

WA INDEPENDENT GROCERS ASSOCIATION (INC.)

Sorrento WA 6020

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Draft Report: West Australian Microeconomic Reform

WA Independent Grocers Association (Inc.) (WAIGA) is the peak industry body for the independent grocery sector in WA. Our Members include franchised Supa IGA and IGA stores, Supermarkets West stores and general grocery stores throughout the whole of Western Australia. The independent sector in WA has a combined turnover in excess of \$2.5 billion employs 20,000 people and does over 1 million customer transactions per week.

In our response on the Draft Report to the ERA we will limit our comment on the section on Retail Trading Hours but put forward to the ERA that our concern regarding the collection of evidence to support the ERA's conclusion also applies to other sections of the Draft Report.

The section on trading hours is full of emotive rhetoric versus economic fact. This rhetoric appears to be included to support a point of view that the ERA puts forward.

Example 7.1.1

'People, for various reasons, want to shop at times and places that are currently unavailable. In practice, there is no better demonstration of this than the number of people lined up outside their local supermarket just before 11:00 am on a Sunday morning, waiting to do their grocery shopping. Many people find it convenient to do their grocery shopping on a Sunday, but many would like to be able to shop earlier to free up the remainder of their Sunday for other activities.

Regulation of retail trading hours disadvantages 'bricks and mortar' shops relative to online retailers, who are free to trade whenever they wish.'

Does the ERA possess evidence that backs up the statement of people lined up outside their local supermarket? Is it one Coles supermarket, or one Woolworths supermarket, ten of each, every supermarket? How many is many? Does it happen weekly, monthly, summer, winter? Are the 'many people' there to buy their weekly grocery shopping or one individual item?

The Productivity Commission in its outline of the current 'Cost of Retail study' estimates in 2011 that the domestic online share of total retail sales was 4% or approximately \$4.2 billion, with half of that sourced from overseas online retailers and the rest from local online retailers.

The Commission's outline goes on to discuss the reasons and impacts that this online shopping has with regard to traditional 'bricks and mortar' retailers from both overseas and local online purchases. Not once does it say that retail trading hours are an impediment or advantage to either brick and mortar retailers or online retailers.

What evidence does the ERA have regulation of retail trading hours disadvantages 'brick and mortar' shops? Did the ERA consider evidence that domestic online sales are increasing at a far greater rate

than overseas sourced online retail sales. Does the ERA acknowledge this and also acknowledge that the increase in online sales is being driven by brick and mortar retailers such as Coles, Woolworths, David Jones, Myer, Harvey Norman etc. David Jones has reported an increase of online sales of 190% this year while Myer reported a 100% increase in their online sales to name only two. All of these retailers have different trading hours in different retail outlets they own and operate.

The ERA states consumers' line up for stores to open to buy groceries and tradesmen line up to buy timber while seeming to accept that no one wants to buy a motor vehicle on a Saturday afternoon or anytime on a Sunday. The Draft Report does not give a reason for this.

The Draft Report is full of these unsubstantiated comments and points of view which seem to be there as a way to back up a preconceived position or bias to a particular point that is commonly held by proponents of the deregulation of trading hours.

The Draft Report states the objectives of the Retail Trading Hours Bill 1987 (WA) outlined in the second reading speeches. One of those was to meet the expectations of the majority of retailers.

Westfield is the biggest Shopping Centre owner in Australia. In one of its busiest centres, Bondi Plaza Sydney it lists its trading hours as:-Monday, Tuesday, Wednesday and Saturday 9:30am to 6:00pm; Thursday 9:30am to 9:00pm; Friday 9:30am to 7:00pm; Sunday 10:00am to 6:00pm a total of 63 hours. One of their busiest centres in WA, Whitfords City, list their trading hours as:-Monday, Tuesday, Wednesday and Friday 9:00am to 5:30pm; Thursday 9:00am to 9:00pm; Saturday 9:00am to 5:00pm; Sunday 10:00am to 5:00pm a total of 60 hours. Under current trading hours legislation Whitfords City has a total of 74 hours available to them to open. The overwhelming majority of retailers in Whitfords City are not asking for the centre to be open for any longer hours than it currently is. Does the ERA concede that the trading hours of Whitfords City shopping centre is meeting the expectations of the majority of retailers in the centre as outlined in the second reading speeches?

The report then goes on to the anomalies of which retail shop can sell which product. While we do not suggest that outdated ideas should be included in modern legislation, we point out that the state award covering retail employees in WA still has the provision that 'a canvasser using their own bicycle shall receive a \$1 per week allowance'. Of course big business retailers are not concerned with this as they have their own union negotiated agreements that take them out of the industrial relation system that small retailers are locked into.

The report then uses some graphs supplied by Coles in an attempt to give some credence to several points of view the ERA make. As per Wesfarmers' web site, Coles operates over 2,200 individual retail outlets in Australia with other Wesfarmer owned businesses operating over 1,100 other retail businesses in Australia. Of the Coles owned stores in excess of 800 of those are full service supermarkets just like New Farm Brisbane, Subiaco, Dandenong and Victoria Park. Does the ERA believe all 800 plus stores trade in the same way? No doubt Coles would have several supermarkets in their portfolio that were not profitable for a number of reasons and would trade in a completely different profile from others. With the amount of data that Coles and its related retailer groups have they could supply comparisons that would support whatever position they took on any number of issues. While a comparison between an outer suburban supermarket in Dandenong Vic with an inner

city supermarket in Victoria Park WA may provide some interesting talking points of similarities and differences, the graphs do not give any credible economic evidence.

As one of the conclusions of these graphs the Draft Report says.

‘As a consequence, the customer congestion costs are significantly higher at the Victoria Park shop. These costs include greater congestion in car parks, greater difficulty navigating to and within shops and longer waiting times at checkouts or service desks. These combine to make shopping more time consuming and stressful, as well as making it more difficult for families or households to shop together.

Coles has been able to address these congestion issues at its Victoria Park store to some extent by maintaining a larger store, employing more staff and providing more parking spaces. However, this adds to both its capital and operating costs (as discussed further...)

What number of families and households shop together for groceries? Anecdotal evidence points to very few if any. If there are longer waiting lines at checkouts all Coles Victoria Park has to do is open up a few more as I am sure they are not all manned at any one time. If Coles cannot manage staff level issues why is it up to the ERA to help find a solution?

Regarding Coles maintaining a larger store is the ERA implying that if retail trading hours were to be deregulated Coles Victoria Park would cut down the size of the store, sack staff and reduce parking bays in the centre? Does Coles not have a lease at these premises, would the landlord let them reduce the size of the store and pay less rent? Doesn't the shopping Centre provide the parking spaces and is not that aspect controlled by local government law?

The analysis of the 5 graphs supplied by Coles is far from satisfactory and the conclusions drawn are simply wrong. The information supplied is just customer transaction numbers and not dollar value of transactions which is the true indication of how busy a supermarket is during any particular hour of the day. The dollar value transaction analysis is what a business like Coles would use to roster customer service staff as at specific times, early in the morning or in the evening, customer transactions are only for a small number of items, even just one or two items. This information is far more valuable to understand peak times than the simple one dimension data the ERA has used. A value of customer transaction analysis would show the busiest weekly hours as between 3:00 pm and 6:00pm on Saturdays between 11:00 am and 1:00 pm and Sundays between 12:00 pm and 2:00 pm.

The Draft Report in the section ‘Protecting small business’ puts forward a number of pieces of ‘data’ that under closer scrutiny are irrelevant or in some cases wrong.

While the total of small businesses in Australia continues to be high it does not separate those that are in retail from others. What is the number of small business retailers in Australia and how has that changed over the last 20 years? Also the main problem brought about by the duopoly of Coles and Woolworths which has been the transfer of retail business from small retailers to the large has not been addressed. These two companies have combined retail sales in excess of \$90 billion which from Productivity Commission figures means that for every dollar spent at retail in Australia nearly 50 cents goes through a Wesfarmer or Woolworths owned till.

The Draft Report also quotes the ACCC grocery inquiry where they accepted figures from Coles and Woolworths and put their combined market share at 55-60%. This has since proven to be incorrect. The current Chairman of the ACCC Rod Sims has himself many times stated that Coles and Woolworths have a combined market share of the packaged grocery business in Australia of 80%. Such misrepresentations in the Draft report, of which there are many, need to be corrected.

The conclusions the ERA arrives at are best summed up by a single sentence in the Draft Report.

'The ERA concludes that there is no compelling economic reason that retail trading hours should not be deregulated in Western Australia.

Surely our members as business owners with many millions of dollars invested and employing a large number of West Australians need the ERA to give compelling economic reasons as to why retail trading hours should be deregulated in Western Australia.

In the Moss Report into the need for further extension of trading hours in South Australia Moss makes the point that the SA Treasury with all its resources could not find any economic benefit attributed to the changing of retail hours in any state or Territory in Australia including SA.

As the ERA has stated the reform process is focussed on improving the living standards of West Australians should we not expect some proof of how that is going to happen through the deregulation of trading hours.

The Draft Report has as its recommendation that during the 3 days stores are to be shut, stores employing ten or fewer staff may open. Is this another category of small retailers that the ERA has decided is needed to serve its' point of view for the Department to administer? Does the rule apply as the current one, that is, ten or fewer staff at any time 365 days of the year or just these days? Has the ERA asked the Department if it could administer this and at what cost? How does this improve the living standards of West Australians?

We cannot find one reason, either social or economic, why the further deregulation of trading hours in Western Australia should at this time be proposed.

John Cummings

President