

Economic Regulation Authority
Inquiry into Microeconomic Reform in Western Australia
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We write this submission in response to the ERAs Discussion Paper for the Inquiry into Microeconomic Reform in Western Australia.

General comments

We generally agree with the need to improve productivity, which can occur through microeconomic reform. However, this cannot occur without considering other unacceptable consequences or in isolation of other issues including reducing government spending to sustainable levels or proper management of government and business finances. Very importantly, productivity improvement must not be used as a euphemism for people working longer and harder for no benefit.

We strongly disagree with the biased view that the primary goal of microeconomic reform should be to increase the productive capacity of Western Australia's economy without any consideration of considering social equity. Contrary to Banks limited view, taking a path of microeconomic reform in isolation of other consequences can be a significant step on the path to *reducing* the wellbeing of society. Considering only quantifiable, microeconomic costs and benefits is an abuse of economic principles and fails to meet the holistic needs of society. The same is true for the 'Compensation Principle' which, taken to its logical practice would result in justifying 'the rich getting richer and the poor getting poorer'.

Deregulation is not a perfect principle or supreme objective; it is one implement in a policy toolkit to be retained or used carefully, but the Government is relying on it too much with proper policy analysis.

This submission primarily focuses on the failure of deregulation of retail trading hours.

Retail Trading Hours

Let us start with some examples.

Last year on a Thursday night I shopped at my local shopping centre, buzzing with shoppers with all shops open. A couple of months ago, on Thursday night the same place was dead, with few shoppers and only the large national retailer (LNR) supermarket open. I had no choice of fruit & vegetables, meat, seafood, bread or other common goods. The free market microeconomists theorize this is how free enterprise works. The evidence shows it doesn't work. The loss of competition and reduced trading hours by many small shops is what happened in other States. The next step is that commercially viable, but now marginal small shops close down, resulting in further deterioration.

We visited a large whitegoods / electrical retailer on a Thursday night and were asked to leave at 8pm, because they didn't have the demand to keep open. We visited another retailer on Saturday afternoon and they weren't open either. We used to be able to shop for cars on Wednesday nights, in suburban shopping centres on Thursday nights and the city on Friday evenings and Sundays. Now we don't know what's open when. Small shops simply can't afford the cost to open for the hours which LNRs can. The result is that we don't shop on Thursday nights and restrict our shopping to core hours, which defeats the purpose of deregulated trading hours.

This example illustrates the over-reliance on deregulation without proper policy development and analysis. The so-called benefits are largely intangible (greater freedom of shopping hours), but at the expense of many other intangibles, but not accounted for. The so-called retail benefits come largely with a transfer from one sector of the economy to another, so the 'real' benefit across the economy as a whole is only a fraction of the benefit to retailers, while other sectors of the economy suffer.

The deregulation of retail trading hours was a complete failure of the public policy process. It occurred through the media rather than the government, with limited and biased information provided mainly by LNRs. The information on the costs and benefits, and to whom they apply was completely unavailable to the public. Consequently, only one side of the story was provided, which happened to be philosophically aligned with the Government view. The result is unacceptable consequences, which should have been described, but never were. This continues to be the case as illustrated by the submission from Woolworths in the Discussion Paper:

"Woolworths submits that it hired 700 new staff as the result of the recent Sunday trading reforms creating significant benefit to the community".

What Woolworths doesn't describe, and neither does the Discussion Paper, is the loss of jobs to small and medium retailers which also occurred and which may well be more than the jobs which Woolworths 'created'. A transfer of jobs in itself is no benefit.

The consequence of deregulated trading hours is that market power is concentrated in the LNRs, with several adverse affects:

1. A move away from small local retailers to LNRs, resulting in profits and finances exiting the WA to be used in other States.
 - i. This reduces the capital availability on WA for continuing economic expansion and building a more viable economy - a microeconomic failure.
 - ii. It moves money out of WA which would also otherwise be retained and continue to circulate for the benefit of the WA economy as a whole and for Western Australians generally.
 - iii. It reduces jobs by movement of capital and management jobs out of WA directly to LNRs in the Eastern States and indirectly through the closure of small retailers and other downstream providers and services.
2. The ability of LNRs to control the market through predatory pricing, then maximizing profits when competition from small retailers is eliminated.
3. A move of financial transactions to fast moving consumer goods away from events, recreational activities and other purchasing, which decreases the viability of other sectors. These sectors are essential for a vibrant, balanced economy and the community as a whole.

Finally, deregulation of retail trading hours results in a breakdown of community. One family member works until 7pm Christmas Eve, then returns first thing on Boxing Day for the sales. She doesn't enjoy Christmas at all. With limited other work opportunities, she has no choice. The LNRs won't protect her interests and the freemarketeers ignore her. We find it difficult to arrange family gatherings, attend functions with others, be involved in community events and participate in team sports due to people being regularly unavailable. Long range planning for events is impossible. This is exacerbated by rosters with short timelines and changes at short notice.

The movement of financial activity to LNRs resulting in the loss of competition, potentially exacerbated by predatory behaviour, is what happened in other States. We have personally observed the same result in Sydney, Melbourne and Canberra.

In short, deregulated retail trading hours results fewer people being employed, more profits going interstate, a less vibrant and sustainable economy and a weaker community. It's bad for competition, bad for shopping choice, bad for local small business and bad for Western Australians.

Sincerely

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