

From: Anthony Senti
Sent: Thursday, 17 November 2011 9:20 PM
To: Committees
Subject: ACT Supermarket Competition Policy

The Select Committee on the ACT Supermarket Competition Policy
Legislative Assembly for the Australian Capital Territory

Attention: The Chair, Mr. Chris Bourke, MLA.

Dear Sir,

The Combined Residents Action Association totally supports the ACT Supermarket Competition Policy Submission that has been lodged by the Independent Supermarket Operators.

If the current Woolworths/Coles increase in market share and power continues unabated not only in Canberra but in Australia generally then consumers will end up with restricted choice and rising prices. The Woolworths/Coles duopoly's current push to acquire smaller supermarket sites in Canberra and move into the local centres, we fear, will eliminate the independent local convenience shops that we are currently enjoying.

The local Woolworths/Coles supermarkets will merely be scaled down versions of their bigger versions in the group/town centres, offering the same products, at the same prices.

The market power of the duopoly is now so great that the local independent shops will not be able to compete and once they fold so will all of the supporting retailers like the florists, hairdressers, takeaways and small restaurants, that surround the local supermarkets.

We are also very concerned that if the GFA of one local centre (as has been approved for Giralang) is far larger than its neighboring local centres, the residents of the neighboring centres will be totally disadvantaged if theirs closes. This would have a devastating impact on the disadvantaged, the elderly and the disabled not to mention all of those consumers who may not have private transport or have difficulty in accessing to local bus services.

The retail hierarchy that has existed for some time for the benefit of all Canberrans will be destroyed and with it the hope of any competitive tension reflected in greater variety and cheaper pricing.

Federal, State and Local Governments have a responsibility to provide "level playing fields" to protect consumers and it is becoming increasingly obvious that this is not happening. The ACCC which has been charged with that responsibility appears to be failing the consumer. One only has to look at their approval of the Westpac/St. George bank merger.

We have attached extracts from an article dated as recent as 20/6/2011 by Associate Professor Frank Zumbo from the UNSW, on the realities of competition and our largest duopoly (the full text is attached) to demonstrate the extent of the market power that the Woolworths/Coles have in Australia. We have highlighted some of the more disturbing parts of his paper for you.

It is interesting to note that in the USA , the "home" of capitalism, has "strong laws against anti-competitive mergers and acquisitions (which) are also essential to stop the destruction of competition and ensure that there's always a diversity of efficient competitors in the market to keep prices low, expand product choices and drive innovation."

We believe that it is imperative that the Committee maintain the current supermarket hierarchical structure so that all Canberrans will benefit from real competition, choice and competitive prices. The Committee should also ensure that the appropriate legislation be enacted so that the current ACT Government and future governments accept their responsibility to constrain the market power of the Woolworths/Coles duopoly and any other duopoly that may dominate the Canberra market in the ACT.

To do otherwise would not only be an abrogation of the Government's responsibility but it would expose Canberrans to restricted choice and higher prices.

Yours Sincerely

Anthony Senti

Chairman, Combined Residents Action Association

Extract:

The Realities of Competition and our largest Duopoly

Frank Zumbo is an Associate Professor within the School of Business Law and Taxation at the University of New South Wales. He is also one of Australia's leading consumer advocates and a commentator on competition, consumer and franchising law.

"The supermarket sector is a classic case study of the decline of true competition. We now have two players – Coles and Woolworths – that control around 87 percent of supermarkets over 2000 square metres. In some places, like Canberra, that percentage is even higher.

That's a highly concentrated market in anyone's language and, with the exception of New Zealand, is unprecedented. That is, unless you include old Soviet style economies.

In many places around Australia consumers are faced with only a Coles and Woolworths supermarket. Is there anything wrong with that? Yes, given that the ACCC has found that prices are higher in towns where there is only a Coles and

Woolworths supermarket as compared to those local markets where is there also, for example, an ALDI supermarket.

With the highly concentrated nature of our supermarket sector it's hardly surprising that Australia consistently has some of the highest levels of food inflation in the developed world. So does New Zealand, which also has two players that dominate its supermarket sector.

Inevitably, the increasing concentration of Australian markets raises very important challenges for our competition laws. Here it's essential that our competition laws prevent the continued erosion of real competition and that gaps in those laws are quickly closed. And, let's not forget that we need effective enforcement of the laws by the ACCC.

It's important to acknowledge that markets fail and that competition laws must be strengthened accordingly. We can learn from the United States and the United Kingdom where they have laws against anti-competitive price discrimination. That's where different people are charged different prices for the same product. Price discrimination can distort competition and disadvantage consumers.

A general divestiture power is also available in the United States and United Kingdom. Such a power allows the courts to break up dominant companies where they abuse their market power.

Strong laws against anti-competitive mergers and acquisitions are also essential to stop the destruction of competition and ensure that there's always a diversity of efficient competitors in the market to keep prices low, expand product choices and drive innovation."