Submission to ACCC on grocery and related pricing in Australia.

This submission by Brian Barlin.Brindabella Station.NSW 2611
Ph 02 62362121.

For any understanding of the situation,it is fundamental that the changes in the financial and retail markets in Australia over the last 30 yrs be documented and comprehended,particularly since the introduction of the Trade Practices Act, the ACCC,how that Act has discriminated in the market place and shifted the burden onto small business,and how the ACCC has failed to act when discrepancies are brought to its attention.

The failures of the ACCC can be attributed to ....
A perception by ACCC that it is constrained by law.
A lack of inclination by ACCC staff and senior executives to consider or act upon,information received.
The failure of the ACCC to understand the real situation.
A perception by ACCC staff that the lowest unit price in the short term to the consumer is of necessity,the only factor to be considered.

In any case, any study cannot confine itself to the differences between the alleged price at the farm gate(or factory) as compared to the price at the checkout. The real cost to the community, in the long term as well as the short term,must be taken into consideration.

The emphasis of this submission is on the large supermarket chains,and,....

1.Preferential rentals and lease conditions.
2.Corruption of the marketplace.
3.Wastage.
4.Diminished product range,repairs and service.
5.True costs to the community.
6.Loss of competition.
7.The participation (or lack of) the ACCC over the last 30 years.
8.The influence of Local, State,and Federal Government and discriminatory behaviour.
9.Other governmental interference in the market place (eg GST,Superannuation levy).
10.The Fuel....Grocery....Fresh Food....Grog Nexus.

1. Preferential rentals and other benefits to Supermarket chains.

2. .Local, State and Territory governments under masses of misinformation somehow feel that they are serving their communities by turning over parklands, parking areas,other common areas to developers/chains for the provision of more space for the retail giants.

.Many people, even those in authority, fail to understand the special long leases, rent free periods, low rentals,exemptions from frequent new fitouts, etc. that are granted to the retail giants.This has often been because of cross shareholding by landlords and the chains.Equally it has been because those groups knew that they would not come under scrutiny by the public (which has been kept in ignorance) or the ACCC, for whatever reasons.

Nevertheless, all of the above means that the true cost of the benefits given to those so preferred are the extra burden that smaller retailers must carry, and so are unable to compete fairly on price in the marketplace.

The public generally,in the meantime,suffers loss of public space,more congestion of roads,higher costs for parking, etc.,etc.

2. . Corruption of the marketplace.
Not only is the marketplace corrupted by 1. Above,but also by other factors such as bullying tactics by the supermarket chains who will deny a supplier space in the supermarket unless….

The supplier provides special advertising or promotional funds.(Of course this is on top of the special bonus and discount deals already obtained preferentially and often solely, allowable under the Trade Practices Act),to the preferred chain.

The supplier provides staff,or additional payment for staff, at little or no cost to the the chain.

Other, sometimes totally unrelated stock, is provided under favourable conditions to that supermarket chain.

A producer, believing that a relationship with a supermarket chain,will allow him to diversify, or expand production, or develop a particular specialist product over a long period ,will incur substantial debts and engage staff, build infrastructure etc in the belief that the supermarket chain will honour its agreements,only to find that agreement has been violated by the supermarket chain on a whim,or a more favourable temporary arrangement with another gullible producer.

Corruption, and consequent cost to the consumer,that occurs in the supply chain by interrelated entities acting to siphon off profits is another factor.

3 Wastage.

The supermarket chains seldom buy locally and rely on the freight and road subsidies in order to freight supplies over long distances, and therefore in the case of perishable items the time factor involved means that the consumer is confronted with items that do not keep much beyond the front door, and a goodly proportion has to be thrown away.
In any case the type of produce required by the supermarket chain will have to travel well and have an apparently good appearance on arrival on the supermarket shelf,with little or no regard to the nutritional value or taste in the home, and anyway has probably been harvested prematurely in order that the item will "travel well". Nevertheless, an unacceptably high proportion will be wasted through spoilage ,etc.before even reaching the supermarket shelf.

Stock placement.
The chains will place stock in inaccessible places in order to divert sales to a more profitable line.

Aisles will be blocked with ladders,pallet trolleys and bulk cartons of goods,often preventing any access to most products in that section.

Aisles and the ends of aisles are often congested (blocked) by promotional displays.

Staff are invariably too stressed to be of any assisstance.

All these factors are a real cost to the consumer who himself is invariably faced with having to handle each item at least 3 times before he can escape to the distant car park.

4. Diminished Product range,lack of service,repairs etc.
5.

The supermarket chains currently have a policy which precludes any service or repair.It is apparently also their policy to carry absolute minimum by way of product size etc. They also appear to adhere to a "Just in time" policy in relation to products.In effect however, the "JIT" policy means "always too late"(ie, "come back next week, it may come in later").Our highways have become ,at community cost,in effect mobile warehouses for the 2 supermarket chains.
Another consequence of the above is that for example, large tins of many things are just not available from these two retail rogues.A consequent higher unit price is the result.
Many producers are consequently forced to cut out different sizes of product because of the market dominance of the 2 "RRs" and the public's perception that they are no longer made.

However, by contrast, because of heavy cross subsidies etc, my nearest branch of "RR" has 6 out of 16 aisles devoted to junk food such as lollies,chips,chocolates,lolly water and biscuits.
As a consequence, the community generally has to carry the burden of these hidden costs.

6. Loss of Competition.

The trade practices Act and the ACCC have allowed a situation to develop whereby it is acknowledged by all that effectively there is no competion either between the 2 "RRs", or effectively between the"RRs" and other retailers.
This has come about because of .....
Predatory pricing(for a while)to eliminate local opposition.
Takeover tactics to eliminate competition.

7 ACCC and supermarket retailing over the last 30 years.

Despite many representations by many organisations and individuals over the period, the ACCC has sat on its hands.The most frequent excuse that has been put to me is that the ACCC just does not have sufficient power under the Trade Practices Act.This is a nonsense argument, as the ACCC was charged to look after the public interest, and if the ACCC was really interested in doing its job it would make appropriate recommendations to government if necessary.

8 The Influence of Local,State and Federal Governments.

We are all aware that Governments are heavily influenced by lobbyists and lobby groups.We are also well aware that individuals and small groups find it very hard to counter the big end of town.
A very good example of how government can be duped, even by its own departments, is the call for(and "successful" or accomplished) "rationalisation" of the milk industry.That Industry has been virtually wiped out and substantially by arguments that did not take into consideration the true facts (of for example the true cost of water).
The consumer now has a substantially dearer product, the supermarkets are running to the bank, and most producers are out of business.

State and local governments, always looking for revenue to reinforce their hierarchy,will invariably succumb to the promises of supposed benefits for approval for developments that turn out to impact negatively on the community and particularly other retailers and eventually on the consumers. Often other retailers are blackmailed to relocate into chain dominated malls and to locations away from the originally designated (and designed for) sites, at huge additional costs,(higher rentals,shorter leases,frequent refits, etc.,etc.) so that eventually the consumer loses once again, either by the loss of that facility altogether,or by increased prices.

9. Other Interferences in the marketplace,by government,often without comprehension of the consequences.

Examples.
GST.
This tax was introduced to replace amongst others, sales tax.
Mostly, the revenue flows to the States, to spend as they see fit.
It is not spent where it is levied. One consequence is that State governments spend in the cities to prop these inefficient entities up.
It is ,for the most part, NOT spent in regional areas on such things as main roads,highways and other infrastructure.But it is spent on more freeways etc in the capital cities.
If producers, such as farmers, had access to Broadband,better roads,Email,Mobile phone access etc., then those producers would be able to compete fairly, and the whole community(consumers) would benefit from the increase in productivity,and consequent lower prices to the consumer.

SUPERANNUATION Levy.
As with GST, it has been (is)assumed that this levy is shouldered equally.
Initially it was small but an increasing cost to the employers.As it increased, and employees saw an ultimate benefit, additional wage pressure was constrained for a time.
But, where does that money go?Of course it goes to the big money managers. Is it spent on infrastructure, particularly where it was earned?
Of course not, it is spent by now overly paid executives to build their own empires in FINANCE , BANKING,MINING and surprise the RETAIL SUPERMARKETS, AIRPORTS for the cities.This artificially inflates the share prices and leads to pressures to provide earnings increases.
For the "RRs"What does that lead to?Reduce costs and INCREASE prices. How is this achieved?
By increasing retail prices and reducing cost prices.
By cutting staff
By employing less expensive(helpful) staff
By reducing staff training.(at least McDonalds has well trained staff).
By placing more costs onto the consumer by closing exit points,having fewer "express " lines (last time I was in one it had 26 customers before me and still took 6 minutes).

10 Grocery Fresh food Fuel Grog.
It does not need me to point out to this enquiry,that the ACCC acceptance of the 2RR of the takeover of the retail fuel industry has

resulted in much higher (not lower) prices for fuel and particularly fresh food.

I do not need to point out also that the physical consolidation of all four categories into single or adjacent locations is now also almost complete.

I can only emphasise to this enquiry how dangerous the situation has become.

Conclusion
.It is the consumer and the Australian community that suffers as a result of the 2 RR monopoly.