



18th January 2017

Senate Select Committee on Red Tape

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Parliament House

Canberra ACT 2600

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AACS submission re: The effect of red tape on the sale, supply and taxation of alcohol

To whom it may concern,

On behalf of members of the Australasian Association of Convenience Stores (AACS), the peak body for the convenience industry in Australia, we make the following submission to the Senate Select Committee on Red Tape with regard to the inquiry into the effect of red tape on the sale, supply and taxation of alcohol.

Unlike leading economies around the world, Australian convenience stores are prevented from competing in the packaged alcohol market.

This is despite the fact that the operators in our industry are proven responsible retailers, as evidenced by their responsible sale of restricted products such as tobacco and lottery tickets.

There is no credible reason our industry should be prevented from participating in this market, which is valued at over \$16 billion annually.

The emotional arguments are easily debunked. Packaged alcohol is already available around the clock from a variety of outlets, from drive-thru bottleshops to the emergence of alcohol home delivery services.

It is an indictment on the state of the Australian retail sector that the two major supermarket chains dominate the packaged alcohol market in Australia to such an unsustainable extent.

The AACS believes deregulation in the packaged alcohol market is essential to level the competitive playing field in Australia's retail sector and to support the many small business people who make up our convenience industry.

This is just one area in which red tape hinders productivity and business. There are of course others, such as the planning process, approvals, licences and time delays required to operate facilities, in which a reduction in red tape would generate business and economic benefits.

However the example of packaged alcohol is a particularly powerful one. Reducing red tape to deregulate this market would unlock almost immediate tangible benefits to retailers, suppliers, Government (through increased excise revenue) and most importantly, consumers.

Reducing the red tape associated with licencing permits and fees would open up significant economic opportunities and help small businesses along the way. Our members are hopeful this inquiry will bring about genuine change in this space so the Australian convenience industry can catch up to the rest of the world.

The AACS welcomes the opportunity to be involved in this inquiry in whatever capacity the Committee deems fit. Please don't hesitate to contact me should you require anything further.

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About the AACS

Established in 1990, the Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in over 6,000 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$18 billion in 2015 according to companies contributing to the *2015 AACS Annual State of the Industry Report petrol and merchandise sales*. This report contains the most comprehensive information available on the convenience industry in Australia and we would be happy to provide a copy.

As an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing or emerging trends.

Executive summary

In this submission, the AACS responds to the inquiry's Terms of Reference, pointing out the unfair restrictions placed on convenience stores when it comes to the sale of packaged alcohol as well as the significant economic opportunities associated with reducing red tape in the provision of licences to sell these products.

We provide a detailed explanation of the AACS position on packaged alcohol, to outline the opportunities for deregulation in this sector and detail the unsustainable nature of the current market, in terms of stifled competition and the unfair advantages enjoyed by the major supermarket chains.

We also detail recent research findings on Australians' attitudes to the sale of packaged alcohol through the convenience channel, demonstrating widespread consumer support for deregulation.

Finally, the AACS wishes to reinforce its willingness to be involved throughout the inquiry process, potentially through the provision of more detailed information and appearances before the Committee directly.

Response to the Terms of Reference

The AACS offers the following insights and considerations with respect to these select Terms of Reference for the inquiry.

The effects on compliance costs (in hours and money), economic output, employment and government revenue

Existing regulations which prevent convenience stores from participating in the packaged alcohol market are stifling competition, preventing new employment opportunities from being created, and acting as a barrier to significant benefits to the national economy.

An analysis of packaged alcohol sales in overseas convenience industries demonstrates the revenue potential for convenience stores in Australia.

Even by the most conservative estimates, based on the performance of the packaged alcohol category in the UK and US convenience channels¹, allowing convenience stores to sell packaged alcohol would generate well over \$500 million in sales per annum for the small businesses that comprise our industry in Australia.

Granting permission for convenience stores to apply for packaged alcohol licences, and where appropriate granting such licences, would not only open up job creation opportunities at the retailer and supplier level, but would foster a more competitive environment for all.

¹ NACS State of the Industry Report 2016; The Local Shop Report 2016, ACS

Any specific areas of red tape that are particularly burdensome, complex, redundant or duplicated across jurisdictions

The issue of licences permitting the sale of packaged alcohol requires urgent attention. There is significant disparity across jurisdictions as to the types of businesses permitted to apply for a licence, the cost of such licences, and the concentration of licences in specific areas.

This extensive red tape is unnecessary, confusing and, most worryingly, is anti-competitive. Restricting the availability of licences to select businesses such as convenience stores plays directly into the hands of the major supermarket chains, which already control a disproportionate share of the packaged alcohol market.

Adding to the confusion is the granting of licences to retailers such as ALDI, as well as the emergence of alcohol home delivery services such as Jimmy Brings. We are not suggesting that these licences not be granted, rather that our industry be allowed to compete in this category too.

Removing unnecessary red tape and adopting a fairer approach that encourages – not restricts – competition in this market should be a priority for Government. This requires a coordinated and reasonable approach to licencing that does not discriminate between large and small retailers.

The effectiveness of the Abbott, Turnbull and previous governments' efforts to reduce red tape

From our experience, the willingness of previous Governments to engage in a level-headed, unemotional discussion on permitting convenience stores to sell packaged alcohol, if they so choose, has been limited.

While numerous politicians on a personal level have communicated their understanding of the business case we have presented, and have even voiced support to the AACS position, no action to reduce red tape and deregulate the packaged alcohol market have been implemented.

Almost without exception, the response from politicians from both major parties, at State and Federal Government levels, is that the issue is “too hard and there are no votes in it.” The latter part of this statement can be justifiably challenged citing recent independent research commissioned by the AACS which is detailed further in this submission.

We are hopeful the outcomes of this inquiry generate real change to reduce red tape and unlock the many benefits of deregulation.

The AACS position on packaged alcohol

The AACS has consistently engaged with politicians at all levels and from all parties, both face-to-face and writing, to explain our position when it comes to the sale of packaged alcohol.

We strongly support deregulation in order to promote competition, benefitting consumers, and enabling our members to participate in a large market dominated unsustainably – and unfairly – by the two major supermarket chains.

Regrettably the views, interests and concerns of our members have been just as consistently dismissed.

Below we summarise for the Committee's reference a clear business case for the deregulation of the packaged alcohol market.

The AACCS welcomes the opportunity to discuss this further and can provide specific figures and metrics on the impact of this sector on overseas convenience industries.

Unrealised potential: the economic importance of deregulation

- We believe less – not more – regulation is needed to enable small business to compete on more level ground with the major chains.
- If convenience stores were permitted to sell packaged alcohol, it would open up job opportunities at a corporate level and individual store level, and also at the supplier level.
- Suppliers would have an alternate and diversified national channel to reach their customers.
- The packaged alcohol market in Australia is valued at around \$16.2 billion² per annum. The two majors account for around 60%³ of this market. Deregulation is essential to generate competition in this market.
- Deregulation not only opens up job creation opportunities at the retailer and supplier level, it would foster a more competitive environment for all.

One remedy to a major competitive headache

- The two main supermarket chains use the existing retail framework to dominate alcohol sales to an unsustainable extent.
- Permitting convenience stores to compete in this market is just one way Government could improve the competitive landscape in the Australian retail sector and support small businesses.
- The majors use their market share to negotiate favourable agreements with alcohol producers and exploit their position to promote the sale of their high margin private label products.
- This affects retailers and suppliers. Some of Australia's best known producers of beer and wine are suffering as a result of the anti-competitive tactics of the major chains.
- The proliferation of home-brand products has diminished the ability of these suppliers to reach their market. They are being squeezed out.

Taking advantage of the convenience model

- The convenience store model naturally aligns with the way consumers purchase alcohol.
- When people buy alcohol, they are influenced by store display, layout and specials.

² ALSA-IRI State of the Industry Report, March 2016

³ McCusker Centre for Action on Alcohol and Youth, Major Alcohol Sales Outlets, January 2014

- These behaviours directly align with the convenience industry's competitive advantages and reinforce the revenue potential for small businesses.
- It is time convenience stores were permitted to use the advantages available to us in our quest to compete with the major chains.

The emotional argument (easily) debunked

- A major argument people make against convenience stores being permitted to participate in this market is that alcohol should not be more readily accessible than it already is.
- But the argument makes no sense. Packaged alcohol is already widely available in the community from a large number of licensed premises.
- Customers can visit drive thru bottleshops at all hours of the day and night to purchase alcohol. They can also have alcohol delivered directly to their homes.
- The capacity to obtain a licence to sell alcohol is limited to a select few, including take away liquor stores, of which approximately 60% are owned by the two major supermarket chains.
- Preventing convenience stores from selling alcohol is not slowing the growth of the industry.

Australia: isolated geographically but why economically?

- Convenience stores on almost every other continent are permitted to sell packaged alcohol. Australia is lagging the rest of the world and small businesses are the ones paying the price.
- It's a key product for small businesses in their efforts to compete against the larger chains.
- An analysis of packaged alcohol sales in overseas convenience industries demonstrates the revenue potential for convenience stores in Australia.
- By deregulating the market and allowing convenience stores to sell packaged alcohol, it would generate well over \$500 million in sales per annum for Australian small businesses.

Pictured overleaf are images of packaged alcohol displays in a couple of UK convenience store, most of which are also major petrol retailers. Images taken in London, 2016.



Proven responsible retailers

- Convenience stores have long proven they are more than capable of selling age restricted products such as tobacco and lottery products responsibly.
- We would sell alcohol in line with agreed trading hours, as agreed at the local level and we are happy to be involved in this discussion.
- Ranges could be limited to beer and wine as a starting position.
- Our industry already places a great deal of importance on staff training and development and this would of course extend to packaged alcohol sales.

AACS research: public attitudes to the sale of packaged alcohol in convenience stores

Our discussions with politicians to date indicate that, in the view of most, there are few votes in seeking to deregulate the sale of packaged alcohol in Australia, even though it is widely recognised that the two major supermarket chains dominate the market to an unsustainable and dangerous extent.

However, recent research⁴ commissioned by the AACS as recently as September 2016 presents a different view. The independent research, undertaken by the Sexton Marketing Group and involving the surveying of 4,000 Australian voters, sought to investigate people's attitudes to the sale of packaged alcohol through convenience stores.

The results clearly show that not only are most people in favour of having this option, but that it could also be a potentially vote-changing issue for many Australians.

Below is a summary of some of the more surprising – and concerning - findings of the research. I would be pleased to present the full detailed findings to the Committee at its earlier convenience.

Level of support for convenience stores being licensed to sell beer, wine and spirits

	Sep'16
Strongly support	16%
Somewhat support	20%
Neutral / Undecided	29%
Somewhat oppose	12%
Strongly oppose	23%
Total support	36%
Total oppose	35%

These results show that there is a sufficiently large segment of consumers (36%) who support local convenience stores having the right to sell alcohol.

Results by alcohol consumption status

Consume alcohol	% support
Regularly	50%
Occasionally	31%
Never	17%
Total	36%

Support is highest among regular alcohol consumers.

⁴ E-cigarettes, illicit tobacco, sugar taxation and alcohol retailing – a public opinion survey, The Sexton Marketing Group, September 2016

Would consumers buy their alcohol from their local convenience store if that store was licensed to sell alcohol?

	Sep'16
Would buy all of their alcoholic drinks there	9%
Would buy some of their alcoholic drinks there	37%
Would not buy their alcoholic drinks there	32%
Don't buy alcoholic drinks	22%
Total	100%

These results show that 46% of all consumers would be likely to purchase alcoholic drinks from their local convenience store if the store was licensed to sell alcohol. This provides a strong argument for licensing convenience stores (ie. a consumer benefit), as well as supporting a business case that convenience stores will boost sales revenue significantly if allowed to stock alcoholic beverages.

Conclusion

The two major supermarkets have historically demonstrated exceptional capacity to use existing regulatory frameworks to maximise the competitive advantages available to them, usually at the expense of smaller retailers like convenience stores.

Such is the case with packaged alcohol. The AACS, as the representative and voice for convenience stores across the country, emphasises the opportunity available to address this competitive imbalance through a reduction in red tape as it applies to licencing and regulation in the packaged alcohol market.

The economic, employment and competition opportunities that would be created through permitting convenience stores to participate in this market alongside the majors would be considerable.

The AACS welcomes the opportunity to work with the Committee throughout the inquiry. Feel free to contact me at any time to discuss this submission, and the implications for small business, further.

Thank you for your consideration.

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