

Public Submission on behalf of the Koundouris Group (including SupaBarn) to the ACCC inquiry into grocery prices – dated 5 March 2008

The Koundouris Group of Companies was originally established in 1965 in the ACT. The Managing Director, Mr Eric Koundouris AM, has been a local resident for over 40 years and all other Directors were born in Canberra.

The Group has extensive interests in Canberra & Sydney: with a wealth of experience in Property Development, Construction, Project Management, Property Management, Retailing and Promotion and Management in all types of property.

Currently the Koundouris Group has specific business interests in 2 Divisions:

1. Property Development

This Division has significant experience in all forms of commercial and residential property construction and in recent years has specialised in medium density residential and commercial development in the inner north and inner south of Canberra and Sydney.

The Division was responsible for the extension and redevelopment of the Kaleen Group Centre and fitout of Kaleen Supabarn and the extension and redevelopment of Wanniasa Group Centre and fitout of the new Wanniasa Supabarn store. Recently completed the relocation and fitout of City Supabarn in the Canberra Centre.

In Sydney, the Group has successfully completed (August 2004) the development of a residential and commercial project at Five Dock creating a major retail commercial building with residential apartments above including a Supabarn Supermarket and public library for the City of Canada Bay Council.

The Group have acquired a site in Sans Souci, Sydney for a mixed use development (joint venture with vendors) creating a major retail and commercial development which will include as its anchor tenant a new Supabarn Supermarket store of over 3,000sqm.

A site has also been acquired in Sutherland, Sydney for a purpose built development to be occupied by Supabarn Supermarkets Pty Ltd.

It is the Group's policy to retain the buildings occupied by Supabarn Supermarkets Pty Ltd, which is Wanniasa in Canberra & Five Dock Square in Sydney and proposed developments in Sutherland & Sans Souci in Sydney, to be held by the Group as a long term investment, both as a property asset and as a retail business.

2. Retail

The Group owns and operates the Supabarn Supermarket chain which consists of four (4) stores (each in excess of 2,500sqm) in NSW and ACT and has three (3) more stores at various stages of planning.

It is planned that the three (3) new stores will all have commenced trading by 2010 (One in 2008, 2009 and 2010).

The chain currently employs over 800 staff and has been operating for over 15 years. The chain has enjoyed consistent growth over time and has been refurbishing and expanding some of the stores in recent times. Supabarn are the largest independent owned and operated supermarkets in ACT & NSW.

Supabarn Performance Statistics – Turnover		
	\$	
1994	\$15million	Actual
2002	\$68million	Actual
2005	\$100million	Actual
2006	\$110million	Actual
2007	\$121million	Actual
2008	\$135million	Projected*

*Excludes new stores

The Group believes the two divisions ideally mix and produce strong cash flow and a substantial asset base both in the value of the supermarkets and the property assets held and to be developed in the near future.

It is the mix of the property development with retailing that has enabled the Group to expand in retailing. Without that mix it would not have been possible. There are too many obstacles.

The Group is keen to expand its SupaBarn operations and become one of the few independent full service supermarket operators in Australia.

The Group is of the strong belief that only independents can bring real competition to the major supermarket chains and then only independents such as SupaBarn who match what the majors provide. We do not see the ALDI's or IGA's as doing that. There are three independent chains under the IGA banner, namely Ritchies, Cornetts, Drakes but these are not full service supermarkets and the majors appear to be starting to buy up stores from those groups.

However we have found expansion difficult, we had hoped to have more than 4 stores by now.

Impediments that SupaBarn has had to face are,

- Problems, in both the ACT and NSW, in getting suitable sites for large supermarkets.
- Opposition by the majors in NSW to SupaBarn obtaining a liquor licence to be operated in conjunction with a supermarket.
- When Franklins was being sold off SupaBarn indicated that it was keen to buy some sites in NSW. The ACCC was aware of that but SupaBarn was shut out of any discussions on the sale of stores and missed out.
- The constant threat by the majors to undercut it if it becomes too "aggressive".

In this regard when SupaBarn was to re open its re vamped store in Wanniasa in the ACT, Woolworths mail boxed the suburbs around Wanniasa offering very deep discounts at its two stores near Wanniasa but not to Canberra consumers generally. SupaBarn went to the ACCC but eventually did not proceed with the complaint as it was taking too long and SupaBarn did not want to have an open fight with Woolworths many months after the conduct. It appeared to be Woolworths tactics to discipline SupaBarn, end the deep discounting after some 8 weeks and leave the threat open to do that again, expecting that the ACCC will not take action. SupaBarn is not phased by competition but is concerned about predatory conduct.

- Constant behind the scenes action by the supermarket majors to prevent SupaBarn from locating itself in major shopping centre developments.

SupaBarn does not want special treatment but does want the opportunity to expand. In Australia we have the situation that the market is dominated by two giants and they will act to protect that position.

The role of independents is critical and sadly there are very few in Australia. Further that creeping acquisition tactics of the majors has further extinguished the scope for the development of independent groups.

Independents need sites and access to products to sell. In relation to the latter SupaBarn uses Metcash as a wholesaler and buys direct from manufacturers and growers. In relation to buying direct SupaBarn expects to get the best prices based on its volumes but is not sure if the majors buy better than their volumes would justify.

In relation to sites, that is a major problem and SupaBarn feels that local Government and planning bodies should be more attuned to competition issues. Often they adopt a position that is anti competition.

SupaBarn notes the recent UK Competition Commission recommendations on remedies following from its Inquiry into the UK grocery market. In particular the recommendation in relation to the role of local planning authorities, including a limitation on the majors opening up new supermarkets in geographic areas where they already have a presence.

Such a rule would assist independents in Australia generally and specifically would have ensured the expansion of independents in the ACT.

SupaBarn is of the view that it has experience and goals that would be of direct relevance to the ACCC inquiry and asks that it be given the opportunity of appearing before the ACCC as part of its public hearings.

Summary of recommendations.

- **Independent supermarkets should be encouraged to develop and expand.**
- **Planning authorities should take competition issues into account in its planning decisions on any new supermarket developments.**
- **As part of such planning policy the supermarket majors should not be allowed to open any other stores in a geographic area where they already have a store.**

- The ACCC should be prepared to move quickly on allegations of predatory conduct where it is clear that a competitor is being targeted by predatory conduct.

Koundouris Group

5 March 2008

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