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# H Competitive aspects of retail markets

This appendix assesses, at a broad level, features of Australia's retail markets which provide some indication as to the level of competition which might prevail. Specifically examined are key features of competitive markets which are outlined in chapter 8 — the availability of sites for retail development; the number and range of retailers participating in markets; and the market share of these participants. It is important to note that the competitiveness of markets is influenced by a range of factors other than planning and zoning systems, and therefore competitive features identified (or conversely, lack of competitiveness) cannot necessarily be attributed solely to aspects of the relevant planning or zoning system.

## H.1 Availability of sites for retail

The ease with which a business can find suitable premises from which to operate depends on the supply of sites for retail purposes and, as a flow-on consequence of this supply, the available vacancies at possible locations for those retailers which lease their site.

### Retail space

There is estimated to be around 45 million square metres of retail space in Australia, mostly located outside of shopping centres in retail strips (PC 2008). However, the location of Australia's retail space is shifting. In the 14 years to 2005-06, the supply of shopping centre floor space increased by almost 90 per cent to 17.3 million square metres. Over the same period, non-shopping centre retail floor space increased by 16 per cent to 27.3 million m<sup>2</sup>, due mainly to the growth in stand-alone premises such as bulky goods precincts.

This growth in retail floor space has surpassed population growth with total floor space per capita increasing from around 2.4 m<sup>2</sup> per person in early 1990s to around 3.0 m<sup>2</sup> per person in 2005-06 (sub. 43, pp. 12–13). Estimates of retail floorspace per head of population are reported for capital city planning areas in table H1. Ratios of 2–2.5m<sup>2</sup> per person have been suggested to the Commission as benchmarks for determining the adequacy of retail sites in an area. While there is some variability

across selected Australian cities, it would appear that Sydney, Melbourne, Perth, Adelaide and Canberra all meet or exceed those benchmarks. However, while the data for these cities encompass a wide range of retail activities across the city,<sup>1</sup> the Hobart measure is based on retail space in shopping centres only.<sup>2</sup> Furthermore, the City of Sydney estimates that although there is currently almost 3 m<sup>2</sup> of retail space per person in the city, there is an undersupply of supermarkets based on projected population levels (sub. 15, attachment B, p. 7).

**Table H.1 Retail floorspace per head of population<sup>a</sup>**  
Capital city planning areas

	<i>Syd</i>	<i>Mel</i>	<i>Per</i>	<i>Adel</i>	<i>Hob</i>	<i>Can</i>
Year determined	2010	2007	2008	2010	2010	2009
Total area per head of population (m <sup>2</sup> /person)	3.00	2.16	2.74	2.34	1.03 <sup>b</sup>	2.70

<sup>a</sup> Some estimates may not be strictly comparable due to differences in jurisdiction definitions of 'retail' and the completeness of the data collection in the respective studies. The Commission was unable to obtain city-wide data for Brisbane or Darwin. <sup>b</sup> The Hobart measure is an underestimate as it is based on retail space in shopping centres only.

Source: City of Sydney 2010 (sub.15, attachment B, p.7); ACTPLA (2009); Department for Planning and Infrastructure (WA) (2008); Essential Economics Pty Limited (2007); Southern Tasmanian Councils Authority (2010b); Department of Planning and Local Government (SA) (2010b).

Data on the floorspace available for grocery retail shows large variations between individual retail catchments both within and across the capital cities (figure H.1).<sup>3</sup> A consistent trend across the jurisdictions is that catchments with lower populations tend to be better supplied with floorspace for grocery retailing when compared to catchments with higher populations (figure H.1).<sup>4</sup>

<sup>1</sup> The measures for Melbourne, Perth, Adelaide and Canberra include a common basis of floorspace available for food, groceries, clothing, footwear, bulky goods, café's and restaurants. Some cities also have included additional uses in their definition of 'retail' — for example, liquor retailing and the sale of second hand goods.

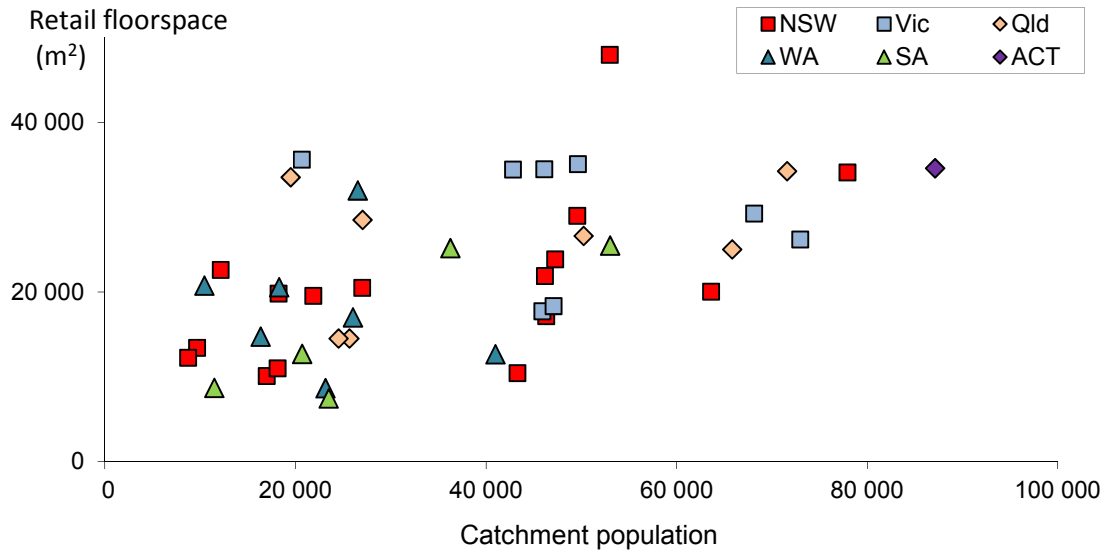
<sup>2</sup> The SCCA note that shopping centres usually comprise less than half of all retail space (sub. DR95).

<sup>3</sup> On average, however, Woolworths (sub. 65) asserts that Sydney is undersupplied for grocery retail floorspace with 0.25m<sup>2</sup> per person compared to other capital cities (0.37–0.39m<sup>2</sup> per person).

<sup>4</sup> This is not to cast a judgement on the adequacy of retail floorspace in these catchments. Such judgements require a more detailed consideration of issues such as the retail spend per person and retail turn-over per square metre of floorspace (among other issues).

**Figure H.1 Grocery retail floorspace per head of population**

Individual retail catchments within capital city planning areas



Data source: Independent Retailers of NSW and the ACT Inc (sub. 62).

From 1997 to 2007, floorspace for bulky goods retailing has accounted for around 38 per cent of total supply of new retail floor space in major Australian markets (Jones Lang LaSalle 2008).<sup>5</sup> The growth in the floorspace dedicated to bulky goods retailing is reflected in table H.2. Most cities have a comparable level of floorspace (per head of population) dedicated to bulky goods retail with SEQ standing out as the city with the highest ratio of floorspace per head of population.

**Table H.2 Bulky goods retail floorspace per head of population**

Capital city planning areas, m<sup>2</sup> per person

	<i>Syd</i>	<i>Mel</i>	<i>SEQ</i>	<i>Per</i>	<i>Adel</i>
1997	0.319	0.366	0.340	0.343	0.335
2002	0.374	0.422	0.462	0.423	0.364
2007	0.457	0.480	0.548	0.451	0.424

Source: Jones Lang LaSalle (2008).

The supply of sites for retail purposes has been boosted in recent decades by the allocation of surplus airport land to non-airport commercial developments.

<sup>5</sup> Bulky goods retailing in this context is defined as the sale of high-bulk goods such as furniture, electrical goods, hardware items and garden supplies. It includes both ‘free-standing super stores’ and ‘homemaker centres’.

Each of the capital city airports now has retail, commercial and/or light industrial developments on airport land with land zoned for commercial activities representing up to 25 per cent of airport land (table H.3).

**Table H.3 Use of airport land for commercial purposes<sup>a</sup>**

	<i>Area zoned for commercial uses (%)</i>		<i>Area zoned for commercial uses (%)</i>
Sydney	3	Perth	3
Bankstown	16	Jandakot	25
Camden	5		
Hoxton Park	0		
Melbourne	7	Adelaide	17
Essendon	23	Parafield	15
Moorabbin	7		
Brisbane	16	Hobart	0
Archerfield	0	Launceston	2
Coolangatta	18		
Townsville	0		
Canberra	18	Darwin	4

<sup>a</sup> Estimate based on spatial analysis of land use maps according to airport Master Plans. 'Commercial' is defined to include: retail, business, community, leisure, entertainment, recreation, hotels, conference facilities, shopping centres.

Source: Walker and Stevens (2008).

## Retail vacancy rates

An indication of the extent to which these floorspace estimates are enough to meet business demand for retail space is provided by vacancy rate information. The supply of, and demand for, retail sites has both a cyclical aspect and a long-term underlying aspect. Accordingly, this means that while floorspace estimates may be comparatively stable from year to year, vacancy rates could be expected to vary more with economic conditions in a region.

Reliable data on vacancy rates in the retail sector are only publicly available for the shopping centre industry (in aggregate format) and for selected locations in the 'high street' end of the retail strip market and selected bulky goods sites. In the larger regional shopping centres, vacancies rates were estimated at around 1 per cent of total floor space in 2010 and have averaged around 0.5 to 2.5 per cent over the past five years (SCCA, sub. 43). Vacancy rates tend to be marginally higher in the smaller subregional and neighbourhood centres (around 3 per cent and 5 per cent, respectively, in 2010).

Given the comparatively low vacancy rates over the past decade, the Shopping Centre Council of Australia (SCCA) concludes that there is a chronic shortage of space in the larger shopping centres. However, they attribute this shortage *not* to planning and zoning restrictions but to the limited choice of department stores in Australia with which to ‘anchor’ larger developments (sub. 43, p. 8). Furthermore, on the basis of new supermarket developments in recent years, the SCCA conclude that this shortage of larger centres does not extend to a shortage of sites for supermarkets.

For shopping strips, vacancy rates are generally higher than in larger centres (table H.4). In fact, there is a considerable amount of anecdotal evidence that vacancy rates in some ‘non-prime’ urban strips can be extremely high (Kennedy 2004).

**Table H.4 Retail vacancy rates in selected cities**

Indicative average ranges for mid 2005 to mid 2010 and current estimate (%)<sup>a,b</sup>

<i>Location</i>	<i>Prime strips</i>		<i>Bulky goods centres</i>	
	5yr average	2010 est.	5yr average	2010 est.
<b>NSW</b>				
Sydney CBD	0–4	1		
Sydney metro	2–6	6	3–22	0–15
Newcastle				0
<b>Vic</b>				
Melb CBD	0.5–3	1.5		
Melb metro	2–4	3.5		0–14
<b>Qld</b>				
Brisbane		5.5		0–39
Gold Coast				0–2
Sunshine Coast		1–8		0–8
<b>WA</b>				
Perth CBD		4		
Perth metro				0–23
<b>SA</b>				
Adelaide CBD		2		
Adelaide metro		2–8		0–20
<b>Tas</b>				
Hobart metro				8
<b>ACT</b>				
Canberra metro <sup>c</sup>				37

<sup>a</sup> Rates represent the average vacancy rate over all sites in each category — some sites may therefore have higher or lower vacancy rates at any point in time. The estimate for mid 2010 (or as close in time as available) is reported in brackets and where it is a range, the range reflects estimates from different sites. <sup>b</sup> Comparable data are not available for other cities. <sup>c</sup> The relocation of the Commonwealth Dept of Education, Employment and Workplace Relations to a new premises contributed to a doubling in the civic vacancy rate in mid 2010.

Sources: CBRE 2010 (various pubs); BGRA & Deep End Services 2009 (directory); SCCA (sub. 43, pp.7–12).

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Vacancy rates in bulky goods centres are highly variable between centres but a typical vacancy rate is around 8 per cent (BGRA & Deep End Services 2009, p. 6).

### **Rent data for activity centres**

Occupancy costs (per unit of lettable retail space) vary substantially between retailers according to the location of premises and retail amenity provided. On average, occupancy costs are lower outside of shopping centres, with costs only in the 'prime' retail strips approaching those in a shopping centre (PC 2008).

It is often asserted that planning and zoning controls, by limiting the supply of retail space, have led to higher rents for retailers. SCCA claim that 'If this was the case we would expect that occupancy cost ratios would have grown substantially over time. In fact, over the last decade, these have not changed much at all.' Specifically, they report that average occupancy cost ratios (including marketing levies and GST) have hovered around 16 per cent for regional shopping centres, 12 per cent for sub-regional centres and 11 per cent for neighbourhood centres. (sub. 43, p.13)

The Australian Retailers Association (ARA) however claim that occupancy costs around Australia have risen dramatically in recent years with 'almost 40 per cent of retailers paying occupancy costs greater than 15 per cent of their turnover' and that in the first half of 2009, 'over 31 per cent of retailers suffered annual rent increases greater than 10 per cent when they renewed their leases. Some of these retailers have reported annual rent increases of up to 25 per cent at a time...' (ARA 2009) These claims follow on from similar concerns raised with the Commission during its Inquiry into the Market for Retail Leases in Australia (PC 2008).

## **H.2 Selected market participants**

### **Grocery retailers**

In the grocery market, *Woolworths* and *Coles* are, by far, the largest retailers in Australia. At end 2009-10, Woolworths had over 823 supermarkets and Coles around 750 across the country. The majority of these stores are located in shopping centres (as opposed to stand-alone sites). The ACCC (2008) reported that Coles and Woolworths have maintained a fairly consistent share of supermarkets above 1000m<sup>2</sup> over the last 10 years, with each having just over 30 per cent of stores nationally. Consequently, Coles and Woolworths are much more significant in relation to larger stores, accounting for around 87 per cent of all supermarkets above 2000m<sup>2</sup>. A typical Coles or Woolworths store has a floor area of 2000m<sup>2</sup> to

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4000m<sup>2</sup>, although both chains now operate smaller formats in some inner city and resort locations. The National Association of Retail Grocers of Australia (2010) reported that Woolworths and Coles accounted for approximately 46 per cent and 33 per cent, respectively, of Australia's total grocery sales in 2009.

Depending on economic conditions, Woolworths and Coles generally open around 20 new supermarkets each year.<sup>6</sup> Woolworths and Coles are not typically 'developers' of their sites, but have turned more to this in recent years.

*Aldi* is the most significant new entrant into the Australian grocery market in recent years. Since opening in Australia in January 2001, Aldi has expanded to have over 230 stores in New South Wales, ACT, Queensland and Victoria but advise that they see potential for up to 500 stores in eastern Australia (Webb 2008). Accordingly, Aldi report that they plan to open 'at least 30 stores a year for the foreseeable future' (Speedy 2009). Each store has an average floor area of around 850–1500m<sup>2</sup>. Aldi's preferred model is to operate on stand alone sites which it owns, but it also has some Australian stores located in small shopping centres.

The grocery retail market is also serviced by a number of smaller groups, some of which operate in only one or two states. For example:

- there are around 15 000 'convenience' stores around the country (Australian Association of Convenience Stores 2010)
- over 1200 IGA stores, 120 Foodland IGA stores and 710 Foodworks (all supplied by a single wholesale provider, Metcash), (Inside Retailing Online 2010)
- Franklins<sup>7</sup> is a NSW based group with approximately 85 stores of between 1000–2000m<sup>2</sup>
- 140 retailers supported by the wholesale SPAR, which operates in Brisbane; and
- Supabarn, which operates just 7 stores in Sydney and Canberra.

In contrast to the other larger groups discussed above, these smaller groups typically occupy existing stores rather than seeking land for construction of new stores. Almost half the stores of these smaller groups are below 500 m<sup>2</sup> in size and only about a quarter are above 1000 m<sup>2</sup>.

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<sup>6</sup> For example, Woolworths opened 26 new stores in 2009-10 and closed 5 stores (Woolworths 2010). The majority of the new stores were located in New South Wales and Victoria.

<sup>7</sup> Franklins was sold to Metcash in July 2010 to become part of the IGA chain. There are now only 80 'Franklins' stores.

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While small independent retailers provide a competition alternative, they do not contribute significantly to price competition. The ACCC (2008) found that the independent supermarkets tend to focus on convenience, service and community ties and provide little price competition for Coles and Woolworths. A key factor inhibiting price competition from the independent retailers is the wholesale prices of packaged groceries supplied by Metcash. The ACCC considered that the prices Metcash sets for its wholesale packaged groceries are a significant factor holding many independent retailers back from more aggressive price competition (ACCC 2008). While Coles, Woolworths, Aldi and Franklins have their own wholesale operations, nearly all other supermarkets in Australia are supplied with their packaged groceries by Metcash.

### **Large format retailers and anchor stores**

Apart from the grocery retailers, there are a limited number of other large format retailers in Australia.<sup>8</sup> Specifically, there are only two major chains of department stores — Myer and David Jones, which typically occupy at least 12 000 m<sup>2</sup> and occasionally up to 30 000 m<sup>2</sup> — and three major chains of discount department stores — Big W, Kmart and Target, which typically occupy around 8000 m<sup>2</sup> of floor space. As these large format retailers generally locate in shopping centres, they are possibly less exposed to planning and zoning systems than would be the shopping centre developer or a stand-alone retailer.

Costco Wholesale Corporation is a recent entrant to the Australian market which has the potential to become a significant player in Australian retailing. Costco began looking for appropriate sites in Australia in early 2006 and its first store opened in the Melbourne Docklands in 2009. A second store is currently under construction in western Sydney, a third site has been secured at Canberra airport and further stores are planned for New South Wales, Victoria, Queensland and South Australia.

Each Costco store has, on average, about 13 000 m<sup>2</sup> of shopping area (similar in size to a small Myer or David Jones store, but with all retail space on a single level). Costco stores are not supermarkets under most planning definitions of a supermarket because they sell bulky goods. However, they are also not classified as a bulky goods retailer because they sell food and clothing. Costco do not have their own distribution centres but instead receive deliveries direct from manufacturers.

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<sup>8</sup> For the purposes of this discussion, ‘large format retailers’ are loosely considered to be those with a retail footprint that exceeds that of other retailers located in activity centres and typically exceeds the size of land sites in activity centres. What is ‘large’ will necessarily vary between areas and over time.

## Bulky goods retailers

There are currently over 150 bulky goods centres operating across Australia, accounting for at least 30 per cent of all retail floor space (Harley 2009). While most of these stores are located on the periphery of the major cities and regional centres of New South Wales, Victoria and Queensland, bulky goods centres have been expanding rapidly (albeit from a low base) into the smaller states (table H.5).

**Table H.5 New bulky goods sites opened, under construction or in planning during 2009-10**

	<i>Name/Location</i>	<i>Development status</i>	<i>Scheduled opening date</i>	<i>Size (m<sup>2</sup>)</i>
NSW	Dubbo Homemaker Centre (Stage 2) – Regional NSW	Approved	July 2011	12 693
	Fantastic Centre Wagga Wagga – Regional NSW	Approved	Mid 2010	6 797
	Harvey Norman Centre Ballina – Regional NSW	Proposed	2011	13 305
	Home HQ North Shore – Sydney	Under construction	Late 2009	22 500
	Kotara Homemaker Centre (Stage 2) – Newcastle	Approved	Late 2010	28 144
	Supa Centa Penrith (Stage 2) – Sydney	Under construction	Early 2010	5 731
	Taree Homemaker Centre (Stage 2) – Regional NSW	Approved	Late 2010	23 730
	Wagga Gate Homemaker Centre – Regional NSW	Approved	May 2010	17 500
	Vic	Chadstone Lifestyle Centre – Melbourne	Under construction	Late 2010
Geelong Gate Homemaker Centre – Geelong		Under construction	Oct 2009	16 410
Harvey Norman Centre Springvale		Approved	2012	71 445
Home HQ Mentone – Melbourne		Approved	na	40 000
Millers Road Homemaker Centre – Melbourne		Approved	Late 2010	37 000
South East Mega Homemaker Centre – Melbourne		Under construction	Early 2011	50 000
South Wharf Homemaker Hub – Melbourne		Under construction	Oct 2009	17 665

(continued next page)

**Table H.5** (continued)

	<i>Name/Location</i>	<i>Development status</i>	<i>Scheduled opening date</i>	<i>Size (m2)</i>
Qld	Cairns Homemaker Centre – Cairns	Approved	Late 2010	23 679
	Harvey Norman Centre Mackay – Regional Qld	Proposed	2011	37 883
	Harvey Norman Centre Maroochydore – Sunshine Coast	Proposed	na	28 300
WA	Bunnings Centre Southern River – Perth	Approved	Late 2010	17 225
	Lifestylezone Rockingham (site B) – Perth	Approved	na	23 200
	Mandurah Central – regional WA	Under construction	Mid 2010	10 148
	Mandurah (Lot 1 Pinjarra Road) – regional WA	Under construction	Mid 2010	5 200
	Military Home Depot Midland – Perth	Approved	Oct 2010	20 000
	Primewest Midland – Perth	Proposed	na	12 232
	South Central Jandakot (Stage 2)	Under construction	Late 2009	6 700
SA	na			
Tas	Launceston Homemaker Centre – Launceston	Approved	Early 2011	13 492
	North West Coast Homemaker Centre – Regional Tas	Proposed	2011	25 330
ACT	na			
NT	na			
<b>Australia total</b>				<b>606 109</b>

na Information not available as at end 2010.

Source: Bulky Goods Retailers Association & Deep End Services 2009.

Bulky goods retailers have successfully differentiated themselves from other retailers to the extent that ‘bulky goods retailing’ is defined in all state and territory planning schemes and, in Australia at least, widely considered as a separate category of retailing. The Bulky Goods Retailers Association (BGRA) reports that there are essentially two types of definitions for bulky goods retailing contained in planning laws across Australia: ‘performance based’ definitions have been adopted in New South Wales, and in part, in other States; ‘list of specific product categories’ definitions have been adopted in Victoria, and in part in other States (sub. 37, p.18).

Under this definition, bulky goods retailing is generally distinguished from other retailing by the exclusion of those businesses which sell food or clothing (unless the

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sale of these is ‘ancillary’ to the sale of bulky goods). BGRA also provide their own preferred definition which is a combination of these two approaches (sub. 37).

### **Woolworths’ home improvement stores**

Woolworths announced in August 2009, its plans to develop a network of home improvement stores around Australia (Woolworths Limited 2009). The company aims to establish 150 stores over the next five years, with each store to be over 10 000 m<sup>2</sup>. Initial stores, currently referred to as ‘Oxygen’, will be located in Victoria, Queensland and New South Wales.

For its Victorian stores, 11 of the 12 were bundled together as a ‘state significant project’ to be handled by an independent assessment panel reporting to the Minister. The remaining site was approved for use by Maribyrnong council. Woolworths received planning approval from the Victorian Minister for 10 sites in Victoria (9 in Melbourne and 1 near Ballarat) in September 2010 but was rejected for a store in north Geelong. As part of its planning applications in Victoria, the proposed stores’ land uses are described by Woolworths as ‘Trade Supplies, Restricted Retail, and Landscape garden supplies’ — necessitating, in some cases, a rezoning of land to ‘Business 4 zone’ (table H.6).

Woolworths has also lodged DAs with Maitland City Council (NSW), received planning approval from Ipswich City Council, is reported to have sites ready for development in Tingalpa and Nerang (Sharpe 2010) and in discussions with Ipswich City Council for further stores at Bundamba and Yamanto (sub. DR81).

**Table H.6 Selected Woolworths homemaker stores and zoning requirements<sup>a</sup>**

<i>Store/Location</i>	<i>Planning process</i>	<i>Zoning changes required</i>	<i>Status</i>
<b>NSW</b>			
Maitland	Referred by Council to Joint Regional Planning Panel		Under consideration
<b>Victoria</b>			
Coolaroo	Minister decision based on Independent Advisory Committee report	Business 3 zone to Business 4 Zone	Approved Sep 2010; Construction to start Nov 2010
Oakleigh South	Minister decision based on Independent Advisory Committee report	Business 3 Zone to Business 1 Zone	Approved Sep 2010
Mornington	Minister decision based on Independent Advisory Committee report	Industrial 3 zone to Business 4 Zone	Approved Sep 2010
Preston	Minister decision based on Independent Advisory Committee report	Industrial 1 Zone to Business 4 Zone	Approved Sep 2010
Hawthorn East	Minister decision based on Independent Advisory Committee report	Public Use Zone to Business 4 Zone	Approved Sep 2010
Burnside	Minister decision based on Independent Advisory Committee report	Mixed Use zone to Business 4 Zone	Approved Sep 2010
Knoxfield	Minister decision based on Independent Advisory Committee report	No rezoning required	Approved Sep 2010
South Morang	Minister decision based on Independent Advisory Committee report	No rezoning required	Approved Sep 2010
Carrum Downs	Minister decision based on Independent Advisory Committee report	Industrial 1 Zone to Business 4 Zone	Approved Sep 2010
Wendouree, Ballarat	Minister decision based on Independent Advisory Committee report	Industrial 1 Zone to Business 4 Zone	Approved Oct 2010
North Geelong	Minister decision based on Independent Advisory Committee report	Public Use zone to part Business 4 Zone / part Business 3 Zone	Rejected
Bendigo	Minister decision based on Independent Advisory Committee report	Residential 1 Zone and Business 1 Zone to a Business 4 Zone	
Braybrook, Maribrynong	Council approval		Planning permit issued Mar 2010. Construction started Aug 2010
<b>Queensland</b>			
Ipswich	Council approval		Approved June 2010
Tingalpa	Purchase of site with existing approval for a 'homewares centre'		Site purchase in Feb 2010 ?
Nerang			Construction started Oct 2010 ?

<sup>a</sup> As at end 2010.

Sources: Website for Victorian Department of Planning and Community Development; Australian newspapers throughout 2010.

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### H.3 Market concentration

The Commission has been advised by a number of submitters to this study that concentration levels of particular operators are sufficiently high in some local markets as to present a constraint on competition (subs. 16, 21, 47, 62). For example, NARGA reported that: ‘Australia’s grocery market is the most concentrated of any such market and the majors in that market are gaining increasing shares in other retail sectors including clothing and general merchandise, petrol, hardware, liquor.’ (sub. 47, p.3)

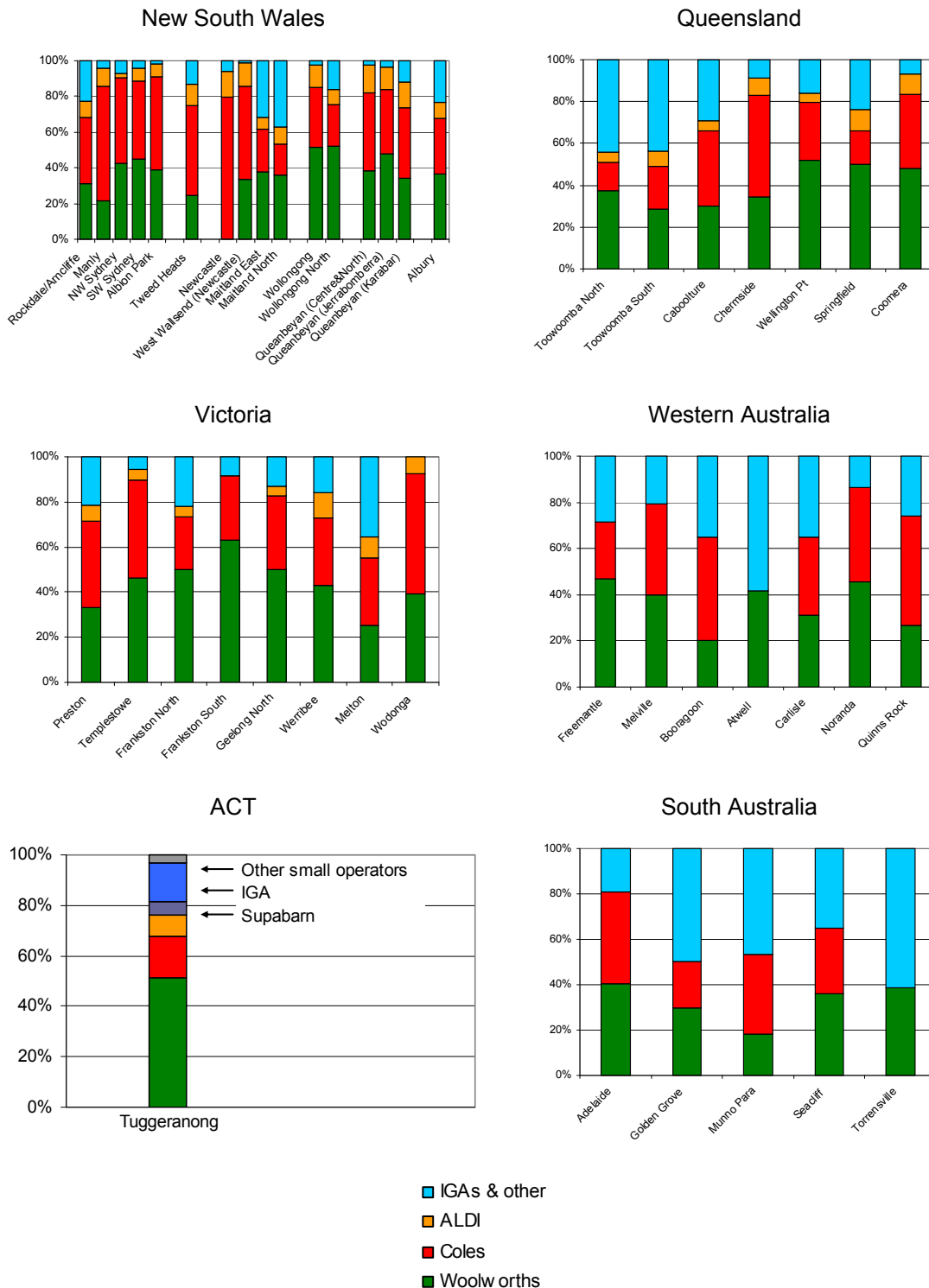
The Independent Retailers of NSW and the ACT also noted increasing levels of domination by existing operators in many grocery retail markets around Australia. In support of this, they provided estimates of the market concentration of grocery retailers across Australia for a selection of established and high growth markets in around 20 local council areas (sub. 62). Based on this data, the Commission has noted the following outcomes for competition (figure H.2):

- Woolworths and Coles have a presence in all markets analysed, but their individual market share remains under 65 per cent in each case, a level which would generally be considered to represent medium concentration levels.
- IGAs and small operators tend to have higher market shares in Western Australia and South Australia than in the other states. While this may partially reflect the absence of Aldi from these markets, the combined market share of Woolworths and Coles is also, on average, lower in Western Australia and South Australia.
- Concentration of local markets by particular retailers does not appear to be related to whether a market is high growth or established. That said, markets with a lower population tend to be better supplied with grocery floorspace than those with higher populations. This may be indicative of lags in the provision of new retail space — lags which may or may not be attributable to planning and zoning systems.

However, it should also be noted that high concentration levels alone do not dictate the nature of competition in a market and there are other markets internationally that are more concentrated than those presented here but which also appear to be more competitive (ACCC 2008). Furthermore, it is not apparent that planning and zoning systems are either a key factor which is contributing to existing concentration levels in local markets or that changes to these systems would necessarily bring about greater competition. The Independent Retailers of NSW and the ACT (sub.16, p.6) similarly acknowledged that while domination of existing operators is reducing scope for entry of new competitors, ‘creating more retail zoned land will not change this business reality.’

## Figure H.2 Concentration in selected grocery retail markets

Per cent of store floor area held by main operator groups



<sup>a</sup> Comparable data is not available for markets in Tasmania and Northern Territory.

Data source: Subs. 16 and 62.