



Public submission to the ACCC Grocery Enquiry by Economic Development Australia on 20th May 2008.

Are there only Two Shops?

For a number of years the two major retailers, Coles and Woolworths have managed to secure some of the most importantly zoned land in many of the states of Australia.

This zoned land, predominately Business 1 or the like has allowed for the establishment of large scale supermarkets that has changed the way Australians shop. The traditional retail experience for any normal member of the community would involve a mixture of going to a number of different outlets to service their needs. In the past it was not uncommon for someone to go to a milk bar, a grocer, a baker, a separate bottle shop, a delicatessen or a hardware store. Nowadays, many of these functions are combined into the larger super stores we see that are operated by Coles or Woolworths, very much the American Wal-Mart experience.

In recent times, the introduction of Aldi Supermarkets has provided a viable alternative option albeit with a lesser amount of goods available for general purchase.

Whilst one has seen a sustained growth in the number of convenient stores in highly urbanised areas, the same cannot be said for the outer metropolitan or interface areas. Some of this need has been met through the increased range of goods, often highly priced, that are now on offer at places such as service stations. These are often located in close proximity to major supermarkets and fast food pads. It should also be noted that many of these supermarkets now have strategic relationships or are owned by the Coles or Woolworths groups.

It is important to ascertain how such a shortage of Business 1 or appropriately zoned land has occurred in all States and why it is so difficult to access Greenfield sites. Has the planning environment contributed to the creation of a duopoly?

A short and quick explanation to dilemma this can be found if one looks at the experience of establishing new Greenfield developments. It is unlikely that one will ever find an example a new Greenfield development for anything that relates to the establishment of shop or Business 1 activities will go through a planning process without objections. It should be noted that objections can never, repeat never be put based on competitive reasons, yet it would appear that the major supermarkets, Coles and Woolworths have become experts within the planning field on commenting on everything that is identified as non competitive within the planning sphere. One therefore has the situation where Coles and Woolworths are becoming the major scrutineers of planning applications that are currently being assessed, certainly in Victoria.

Coles and Woolworths are not the only ones who are involved in the assessment of planning applications or the establishment of vigorous objections. Major companies such as QIC, Centro, Colonial First State National, etc. are all major shopping centre owners that will object on behalf of prospective tenants. These owners of major centres have tenants that

obviously include Coles and Woolworths and it is in the best interest of the facility owners to ensure that they are going to create an environment where a Coles or Woolworths tenant would be happy to maintain a long term presence.

The duopoly that has now occurred through the dominance of two major companies servicing the retail and associated needs of the Australian community, does flag danger signs for both consumers and for suppliers. In relation to the consumers, there is very little opportunity for competitive buying of products within the current environment. What opportunities there are for savings are usually minimal, and customers and consumers are left with very few options but to purchase what is on offer at either one of the two facilities.

In relation to suppliers it is perhaps a more difficult situation. The major retailers or supermarkets or grocery suppliers are under no obligation to purchase locally produced goods. In fact if one now looks through a local supermarket, one will find that with the introduction of food labelling that much of the fresh produce and groceries comes from overseas. This includes fish from Africa, and prawns from China. "Throw a raw Chinese prawn on the BBQ" is a call that should be echoing around Australian BBQ's over the last summer

This significant increase in the importation of perishable goods and fresh groceries from overseas holds a significant disadvantage for Australian producers trying to compete in an environment where it is difficult to export with the strong Australian dollar and most of the domestic markets are being filled up by "fresh" international imports. Past experience with the major retailers indicates that there is a ruthlessness that exists in their contracts and sourcing of goods that show little support to local industry.

If Australia is to progress it will need to review how retail product is delivered both from a strategic landuse planning sense but also from also a practical supply sense.

From a land use planning perspective, it is clear that planning authorities need to be more aware of spurious objections to new business zoned land that are put in by both landlords and the major retailers when considering the opening up of new areas for retail and like activities. This will also require a significant change in thought in States like Victoria for example where many aspects of the planning scheme are now based on the establishment of activity centres, where it is taken for granted that centres will be inhabited by a Coles or a Woolworths. This is a brave interpretation of how the future of retailing will pan out.

Like affordable housing, planning authorities also need to consider how they can put more affordable business or commercially zoned land into the market place to potentially stimulate third and fourth parties to get involved in the retail sector.

In relation to the suppliers, consideration needs to be given to how suppliers could be offered better opportunities for the sale of their goods if they are unsuccessful in supplying the two major retailers. For example, if a company has a major contract to supply beef, fresh fruit or vegetables into a supermarket and that contract is rescinded due to the sourcing of a more competitive contract, one must look at how more alternatives can be established for that person to supply their product into the market place, rather than ceasing that important agricultural operation.

The time is right to look at how Australians are being supplied with groceries. At the moment there has been significant change in the way product is delivered to the community and options have now been limited to only a specialised number of outlets owned by very few companies.

A handwritten signature in black ink that reads "Richard Walker". The signature is written in a cursive style with a period at the end.

Richard Walker
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