

Submission to

Competition Policy Review

Draft Report

Prepared by
The Australian Liquor Stores Association Inc.
(ALSA)

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24 November 2014

The Australian Liquor Stores Association Inc. (ALSA) welcomes the opportunity to make the following submission in response to the Draft report of the “*Competition Policy Review*”.

1. EXECUTIVE SUMMARY

Representing all types of stand-alone take-away packaged liquor retailers in Australia, ALSA supports a reduction in the ‘red tape’ burden on the Australian economy and efforts to remove bureaucracy and regulation to improve competition and deliver consumer surplus.

ALSA supports the recommendations relating to our sector in the Competition Policy Review Draft Report as they will provide Australia with a much needed opportunity to reform regulation around its multi-billion dollar retail liquor industry and put an end to unnecessary regulatory restrictions that are inhibiting investment, growth and job creation.

The retail liquor industry has a strong capacity to generate additional employment and economic activity from the removal of unnecessary restrictions on trade and competition. Current restrictions have inhibited business investment and stifled opportunities for the existing 40,000 employees, and the many thousands of small businesses who contribute over \$13 billion in sales activity and \$3.8 billion¹ in various taxes including excise², WET tax³ and GST to the Australian economy annually.

2. PRIORITISATION NEEDED FOR *RECOMMENDATION 11: RETAIL LIQUOR LICENSING*

ALSA supports Recommendation 11 that retail liquor licensing should be prioritised as part of a new review of regulatory restrictions.

ALSA and our members fully acknowledge that we have a responsibility to work with governments as well as the community to minimise harm to individuals and local communities from excess alcohol consumption by a minority of the population. It is for this reason that ALSA encourages our members to operate their business beyond the required standards of legal compliance and we have implemented a wide range of voluntary service control initiatives which are focussed on the responsible supply and promotion of alcohol.

The Harper Review has mirrored recommendations from previous competition reviews that viewed Australia’s liquor licensing regime as overly restrictive and requiring further liberalisation.

In comparison to other countries with more liberal licensing systems, Australians are being denied choice, convenience, and competitive tension (that often is a precursor of investment and business improvement) in most States and Territories arising largely from outdated protection provisions for existing businesses, but increasingly being justified on “public health” grounds.

Following the release of the Draft Report, various “public health” lobby groups argued that the recommendation to ease restrictions on liquor sales would result in more harm, more violence, and more domestic violence.

These groups take fundamentalist public policy positions that come from an entrenched view that the majority of Australians cannot be trusted to make informed and educated decisions and be responsible for their own behaviours. They believe that alcohol should be controlled through limitations on supply and reductions in demand. Generally this manifests in policies that seek to limit place, location, time and availability of purchase; to increase prices through ever increasing rates of taxation; for alcohol containers to carry graphic warning labels; and for advertising and promotions to be banned.

¹ ALSA estimation

² Excise levied on beer and spirits

³ Wine equalisation tax (WET)

ALSA does not diminish the challenges of addressing harm in the community from the small percentage of the population who abuse alcohol, nor do we condone any level of domestic violence, however, the evidence to support the fundamentalist position that an increase in retail liquor outlets would result in more harm is poorly substantiated, and careful analysis shows that there is little to no evidentiary support of this view.

Policy makers need to balance the needs of the majority rather than making decisions based on the views of a select minority of community members.

NSW is fortunate to have excellent, independent and robust data available from the NSW Bureau of Crime Statistics and Research (BOCSAR) which demonstrate that rates of alcohol-related domestic violence are declining at a time of increased non-alcohol related domestic violence.

Decrease in alcohol-related domestic violence assaults in NSW

BOCSAR data mapped against OLGR data also demonstrates that an increase in Packaged Liquor Licences (Off-Licences) has no causation or correlation with alcohol-related domestic assaults in NSW. The number of Packaged Liquor Licences in NSW has increased by 38% over the past five years, while at the same time alcohol-related domestic violence assaults have declined.

Figure 1: Incidents of alcohol-related Domestic Violence Assaults⁴ vs. PLL Growth⁵ (NSW)

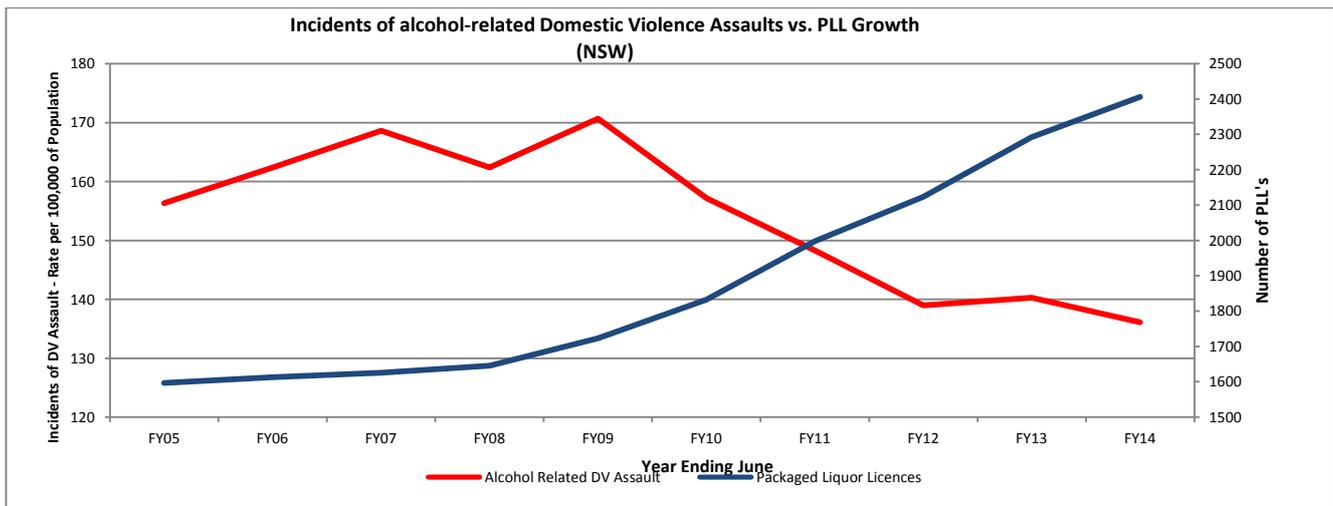
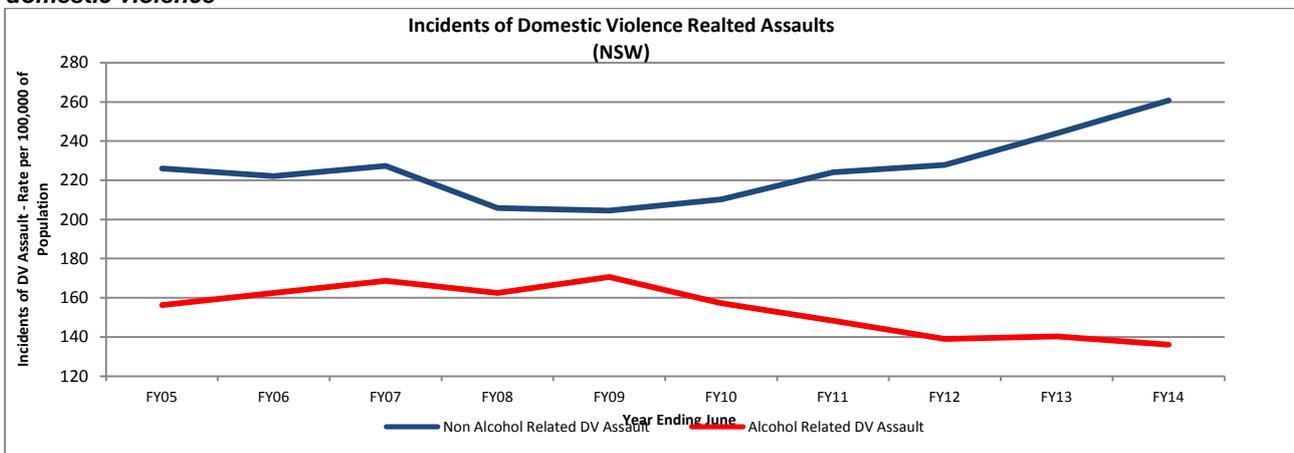


Figure 2: Alcohol-related domestic assaults declining in contrast to an increase in non-alcohol related domestic violence⁶



⁴ NSW Bureau of Crime Research and Statistics (BOCSAR) Crime tool, <http://crimetool.bocsar.nsw.gov.au/bocsar/>

⁵ OLGR NSW Liquor Licence List

⁶ NSW Bureau of Crime Research and Statistics (BOCSAR) Crime tool, <http://crimetool.bocsar.nsw.gov.au/bocsar/>

It is ALSA's view that the above data is likely to be repeated across Australia due to its largely homogenous culture, but acknowledges that this is unable to be robustly confirmed due to significant limitations in the collection of data in other jurisdictions.

This increase in licences being granted has meant the residents of NSW (and other States that undertook some level of NCP reform during the late 90s) have enjoyed the benefits of competition, an improved range of products, better service levels, and significantly increased convenience in making their shopping purchases.

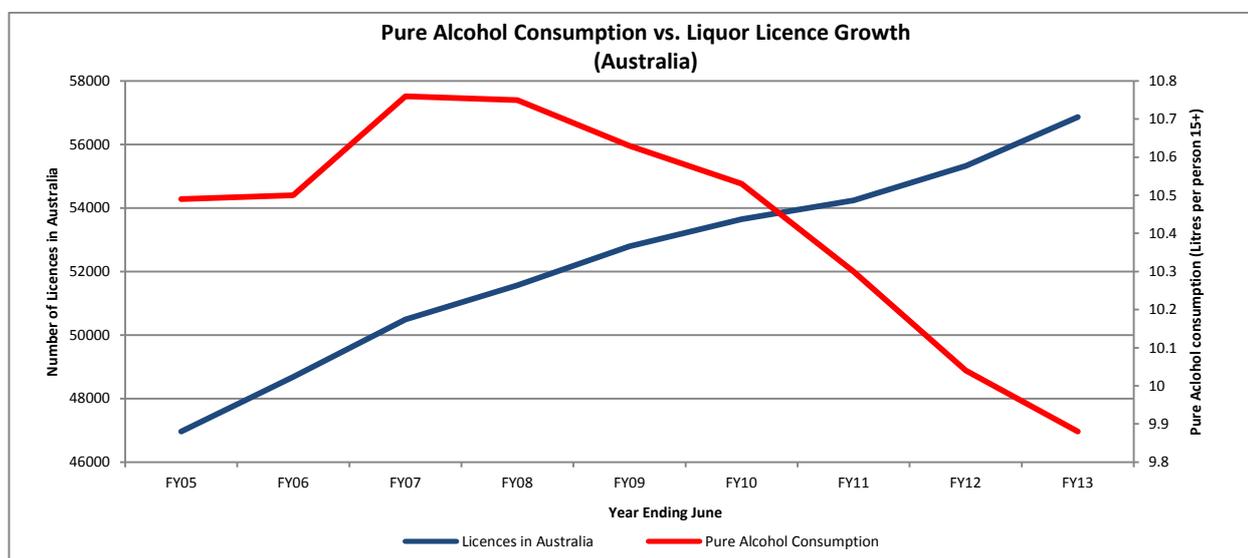
It is timely, therefore, for other State and Territory regulators and policy-makers to heed the Harper Review recommendations and re-balance the economic and social benefits that increased competition brings to customers and state business activity and development.

Declining per capita consumption despite increased number of liquor licences across Australia

The facts are that while the number of liquor licences in Australia have significantly increased from 2005 (48,681 liquor licences) to 2013 (56,862 liquor licences) overall per capita consumption continues to decline. The Australian Bureau of Statistics (ABS)⁷ dated 4 April, 2014 confirms that across all alcohol beverages, there were 9.9 litres / capita of pure alcohol available for consumption in 2012-13 which is 24.6% down on the levels of consumption in the mid 1970's and that despite a growing population, Australians are drinking less pure alcohol overall than any time in the previous 15 years.

There is clear evidence that alcohol-related harms including domestic violence in the community have declined during a period when consumers have benefited from increased availability, lower real costs, and increased competition through increased exposure to alcohol marketing.

Figure 3: Per capita consumption⁸ is declining whilst there is an increase in all forms of liquor licences in Australia



The evidence does not support the argument that an increase in availability or the number of licences that are able to sell retail liquor in an area will have a direct, and negative, impact on alcohol related harms including domestic violence and alcohol-related assaults.

Common-sense says it is now appropriate to review alcohol regulation through both an economic and healthy community, social well-being lifestyle lens rather, than purely a fundamentalist “public health” lobbyist perspective.

⁷ <http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4307.0.55.001Media%20Release12012>

⁸ Australian Bureau of Statistics (ABS)4307.0.55.001 - Apparent Consumption of Alcohol, Australia, 2012-13

3. RESTRICTIONS ON RETAIL TRADING HOURS

ALSA is supportive of The Draft Report Recommendation 51 *that all remaining restrictions on retail trading hours should be removed, and that any exceptions should be strictly limited to Christmas Day, Good Friday and ANZAC Day morning.*

In our previous submission we highlighted three examples, across various jurisdictions, where restrictions to trading hours have resulted in inconvenience to regular shoppers and lost trading opportunities for our members. Protectionist anomalies allow hotels with bottle shops attached to their businesses to continue to trade and sell exactly the same packaged liquor products as liquor stores that are forced to remain closed, thereby artificially distorting the competitive market environments, disadvantaging regular customers and denying employment opportunities for Australians.

The removal of restrictions on trading hours and particularly those selective to licence type, is clearly a significant reform that would benefit consumers and promote efficient and sustainable economic growth. The community will benefit by the additional wages paid to employees as a result of an increase in employment opportunities, which would represent millions of dollars in increased wages flowing into local communities. A consequence of this would also be an increase in the amount of payroll tax paid to the State and Territory Governments and income tax paid to the Commonwealth Government.

Example: In 2010 the NSW Shop Trading Act was reinterpreted to also capture NSW packaged liquor retailers under that Act. The immediate impact of this additional requirement meant that NSW packaged liquor retailers were not permitted to trade on an additional 2 ½ days, being Easter Sunday, Boxing Day and prior to 1pm on Anzac Day. This cost the sector in excess of \$3.5 million /day in lost trading opportunities and is discriminatory against our retailers, their loyal customers and their employees, when hotels with bottle shops attached to their businesses continue to be permitted to sell packaged liquor, thereby artificially distorting the competitive market environments.

The reform of retail trading hours would enhance productivity in a major sector of the economy. It would generate employment and benefit consumers by allowing retailers to provide more convenience and choice.

4. RISK-BASED LICENCE FEES MUST BE EVIDENCE BASED

As highlighted in our previous submission, the majority of States have now introduced an annual liquor licence fee that is legislated as being representative of 'risk', but in fact is more reflective of revenue raising objectives. The most recent example is the Victorian Government announcement in October that licence fees for large liquor outlets with a floor space of more than 1,000m² will pay an annual \$10,000 licence fee, a significant increase from the previous licence fee of \$1,880.80.

In the very competitive market place, the liquor licence fee increase will reduce employment hours for staff in Victoria and impact independent grocers which sell liquor from larger licensed premises.

Based on targeted liquor retail margins of 6%⁹, a fee of \$10,000 means that \$166,000 in liquor sales need to take place before the business earns its first cent in profit (not accounting for overheads, depreciation, on-costs, etc.). This discourages existing small operators who wish to expand to compete and also creates an entrance barrier to new entrants prohibiting otherwise worthwhile retail offerings from competing in the market.

There is no evidence base to this policy and no justification for the Government to increase fees on our members. These changes do not represent a genuine risk based approach to liquor licensing and fees

⁹ <https://www.ato.gov.au/Business/Small-business-benchmarks/In-detail/Benchmarks-A-Z/A-C/Bottle-shops-and-liquor-retailing---issued-2014/>

ALSA believes that policies which seek to selectively discriminate against some liquor store owners, or types of outlets while benefiting others, were clearly not aligned to national competition principles of fairness and equity in which competitive neutrality applies to all participants. The attached media release dated 30 October 2014 from the Victorian Minister for Liquor and Gaming Regulation highlights this point as Woolworth's Dan Murphy's and Coles First Choice Liquor outlets were surprisingly identified as being the target of the increased fees.

5. CONCLUSION

ALSA supports the Harper Review recommendations which would see an increase in competition and trading hours to the benefit of liquor shoppers. If implemented, these reforms will usher in a new wave of micro economic reform and with it jobs and growth.

The onus is now with State and Territory Governments to heed these recommendations and deliver for their constituents – both the ordinary Australian shoppers and the businesses that operate in their jurisdiction. The Australian Government has a role to assist reform take place and the previous success of withholding NCP payments for non-compliance is a sensible approach worthy of consideration.



Terry Mott
CEO

ATTACHMENT:



Media release

The Hon Edward O'Donohue MLC
 Minister for Liquor and Gaming Regulation
 Minister for Corrections
 Minister for Crime Prevention

Thursday 30 October 2014

Change to liquor licence fees recognises small players

- **Licence fees to rise for large supermarket-style liquor outlets**
- **Additional revenue to fund community projects targeting alcohol-related harm**
- **Naphthine Coalition Government building a safer, more vibrant Victoria**

Victoria's largest packaged liquor outlets will pay higher licence fees from next year, Minister for Liquor and Gaming Regulation Edward O'Donohue announced today.

Large supermarket-style outlets with a liquor floorspace of more than 1,000m² will pay an annual \$10,000 licence fee, up from \$1,880.80.

Currently, all packaged liquor retail outlets pay the lower fee regardless of size, turnover or profit.

"We believe the biggest outlets that sell more and make more should pay more than the licensees of small local liquor stores," Mr O'Donohue said.

The change will see licence fees increased for large outlets meeting the new criteria, such as many of Woolworths' Dan Murphy's outlets and Coles First Choice Liquor outlets.

Mr O'Donohue said the anticipated additional revenue of around \$420,000 per annum would be used to fund community projects targeting alcohol-related harm, involving groups such as the Salvation Army and Step Back Think.

"There are a number of groups in the community doing great work to try to minimise alcohol-induced harm, including street violence," Mr O'Donohue said.

"It is only right that this additional revenue be used to fund projects proposed by such groups to assist in and enhance the great work they do."

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Overview of Australian Liquor Stores Association (ALSA)

The primary purpose of ALSA is to create and promote a responsible, sustainable and diverse off-premise liquor sector across Australia by the effective and relevant engagement of all stakeholders.

ALSA is the National Association comprised of State & Territory Liquor Stores Associations, with approximately 3,000 retail liquor store members around Australia, including some of the most recognised and trusted brands in liquor retailing in Australia. These range from small family and independently owned local convenience outlets, independently owned and run outlets operating under banners such as Cellarbrations, Little Bottler, Local Liquor, Liquor Baron's, Porters and many more, through to Woolworths packaged liquor outlets including Dan Murphy's, BWS Liquor & Woolworth's Liquor and Coles Packaged Liquor outlets including First Choice, Vintage Cellars & Liquorland stores, and ALDI Licensed supermarkets.

Altogether ALSA represents employers of more than 40,000 people in the retail liquor store sector across Australia, including many trainees and apprentices who go on to make a career in retail.

ALSA believes that alcohol consumption is ultimately an issue of individual responsibility and individual behaviour. However, ALSA also fully accepts that it has a key responsibility to work with the Government and the community to minimise harm to individuals and local communities.

ALSA Self-Regulatory Initiatives

ALSA has a demonstrated commitment to the responsible supply and promotion of alcohol beverage products. To ensure the reputation of our sector and assist our members, ALSA continues to promote standards of operation for its members beyond the required standards of legal compliance, and has implemented a range of voluntary product and service control initiatives across our members' stores which are focussed on responsible supply and promotion of alcohol.

ALSA and the Retail Packaged Liquor sector take their responsible service of alcohol responsibilities seriously which is why we developed and continue to promote **ID-25** and **Don't Buy It for Them** to discourage underage attempts at purchase and to educate parents and adults about their responsibility to not purchase alcohol on behalf of minors.

The issue of refusing service, particularly to parents, when our members believe secondary supply may take place is one of the biggest challenges liquor retailers and their employees face. Refusal often results in the employee being subjected to aggressive and threatening behaviour.

Many of these initiatives, initially trialled and introduced by our larger members such as Woolworths, have subsequently been adopted by other industry participants, including:

ID-25 – a program to educate customers, dissuade attempted purchase by minors and to reinforce staff awareness and confidence to refuse service to minors with point-of-sale material. Under this program, if a customer looks under the age of 25, staff members are encouraged to ask to see proof of age ID prior to selling alcohol to that customer, under an inoffensive promotional line "if you look under 25, take it as a compliment, as we will ask for ID".

Don't Buy It For Them – a program to discourage secondary supply and to educate the community on their shared responsibility not to supply to under age and highlights the penalties for doing so. It also reinforces staff awareness and confidence to refuse service when in doubt, with back-up point-of-sale material.

In addition to these initiatives LSA NSW also worked with our National Association the Australian Liquor Stores Association (ALSA) to develop and launch the ALSA Product Ranging Guidelines

ALSA Product Ranging Guidelines – incorporate a checklist guide to assist individual operators to make sensible product ranging decisions on products that may potentially be packaged and marketed irresponsibly.

Joint Social Responsibility Campaigns

ALSA and its members have a long history of working with government and regulators to disseminate responsible drinking and standard drinks educational materials through their liquor outlets directly to consumers.

- Point-of-sale information campaigns on responsible drinking including standard drinks educational campaigns on behalf of the Commonwealth Department of Health & Ageing;
- Point-of-sale information leaflets to direct consumers to 'Get The Facts' on behalf of DrinkWise Australia;

ALSA was a founding DrinkWise board member – a not-for-profit, independent research and social change agency funded by the Australian alcohol industry, with some federal Government funding support. Through research, community based programs and social marketing campaigns, DrinkWise is dedicated to building a safer drinking culture in Australia.

Retail Liquor Development Foundation

ALSA's national retail training body – the Retail Liquor Development Foundation (RLDF), was established in 2004 to provide cost effective training to encourage responsible and professional retailing by its members. The training equips packaged liquor retailers to improve their business viability and to provide career paths for staff members who would otherwise not choose to stay in the sector.

Following the recent launch of **ALSA-TRAIN**, a comprehensive on-line training offer, it includes the option to complete nationally accredited, Certificate IV Retail Management qualifications. **ALSA Retail Insights** is the latest professional development initiative of ALSA & RLDF to enhance retail knowledge and skills while encouraging career development of young people in the sector.

ALSA is also currently working with other industry groups to pioneer additional training and accreditation standards for licensees and their staff. ALSA and its members have a demonstrated commitment to responsible supply and promotion of alcohol beverage products.