

Subject: Submission to the Select Committee on Supermarket Prices

Select Committee on Supermarket Prices

PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

I am grateful for the opportunity to make this submission to the Select Committee on Supermarket Prices.

On the issue of supermarket pricing, I would like to draw the Committee's attention to the practice at Coles Group of six weekly CPI-based price increases.

Background

I am fifty years old and a graduate of law and economics from the University of Melbourne. My professional background is in banking, finance, technology and law.

Like many Australians, the pandemic disrupted my life, and in order to pay the rent, I obtained a casual job at Coles Group in liquor sales for one of Coles's liquor retail brands.

Whilst this was not the job I expected to have, I made some life-long friends from around the world and it helped pay my bills.

I also realised this was also an opportunity to experience first-hand the reality of casual work today for a very significant proportion of the Australian community who work for our large corporate oligopolies, such as Coles Group.

I was very troubled by what I saw at Coles, particularly the pushing of costs onto low-paid casual workers and the gaming of fair work obligations, facilitated by their compulsory employee smartphone app.

Six-weekly "CPI ticket updates"

However, on the question of price sensitivity and pricing setting behaviour, I would like to draw the Committee's attention to Coles Group's practice of six-weekly "CPI ticket updates".

This is Coles' practice of increasing the price of almost every product on the shelves by the latest CPI price increase.

Casual staff on the lowest wages and with no reasonable prospect of a pay increase were required to start early, and often finish late that day, to increase almost every price within the store.

Coles even had the brazenness to call this generalised price increase the "CPI ticket update".

Such a practice meant that a firm with significant market power, a near-duopoly with a price-setting ability, was increasing its prices simply because it could. This process has zero regard to the actual input costs of the firm.

Arguably, such a practice might be justifiable by a small firm with no cost-setting or price-setting power. But it is completely unacceptable for a large duopolistic firm to simply increase across the

board prices without regard to actual input costs. It is both a failure of the market and a failure of competition law to moderate this behaviour.

Conclusion

It is my understanding that such practices are permitted under current Australian competition law.

I would like the Committee to consider the following reforms to the law:

(1) Firms with significant market-power (both in terms of pricing and cost-setting) may not increase their prices across the board by CPI. These firms have access to detailed real-time data about their actual costs and therefore "CPI based" price increases simply cannot be justified. Their prices may respond only to *actual* pricing (demand) and cost pressure. These practices must be banned.

(2) Greater enforcement power, including resourcing, for our competition regulators. Firms with significant market power must feel the price-sensitivity (including public disclosure and reporting) that the absence of competition has otherwise removed.

I would be happy to provide any further information that the Committee may find helpful.

Thank you for your kind consideration.

Kind regards,
Luke

Luke Curran LLB/B.Com (Uni. Melb)