

Submission
by
Master Grocers Australia /
Liquor Retailers Australia
to
Productivity Commission Interim Report

Relative Costs of Doing Business in Australia
- Retail Trade

11 July 2014

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A. Introduction

Master Grocers Australia and Liquor Retailers Australia (MGA/ LRA) is a nationally registered employer association and has approximately 2700 members throughout Australia. Our members operate their businesses as companies, partnerships and sole traders and they are all independent retailers.

The purpose of this submission is to respond to the the recently published Productivity Commission Interim Report - Relative Costs of doing business in Australia - Retail Trade (Interim Report).

MGA/LRA recognises that that the Federal Government wishes to see the retail industry, which is a major sector of the economy, become a thriving and productive one. MGA/LRA is totally supportive of that premise.

A particular focus of the Interim Report was that some regulations are costly and, in particular reference was made to the restricted trading hours that exist in some states of Australia. The question that arises from the submissions made to the Productivity Commission, particularly from the two major retailers Woolworths and Coles, on the alleged deleterious impacts of restricted trading hours, is whether these restrictions are inhibiting economic growth? It was noted in the submissions by Coles and Woolworths, that the current trading hours in some States do not provide consumers with a choice of shopping times and, that the positive outcomes of deregulation of trading hours in those States, would be increased employment, increased competition and overall increased productivity.

MGA/LRA disputes these views and intends in this submission to respond and oppose any proposal to deregulate trading hours in the States of Western Australia, South Australia and Queensland, based on the reasons set out below in this response to the Interim report.

It is the strong view of MGA/LRA that any further deregulation of trading hours in Australia will have a serious impact on the survival of small independent retailers in this country. If trading hours are deregulated the majority of independent retailers in these States will not survive and the net result will be the precise opposite of what is claimed by Woolworths and Coles and there would be decreased productivity, lack of competition and lower employment levels.

We thank the Productivity Commission for the opportunity to make this response to the Interim Report

B. About Master Grocers Australia

MGA/LRA is a National Employer Industry Association representing independent grocery and liquor stores in all States and Territories of Australia. Independent supermarkets and liquor stores comprise a significant subsector of the retail industry in Australia. They range in size from small, to medium and large businesses. Although many of the medium sized businesses would not be categorised as such from a legal perspective, they are in fact relatively “small” in comparison to the large supermarkets in the retail industry and therefore they struggle for survival against the power of the major retail chains. Nevertheless, despite competing in a dominated market, independent supermarkets play a major role in the retail industry and make a substantial contribution to the communities in which they trade.

The stores operate under various brands and banners such as; Supa IGA, IGA, IGA Xpress, Friendly Grocer, Foodland, FoodWorks, SPAR, Supabarn, Cellarbrations, Bottle-O, IGA Liquor, Local Liquor, Duncans and Bottlemart. Australia’s 4000-plus independent grocery and liquor retailers employ 115,000 people and generate annual sales of \$14 billion.

MGA/LRA is conscious of the hard work that many of these smaller retailers undertake on a daily basis to ensure that their businesses function and, as a result of that work they make an enormous contribution to the productivity of Australia. They deserve to compete on a level playing field and to be supported by both the Federal and State governments in their quest to remain sustainable and to continue to make a valuable contribution to the Australian economy.

C. Purpose of the Submission

The purpose of this submission is to provide comment from MGA/LRA on behalf of the independent retail sector on the Productivity Commission Review Interim Report - Relative Costs of doing business in Australia - Retail Trade, in respect of the deregulation of trading hours in the States of Queensland, South Australia and Queensland.

D. Response to the Interim Report

Larger stores of the size of Coles or Woolworths are strong proponents for the deregulation of trading hours. The 2010 Productivity Commission Inquiry into the Retail Industry referred specifically to the regulation of trading hours in Australia in Chapter 10¹, and as a consequence

¹ Productivity Commission, *Economic Structure and Performance of the Australian Retail Industry*, Report no. 56, Canberra

recommended the full deregulation of trading hours in Australia, including on public holidays. There was strong input to the Commission from sources such as the Australian National Retail Industry Association (ANRA), representing Coles and Woolworths, pointing out the need for deregulation. Despite the Productivity Commission's recommendation four years ago, there remains reluctance in States such as South Australia, Queensland and Western Australia for wholesale change, and with some minor amendments they have resisted total deregulation.

In its findings the Productivity Commission examined whether there were any benefits to be gained from the deregulation of trading hours, including whether consumers wanted deregulation and the effect on retail employment following deregulation.

Trading hours in Australia vary across the States and Territories. In Victoria, New South Wales, Tasmania, ACT and the Northern Territory trading hours have been deregulated. A number of specific restrictions on trading hours are still exercised by the various State and Territory governments on certain occasions throughout the year, such as Christmas and Easter.

In Queensland the Queensland Industrial Relations Commission has the authority under the *Trading (Allowable Hours) Act 1990*, to determine the store trading hours in that State. The Trading (Allowable Hours) Act 1990 (Qld) clearly defines the meaning of an "independent retail shop" which affords such stores the opportunity to trade within an extended span of hours. The larger stores, such as Coles and Woolworths, are vigorously opposed to the restriction imposed on them due to their size and magnitude as large retailers. This provides smaller independent retailers with an advantage to which they cling tenaciously for the survival of their businesses. In Queensland, provided a store qualifies as an "independent shop", it may trade free of any restrictions.

There is a determination by Coles and Woolworths to pursue their ongoing quest to gain uniform deregulated trading hours; particularly in Queensland. This relentless pursuit is yet another mission objective to dominate the retail supermarket industry. The independent retailers have been equally dogged in their determination to oppose each application. If Coles and Woolworths succeed they will undoubtedly extend their market share and be able to undercut their smaller competitors, resulting in the eventual extinction of independent retail shops.

In South Australia and Western Australia the respective State Governments determine the trading hours laws which restrict the times those stores are allowed to trade. In South Australia there are unrestricted trading hours for stores classified as "exempt". These are generally "specialty shops"

or stores that meet the criteria of not exceeding a floor space of 200 square meters and that do not adjoin a building used as a storeroom with an area greater than half the size of the shop. There are also “Proclaimed Shopping Areas” in South Australia that do allow larger shops to trade at specified times and again, subject to the retail floor area, there are prescribed times for opening the stores.

In line with what it sees as a more contemporary approach, the Western Australian Government has slightly modified its views on the extension of trading hours over recent years to the point that in 2011, it altered the definition of a “small retail shop” in the trading hours legislation, to allow 18 persons to work on the retail floor, compared with the previous number of 13. This consequently increased the number of businesses able to trade by approximately 7,000 stores. Although in some defined areas in Western Australia there are proclaimed extended trading hours, overall the restrictions on trading hours remain regulated.

Although trading hours are deregulated in Victoria, NSW and Tasmania these states have all experienced the opening of increased numbers of stores by Coles and Woolworths. As they build new stores or swallow up existing ones, rather than increasing productivity by allegedly creating more jobs what really happens is the disappearance of the local independent store and the smaller retailers that previously contributed to the economy of the region. When Coles or Woolworths move into a new region and open up a new store that trades longer hours they drain the life from the smaller stores and other surrounding businesses and the net result is loss of productivity, choice and efficiency. Businesses die and not just grocery and retail businesses. The local high street disappears, apart from the small supermarket, the local butcher, and the small bakery, the local chemist, the local professionals and the local producers all cease to exist. More and more goods are brought in from overseas and the end result is that the dominance of Coles and Woolworths increases and the community loses because there is no competition left. No economy can prosper where there is a lack of choice and diversity.

Four years ago the Productivity Commission found that there have been many surveys undertaken in order to determine the views of consumers in respect of deregulation. It referred to the Hebb Holland Demasi Report in 2000 which found that between 60 to 70 percent of consumers supported an increase in trading hours, as did an ANRA Report that found 83 per cent of respondents supported the view that shop opening times should be for the convenience of customers.² However, the 2005 referendum in Western Australia on this same issue revealed an

² Ibid., p 292

entirely different view, with the Western Australian population voting firmly against changes to trading hours. Furthermore, a study recently undertaken on behalf of independent retailers in Western Australia revealed that 88 per cent of consumers in the metropolitan area of Perth are satisfied with the current trading hours.³ The survey revealed that nine out of 10 consumers were satisfied with the trading hours, and 75 per cent of survey participants in the 18-39 age group also found the trading hours satisfactory.

Coles and Woolworths argue that if they are able to trade longer hours, consumers will have more opportunity to shop when they choose, there will be more competition and there will be more employment opportunities for workers. In the 2014 Interim Report the larger retailers are adamant that Australia will be better off if trading hours across the country are deregulated. As previously stated some states have already acceded to the pressure to deregulate their trading hours, whilst others have steadfastly held firm to the views that all the benefits of deregulation expounded by Coles and Woolworths are not necessarily correct. In fact there are many differing opinions as to whether there is any credence in what is claimed by these larger retailers.

Current retail employees are inevitably affected by any extension of trading hours in that many full time employees could find themselves working on Sundays if deregulation occurs and at other times when they have never been required to work previously. Many of them value their family time and they prefer not to work during any extended trading hours. In Queensland when the National Retailers Association (NRA), representing Coles and Woolworths, consistently makes applications to introduce extended trading hours in various regions of that State, the Shop, Distributive and Allied Employees' Association (SDA) consistently opposes any proposed changes to the trading hours' legislation on behalf of their employee members. The main basis of the SDA opposition is the effects on their member employees' lifestyles and welfare if deregulation occurs.

There is no valid data to indicate that deregulation of trading hours necessarily results in an increase or decrease in employment levels. There was one significant change found as a result of an extension of trading hours in Queensland and that showed there was a structural change in the work force with an increase in part time employment and a reduction in full time and casual employment.⁴ At a time when many employees are seeking permanent full time employment the encouragement of the growth of casual or part time employment should not be a position supported by any government. The SDA is strongly opposed to extended trading hours for the

³ Patterson Research Group, April 2014

⁴ Price R. (2005) "Extended retail hours – more retail jobs?", *International Journal of Employment Studies*, 13(1), 133-156, referred to in Huddleston V. and Huddleston P., "The Impacts of Retail Trade Deregulation: A Review of Evidence from Other Jurisdictions", *FACTBase Bulletin* 7, University of Western Australia, June 2012

reason that they strongly support full time permanent employment. In their publication "Take the Time"⁵, they state that when trading hours increase, employers just change rosters and increase the use of casual employees.

The independent supermarket industry currently employs 115,000 employees which demonstrates that this sector of the industry is a valuable contributor to the economy, particularly in offering employment to young people starting their careers. If there is a continued deregulation of trading hours then there will be a decrease in employment because there will be fewer jobs available due to the decline in the number of smaller businesses.⁶ Many members of MGA/LRA consciously employ young people in country regions and help them with their first job. They like to provide support for young people in the community and if smaller retailers disappear then this will be a lost opportunity and will swell the numbers of unemployed amongst the very young even further than what already exists.

The retail industry is a major employer of young people and thousands of junior employees are employed by independent supermarkets, including tertiary students who rely on the availability of that work. The recent report from Australian Bureau of Statistics reveals that youth unemployment has recently increased and in July 2014 the number of 15-19 year olds looking for work had reached 25.5%. If the independent stores cease to exist because they are crowded out, there will be a further massive gap in employment opportunities for young people in throughout Australia.

Will the cost of opening longer hours make more money for the retailer? It might be argued that the cost of opening the store for a major retailer of the size of a Woolworths or Coles is immaterial. However, it is a highly significant cost to a smaller retailer. The current rates for employing more staff for longer hours is prohibitive for a smaller retailer, when their turnover is significantly reduced due to a loss of customers resulting from increased trading hours. However, for Coles or Woolworths the cost to open the doors would not be so great due to being able to roster differently and particularly because of their use of automated checkouts. The claim is that more staff will need to be employed if hours are increased and this will benefit employment in Australia, but is that really true? Surely not when we consider that Coles and Woolworths use automatic check outs in their stores simply because they have the space and the ability to manage the purchase cost and the cost of their installation. They may argue that more staff will be required to service the increased hours in areas other than the checkouts in the store; however, staff rosters can be

⁵ Work, life balance- Take the Time publication by the Shop Distributive and Allied Employees Association

⁶ Huddleston V. and Huddleston P., "The Impacts of Retail Trade Deregulation: A Review of Evidence from Other Jurisdictions", *FACTBase Bulletin 7*, University of Western Australia, June 2012

changed to suit the larger retailers' needs. But even if extra staff are required in other areas of the store, the reality is, that the work at the checkout will not be done by humans.

It is a massive cost to any independent retailer, large or small, to increase the number of employees in their store. Wages are high in Australia no matter when a store opens and closes and the cost increases when trading is conducted late in the evening or during what are seen as unsocial hours. These prohibitive costs would weigh heavily on any retailer but more so on a small retailer. The cost of employing an adult casual employee to work on Sunday in the retail industry under the General Retail Industry Award is \$37.05 per hour and on a public holiday the hourly rate is \$50 .94 cents. The larger retailers have their enterprise agreements and their penalty rates, particularly on Sundays are significantly lower than the majority of retailers who operate under the Award. Nevertheless their rates remain relatively high so the expectation that they will be employing many more employees is highly unlikely. However, the formidable cost to the independent retailer, will have the inevitable result that the business will disappear or redundancies will increase.

There is no doubt that consumers will be able to shop for longer if trading hours are extended but will that mean any significant economic benefit? If a consumer regularly shops at 10.00am on Sunday and another one regularly shops at 3.00 pm on Sunday and then due to extended shopping hours changes, their habits of years to shop at 7.00am and 7.00 pm respectively, there will be little or no advantage to the retailer, whether it be a large or a small store. The shopper will only spend the same amount of money no matter when the shops trade. So the economy will not suddenly prosper as a result of extended trading hours.

What Coles and Woolworths want, is to grab the few trading hours that the smaller retailers have currently so that they can either deliberately eliminate their smaller competitors or they will simply disappear due to attrition. The independent retailers do not fear the competition that the larger stores are able to bring to the market place. What they fear is the conglomerate effect that the larger stores have due to the sheer number of stores that have been allowed to be built over the last few years in relatively small areas. There is ample evidence available to show that Coles and Woolworths stores have been built and even duplicated in the same area with the inevitable effect that the smaller store simply could not survive.⁷

⁷ "Let's have Fair Competition" MGA published 2012

The biggest threat to the community however, if the smaller retailers are gradually pushed out of the market, is the fact that there will not be any competition and the question arises, “what happens to the economy then?” Without choice there is no competition and without competition prices will increase. That will be the inevitable consequence of eliminating the smaller shops that are allowed to trade for a few hours more than the two big retailers like Coles and Woolworths.

D. Conclusion

MGA/LRA submits that any further deregulation of trading hours will not have the effect of improving the productivity in this country but rather it would have a negative effect. It is highly unlikely that there will be increased employment, there will not be any increased productivity and if there is a greater choice for consumers to purchase goods it will be at the cost of thousands of stores disappearing which will result in higher prices due to the lack of competition.

MGA again thanks the Productivity Commission for the opportunity to make this submission and is prepared to provide further comments should any Member of the Commission require further information.

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July 2014