the success of the economy and they are an important contributor. Importantly though, small and medium independent operators make a vital contribution to not only domestic and local economies but further impacts are associated with positive social components and sustaining cohesive and flourishing communities.

Potentially adverse impacts will affect long term viability of existing and new supermarkets and other small business operators if a fair and balanced trading environment is not achieved.

This review is an opportunity for governments to assess cautiously the potentially destructive ramifications of leaving unchecked, dominating and hardnosed behaviour of corporate empires motivated by share price rather than careful consideration of key community stakeholders, ongoing social impacts, retail diversity, genuine competition and consumer choice.