

From: IGA Kaleen
Sent: Thursday, 9 February 2012 4:06 PM
To: Le Couteur, Caroline
Cc: Committees
Subject: ACT Supermarket Floorspace provision

Dear Ms Le Couteur,

I am writing to you as the Chairperson of the Assembly Inquiry into ACT Supermarkets.

I, as an Independent Supermarket retailer, hold grave fears for the future viability of my business and also for all the other independent retailers in Canberra, particularly those of us who are occupying tenancies in local shopping centres. Despite the efforts of the ACT Government currently conducting an Inquiry into the Supermarket/grocery sector in the ACT, ACTPLA is maintaining its current strategy to allow many new full line supermarkets be approved in Canberra. It seems to me that this forging ahead by ACTPLA for more new approvals for both the major supermarket chains with no apparent consequence to the independents is not only short sighted but irresponsible. The damage this will have on all the independents is irreversible.

With the chains' market share increasing to ridiculous heights (now 80% between the two majors in Canberra alone) and the GFC now impacting Canberra now more than ever, I cannot understand how ACTPLA can justify more future supermarket space. Where is the population or the money to sustain the extra supermarket floor space going to come from? ACTPLA is allowing more approvals for the chains and yet the independents are losing their market share.

Since the introduction of the pricing war that was started by Coles Supermarkets early last year, and now that Woolworths has jumped on the same bandwagon, the pricing war between the majors has impacted the independents - how do we compete with 99c bread and \$1.00 milk per litre? Where can we find an equivalent product to compete? We cant, we've tried. This aggressive pricing war has driven our customers away looking for the cheaper staple groceries at the chains.

I'll give you an example of how this pricing war affects our businesses;

Tip Top Breads recently formally announced that independents will not be receiving the trade discount of 20% on breads. The discount is for use by us so that we can sell the product at a competitive price. They decreased our trade discount from 20% to 10%, which is now half. Their explanation was due to the increase of price of raw materials (flour, yeast etc) and the cost of production requirements. However, how is it that they are still able to supply bread to the chains at a ridiculously low price so they, the chains, can sell it for 99c every day of the week? This is an example of how the chains can manipulate the suppliers - ultimately the independents suffer.

Then we have Metcash. The recent acquisition of Franklins by Metcash has not helped us at all. What this means now is the independents have lost another separate independent wholesaler. Once we had a choice of who to buy our groceries from, now that Franklins has been gobbled up by Metcash, we are now starved of choice - despite the warnings from the ACCC that this would not be good for the independents.

Kaleen IGA, prior to the ridiculous pricing war instigated by the chains and the opening of new major supermarkets by Coles and WW and the opening of Costco, enjoyed a steady 8-10% growth each year after our renovation in 2003/2004. This has halted now and we have slumped in turnover. We have steadily lost turnover since our best trading years after the renovation (2005-2009) and now have lost approximately 16% of our customers. Where have the people gone? We have improved our store to the best of our financial constraints, by installing the latest refrigeration cabinets and by increasing our range of groceries and initiated our own locked down low pricing program and yet the

chains have enjoyed growth and we have lost growth. This is due to the fact that they have saturated the market by increasing the number of their stores and the result is more square metres of retailing space. We have too much supermarket retail space for the size of population.

I have been informed by our town planning experts that there is another 184,478m² of new full line supermarkets slated for development approvals in the Draft Master Plans for Tuggeranong, Weston Creek, Gungahlin, Belconnen and the City Centre.

What I am asking the ACT Government to do is create a level playing field for all supermarket operators by implementing a maximum supermarket size in local shopping centres. I have urged from the outset that I believe 1,000m² is an appropriate size for a local shopping centre supermarket. Of late, the chains are currently successful in having full line supermarkets approved in local shopping centres (Giralang and Bonner, for example) by cleverly manipulating the definition of GFA, for example, 1,500m² plus ancillary use areas. This results in a supermarket approval which is much greater than 1,500m² and is really a full line supermarket disguised as a small local supermarket.

Should the chains wish to build a full line supermarket in a local shopping centre they must operate within the same sized area as independents creating a level playing field. This issue has become urgent for all independent retailers.

The bottom line is this - Canberra's population cannot sustain another 180,000m² of extra retailing space and yet the continued approvals by ACTPLA for new full line supermarkets will only yield one result - the demise of the local shopping centre and the independent retailer.

I am appealing to the ACT Government to halt any pending approvals or master planning for full line supermarkets until the outcome of the ACT Supermarket Inquiry can be properly assessed.

Regards,

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