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JOINT SELECT COMMITTEE ON THE RETAILING
SECTOR

Reference: Industry concentration on the retailing sector

TUESDAY, 6 JULY 1999

BENDIGO

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JOINT SELECT COMMITTEE ON THE RETAILING SECTOR

Tuesday, 6 July 1999

Members: Mr Baird (*Chair*), Mr Jenkins (*Deputy Chair*), Senators Boswell, Ferris, Forshaw, Murray and Schacht and Mrs Elson, Mr Fitzgibbon and Mr Nairn

Senators and members in attendance: Senators Ferris, Forshaw and Murray and Mrs Elson, Mr Jenkins and Mr Nairn

Terms of reference for the inquiry:

To inquire into:

- (a) the degree of industry concentration within the retailing sector in Australia, with particular reference to the impact of that industry concentration on the ability of small independent retailers to compete fairly in the retail sector;
- (b) overseas developments with respect to this issue, highlighting approaches adopted in OECD economies; and
- (c) possible revenue-neutral courses of action by the Federal Government (ie courses of action that do not involve taxation reform).

WITNESSES

| | |
|---|------------|
| ATHORN, Mr Neil Philip, Manager Properties and Client Services, Sandhurst Trustees Ltd | 614 |
| CARTY, Mr John Dennis, Bendigo Bulk and Wholefoods | 629 |
| MACKENZIE, Ms Kathryn May, Manager Visitor Services, Bendigo Tourism | 614 |
| McRAE, Mr Greg, Furniture Retailer, Greg McRae Fine Furniture | 614 |
| RANDALL, Mr Bryan Frederick, Partner, Randall's Supermarket | 629 |
| SIDES, Mr Hadley, Chief Executive Officer, City of Greater Bendigo | 601 |
| SMITH, Mr Andrew, Director, Smithies Supermarket Pty Ltd | 629 |

| | |
|--|------------|
| THOMPSON, Mr James, General Manager, Central Deborah Bendigo, Bendigo Trust | 614 |
|--|------------|

Committee met at 8.31 a.m.

ACTING CHAIR (Mr Jenkins)—I call the committee to order and declare open this public hearing of the Joint Select Committee on the Retailing Sector and I welcome all witnesses appearing before us today. Today's hearing in Bendigo is part of the committee's inquiry into industry concentration in the retailing sector and it is the second of our public hearings in rural and regional Australia. Following Launceston yesterday and Bendigo today, the committee is travelling to Cooma, Dubbo, Bundaberg and Kingaroy. The committee has a very tight schedule with our public hearings in Cooma today also, so we apologise for not being able to stay in Bendigo longer.

Firstly, I have a formal aspect. I have replacement submission No. 305 and an additional submission from Randall's Supermarket. It is agreed that we receive those submissions.

SIDES, Mr Hadley, Chief Executive Officer, City of Greater Bendigo

ACTING CHAIR—I welcome Mr Hadley Sides. The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee has before it submission No. 306. Are there any alterations or additions you wish to make to the submission at this stage?

Mr Sides—There are perhaps a couple of points I would not mind elaborating on and also there is one figure there that needs a bit of explanation. When I look at it, it probably needs a little bit of correction.

ACTING CHAIR—I am about to invite you to make an opening statement. If you want to correct that figure as part of that statement, that would be okay. I am sure there will be questions at the conclusion of your remarks.

Mr Sides—The question of extended trading hours is one that has probably been more thoroughly debated in Bendigo than anywhere else, obviously, having had a fairly significant referendum on it here in April 1998. In that referendum just under three-quarters of the voters turned out and over three-quarters voted in favour of Sunday trading. So there is an absolute majority, even on those who turned out, of nearly 55 to 60 per cent of the population.

I have outlined in this a number of things which I see as being positive impacts from Sunday trading. In all of these things it is difficult to isolate cause and effect. Bendigo is on a general economic upturn at the moment, but I strongly believe that the extended trading hours are an important part of this, culturally, psychologically and also in real economic terms.

What is not stated here perhaps is that retailing in greater Bendigo is important. It is very difficult because the ABS have stopped collecting very localised figures, but, based on their last count and allowing for inflation, I would put the total retail turnover in greater Bendigo

at about \$550 million a year. So it is fairly significant. It is over \$½ billion and employs over 20 per cent of the work force. A fair component of that work force is in fact based on Sunday trade. The proponents put a figure of 1,200 on it during the debate. That may or may not be accurate. Who can tell, because there are no official figures on it. But it is probably not too far off the figure of those employed now. From my observation, a lot of those people are not necessarily people who work during the rest of the week. A lot of them may be younger people. There is a great variety of people who are now working on Sunday. We also have extended hours in the evenings in some of our larger supermarkets as well.

We perform a very large regional retail role. Our urban population is between 70,000 and 75,000 and we have another 10,000 or 11,000 people in our own surrounding municipality, and there are probably up to another 70,000 or 80,000 people beyond that whom we service to varying degrees. The fact that we have a CBD with a Myer and a number of other major retailers means we attract a lot of people. We probably draw in of the order of \$2 or \$3 for every dollar we lose out to Melbourne, but the dollars we lose to Melbourne are still significant to us, particularly in female fashion and areas like that where we have sought to attract more people.

Specifically on the impact of Sunday trading, I did a bit of an investigation prior to preparing this. There is some evidence I have put here which does bear looking at, and that is that Bendigo Marketplace currently reckons that about 10 per cent of their traffic occurs on Sundays. That is the major undercover shopping centre up near the city here. Not all the stores open; about three-quarters of them do. Some of them report it to be a very good day, but others, depending on the type of retailing, do not find it worthwhile opening.

In the city centre it is harder to measure the impact, but the people at Myer have told me that Sunday is now their third best turnover day and they expect it to climb. It has been steadily climbing. The Lansell Plaza is another undercover shopping centre on the way out to Melbourne. It has shown steady growth since then in those shops that are still there. There are a fair number of vacancies at the moment as they are about to rearrange and expand their shopping centre. They have found that Sunday has become more popular as well. Strath Village, which is a smaller shopping centre to the east of the city, has seen almost a doubling in the number of people coming through on a Sunday.

The point that I would be making is that people have voted not only at the ballot box but also with their feet on Sunday trading. There is a consistent trend towards people actually taking up the opportunity and an increased number of shops that are doing it. It is not only locals; we are finding it is related to visitor traffic. Sunday is now a very popular day in our tourist information centre. We have found that, when we are trying to attract conferences and things like this, the availability of shopping is a key factor.

I have given one example there of Greg McRae who runs a very fine furniture shop, which is very large and which has a range of quality furniture of an interesting kind. He spends a lot of his time trucking things back to Melbourne from whence they have come because he is selling a lot of it to people from Melbourne at the weekend. He has said here that Sunday is now his second busiest day.

I do not think there has been evidence given to me of any decline in retail activity since the referendum. We have certainly had additional space. As stated here, it is nearly 200,000 square metres now that we have in space. There has been quite a lot of expansion in recent times. Probably one of the key things, if you are looking at the effect of Sunday trading, is the vacancy rate. That is where I need to clarify one figure here. When the Save Our Sundays Group did a survey—and I think it was probably reasonably accurate at the time—they said that there were 90 vacant stores. That would have been about February or March 1998. We have since carried out a survey, every quarter roughly, of store vacancies in Bendigo so that we could very specifically monitor this impact. The figure 55 that is referred to there is for the CBD. In fact, the figure across Bendigo is 81, not 55.

However, of that 81, we have a slightly different definition as we take in some of the surrounding towns. So, to really compare the figure of 90 that the Save Our Sundays Group had you have to take off 10—so it has really declined from 90 to 71. I have here other figures which show that in the CBD—which most immediately competes with those major chains such as Big W, Target and K Mart that have embraced Sunday trading—the number of vacancies in the CBD has fallen from about 57 at June last year to 45 in April this year. So there has been a fairly significant decline—of nearly a fifth—in the number of vacant shops in the last nine to 12 months.

Sandhurst Trustees, whom I have mentioned here, manage a very large proportion of the stores in central Bendigo and have reported to me that they have had their lowest vacancy rates for some time. I do not think there has been any evidence in other areas of any decline associated with it. Unemployment at the time of the referendum, according to local area statistics, would have been in the order of 12.8 per cent. The last quarterly figures, released in March for the December quarter, showed Bendigo at 8.8 per cent. It has the lowest unemployment of any provincial city in Victoria and has the fastest declining percentage of unemployment of any provincial city. I have not seen any evidence of any economic downturn since the referendum. That is all, thank you.

ACTING CHAIR—I should have said from the outset that one of the reasons we were keen to come to Bendigo was the history of the referendum to do with the extended trading hours. Extended trading hours has been offered as a concern, especially by small business in that they believe they are disadvantaged because of the extended trading hours. I will ask my colleagues to commence questioning.

Senator FERRIS—I really have only one issue I would like you to expand on. Reading through your material last night, you paint a very optimistic picture of a regional centre that has obviously undergone some difficulties over the past decade or so. But we do have a submission here from Randall's Supermarket. He points out that, since deregulation of shopping hours, his sales are down 40 per cent. There are always winners and losers out of this, and clearly he presents some quite sad evidence that he is clearly not a winner at present.

Given the length of time that somebody operates a family business in this town, has the city of Bendigo given any thought to assisting people such as him to perhaps in some way reposition his business to try to ensure that he also becomes a winner? Are you aware of any other businesses that are having the same experience as Randall's Supermarket?

Mr Sides—There are a few issues there. In the first instance, we endeavour to assist all retailers. We actually have a full-time retail liaison person who used to work in the industry. We run a number of retail summits. We provide detailed business advice to quite a number of stores. We have helped a number establish.

The other side of it is that, in local government in Victoria, we ourselves are forced to compete in the market for our own jobs every three, four or five years. So council staff and councillors are familiar with the rigours of the competitive market. To me—this is my opinion as the CEO and it may not be that of the councillors—you are right about there being winners and losers. At the end of the day, retailing is about consumer choice, and the day we stop making it about consumer choice is the day we start to get into trouble.

While there are a number of aspects of this, shopping hours are one but variety of goods is another. People did not eat Mexican food and burritos 10 years ago. They probably did not eat sun-dried tomatoes five years ago. There are always new products coming along. It is incredibly hard for a lot of small retailers trying to be generalists to maintain a range of stocks on their shelves so they will be able to attract business. Hence, I think it is inevitable that the world is going to those sorts of stores that are of three types: they are very large where they can carry a very large range of competitive goods; they are category killers where they cover every possible type of good in a category; or they are speciality shops where you will find things which you do not even expect the big stores to carry.

I think that shake-out is happening across retail all the time, and it happens in other businesses. To me, retailing is an organic thing. We have to try to manage the change as best we can, but it is inevitable that some of these changes are going to happen.

Senator FERRIS—Are you aware of either the council itself or your tourism body trying to assist longstanding loyal businesses, such as Randall's Supermarket, to manage that change, or are you saying those people themselves have to take on that challenge as individual storekeepers? Clearly, as a city, it is quite an impressive record that you have, and that is why we all decided to come here. You did take on a challenge and you have apparently managed it quite effectively. It is a sad thing to see somebody who is a third-generation shopowner obviously failing to meet that challenge. I just wonder whether the community also sees that as being a responsibility to try to assist.

Mr Sides—Within reason we do try to assist businesses. There is a great number that we have assisted and are assisting—and that goes right down to doing business plans and so on. I have a qualified accountant on staff who does business planning for businesses if people want to look at it and re-examine how they might approach what they are doing. There is also an element of there being a great number of ratepayers, some of which are competitors. So we have to bear in mind that we do not unduly advantage one against the other. But, within that limit, we are quite happy to provide business advice, and we have, right down to preparing business plans for some businesses.

Senator FORSHAW—Firstly, you have mentioned the unemployment figures and suggested that there has been a reduction in unemployment over the period. One of the arguments that has been advanced—for instance, it is in the submission from Carty, but it is often put as well—is that there is a transference from full-time employment in small

businesses to part-time and casual employment when big supermarkets and retail chains come in and take over. I would like you to comment upon whether that is a factor or not. There is certainly a suggestion in the submission that Senator Ferris referred to that that has been the case here.

Secondly, what has been the overall position with the council's rate revenue from the commercial sector? Has that seen a substantial increase? That at least would be a measure of activity over a period of time, I would have thought.

Thirdly—and I am sorry for throwing this all at you, but we often get only one or two chances—there are references in your submission to proposals from Bunnings to establish a centre here, and also there was a list of a number of shops, which I think included Harvey Norman. What has been the sort of development in terms of new major retail chains or supermarkets opening up in Bendigo? Has there been a substantial change, or is it essentially the same group of businesses but with extended trading hours that has led to this activity?

Mr Sides—On the full-time to part-time issue, again a lot of this is difficult to establish in the absence of very specific figures. Generally, I think there is a drift from full-time to part-time work. I should say that before I became a CEO I worked as an economics consultant and some of the work I did was for the retail sector. My observation would be that an enormous number of part-time people work in small retail outlets as well. Small retail outlets are really no different from large retail outlets in the sense that their peaks and troughs during the week and the seasons are much the same. They run sales, they have peak Saturdays or Fridays and they tend to take on part-time staff as well. It is true that they have a core of full-time staff, but in many of the stores they still have significant part-time work.

Senator FORSHAW—I might interrupt and say that I actually agree with you that that is something that has not necessarily been raised a lot. Often the small business is the family members, and the additional part-time or casual employee comes in at peak hours, such as in sandwich shops and places like that.

Mr Sides—The other point I would make is that, even if there is a drift to part-time employment, there is a question here of opportunity and equity in the work force as well. There are quite a lot of people who require part-time employment. There are students and people who are carers at home during the week. That is a point to pick up on later.

In terms of family values and access to shopping, to not have extended hours presupposes a model of family life. It is the same with part-time work. To say that part-time work is bad is to really say there is a certain pattern of family and personal lives which people need to conform to. We have thousands of students here. We have the university with 4,500 students, the TAFE college with several thousand students and a matriculation college—one of the largest in the state—with 1,700 or 1,800. So we have a large need here for part-time work for people in order to supplement their education. That is the only thing on the employment side.

On the rates side, it is difficult to answer that question because of the history of amalgamation here. We have been on the same rate base now for nearly seven years and it is right in the middle of a revaluation now. It has gone on for such a long time because six

councils have come into one. To answer your question, the commercial part of the rate base in the city—and I would not be able to put a percentage on it here—is a fairly significant part, especially in the CBD, but it is very hard to look over time simply because we have been frozen for so long due to the unusual nature of the amalgamation process here.

In terms of what is happening to commercial development, there is quite a significant amount of new commercial development. When I first came to Bendigo about five years ago we would list the value of planning permits in each meeting, and I can remember everyone used to almost stand up and cheer when it hit \$1 million periodically every fortnight because it was very significant. Now it is regularly \$2.5 million, \$3 million or \$3.5 million. So there is quite a significant increase in the value of planning permits that we are making.

Senator FORSHAW—Has the council increased its rates over recent years?

Mr Sides—Yes, we have. Ours would be amongst the lowest rate increases in Victoria. They have averaged at about 2.5 per cent per annum in the last four or five years. This year they were four, principally because of the Grants Commission's treatment of us in the return of taxation revenue. One measure of the sort of growth you are looking at is what we call the supplementary rates, which is the additional rate revenue due to development during the year, and that has been growing at about 1.2 per cent. That gives you an idea of the growth in the value of our rate base. Quite a lot of that is in retail. A number of the retail areas we are talking about here are not necessarily the traditional shops, but it is associated with rural activity. Because we have built our new livestock exchange, that has led to quite a lot of investment in retailing associated with the farming sector.

We have certainly had some expansion of fast foods. Also, Harvey Norman would probably be the largest single development, along with Bunnings. We are also looking at the moment at expansion in Lansell Plaza, which will be fairly significant. From memory, I think that is about a \$4 million or \$4½ million refurbishment and expansion. My observation generally around the city would be that there have been upgrades of retailing as well. It is hard to know what that can be attributed to. In part it is just a resurgence of the city and more of an interest in the urban design aspects of the city as well. Generally, I think there has been a steady growth in the floor space and quality of floor space in retailing.

Senator FORSHAW—I noticed that. That is why I asked the question about which companies.

Mrs ELSON—Mr Sides, how many independent grocery stores like Randall's would there be in the surrounding area?

Mr Sides—They would probably be able to answer that better than I can. They would know their competition. It depends what you would call independent. There are probably four or five smaller independents of 1,000 or 1,500 to 2,500 square metres.

Mrs ELSON—Please excuse my ignorance of your demographics. Are there smaller rural towns within half an hour's drive?

Mr Sides—We have a number. There is Heathcote, whose urban population is about 1,500 or a bit more, with another 1,500 to 2,000 people surrounding it. It has what I suppose you could call an independent grocer. We have worked with him quite a bit in the past. Elmore, which is smaller, has probably 1,000 people in its immediate area. Its retailing is not as robust as Heathcote, and we have a number of other much smaller towns.

Mrs ELSON—Evidence we have received before does show that smaller towns like that are really affected by deregulation. Has that showed up in your—

Mr Sides—Yes. I think you have to be really careful. Again, people travel for choice. There is no doubt about that. One of the first things I ever noticed here was the number of empty trailers going to Melbourne at 8 o'clock or 9 o'clock on Saturday morning, as people go down and comparison shop for whitegoods, for example. People travel 150 kilometres to do that. The escape expenditure analysis shows that. My in-laws happen to live near Highpoint West shopping centre in Melbourne and, if I am in there on a Saturday or Sunday with them, I often run into people from Bendigo. People will travel for a wider variety. I am not sure it is just because of an agglomeration of ownership or hours.

The other thing that is perhaps affecting those smaller towns has been the withdrawal of a range of services. Therefore, shopping or retailing is, to me, increasingly a sort of experiential event. It is entertainment. You do a number of things when you go there. A general withdrawal of services from these small towns is probably exacerbating the situation as well. I think we would have to say that the vacancy rate in the small towns is pretty high in the retailing shops.

Mrs ELSON—Is there anything the council is doing about that to try to save those little towns?

Mr Sides—Yes, we do. At the end of the day, you are dealing with people's mass consumer behaviour and it is very difficult to turn that. We have worked with the chamber of commerce in Heathcote a number of times. That has had a resurgence. They have tried various promotional campaigns. We have done a lot of things to try to even up competition around town. One of the things we do—and it sounds sort of pithy, but it is something which probably indicates the council's commitment to that—is spend a small fortune on Christmas decorations every year. I think we are augmenting it by quite an amount. We make sure very deliberately that it is proportionately distributed throughout the municipality so that all the shopping areas get a share of Christmas decorations.

We have encouraged all of the various shopping areas to form local retail groups. We have seven or eight retail groups now that meet as entities and look at promoting themselves. Our retail officer goes along and provides the secretarial services and some professional advice. We have not yet had the phenomenon of people wanting to strike a special rate to run promotion and so on. It has been a bit of a vexed question in this area, but we are finding that a lot of these retail areas are in fact getting together at very small levels. We have several groups within the CBD, for example, that are little subgroups that promote themselves. We have other suburban shopping centres that have formed groups. We encourage that. We think that is good.

Mr NAIRN—In Victoria, do you have total control over planning laws? For instance, is new development, particularly major shopping developments that might require rezoning, a totally local government issue or do you also need to have state government approval?

Mr Sides—There are a number of state government general policies over time that we have to have reference to. They tend to be more with methodology than direct outcome. All of the planning schemes in Victoria are a bit unusual in that you build them out of zones that are preset by the states. So you have a suite of planning zones you can choose from and you get to choose which ones you like but you can only choose what is on the shelf, in effect, from the state. So to some degree the state dictates some aspects of planning. However, I would say 90 per cent or 95 per cent of the action is really dealt with locally. However, I have yet to deal with a major retail application that has not ended up in appeal before some sort of hearing, which means inevitably there are lots of consultants' reports, lots of history pulled out and lots of reference to other decisions elsewhere. Where something gets very complicated and goes horribly off the rails, the minister could call it in, but that has not happened yet that I am aware of in a retail development in Bendigo.

Mr NAIRN—Have you had many new developments like that in the last five years? What has happened in that major chain area—Coles or Woolies, those sorts of companies—in this region?

Mr Sides—Probably in the last six years there has been a change. I did not live here then, so it is hard for me to speak to it. Two new Safeway supermarkets—one on the highway and one in the regional shopping centre—have occurred.

Mr NAIRN—Were they brand new? They did not buy out small—

Mr Sides—No. To my knowledge, they were both new. One is freestanding and one is in an undercover shopping centre. Prior to that, the large supermarkets would have been a Coles in the centre of town and another supermarket—there might have been two, I cannot remember—in Lansell Plaza. Since then, we have had a bit of a shift in some of the ownerships. The Bi-Lo group, which is Coles, has taken over one of the former independents. It is quite a large supermarket, and it always was a seven-day trading store in the time I have been here. There have been a few other changes as well. We have seen companies like Franklin Fresh and Jewel shuffle around some of the ownership. One currently has closed and is reopening under a change of ownership. You would have to say that in the last five or six years there has been a move certainly to the major chains taking a much larger share of the grocery market in Bendigo.

Mr NAIRN—Do you think any of those changes would have been directly related to liquor licence areas as well? There is a cap on liquor licences.

Mr Sides—Not to my knowledge. I would say that—and this would be an observation on the data and studies I have seen—there was a shortfall of quality, modern supermarket space five or six years ago, and therefore there was an opportunity for the majors to perhaps convert to a new style or technology of retailing. That is something that is quite important in retailing. There is always going to be a wastage element because it is about taste. Therefore, it is a bit like car models. If you bring out a new model, suddenly what was last year's new

model gets discounted heavily. The same thing happens in retail space. I think what happened was that the majors saw an opportunity to present supermarkets of a larger, new generation type, with large fresh food and delicatessen areas and so on. That has been embraced. Generally, I think there has been more a style change as well as support of this shift.

Senator MURRAY—Mr Sides, it would be helpful for the committee if you could let us have copies of the questionnaires and the material which accompany the trading hours issue, if that is available, and both the yes and no case material, if you have it. We have had some material elsewhere on this, and that would enable us to evaluate what was asked and how it was presented a little better. Would you be able to do that for us?

Mr Sides—The formal referendum material?

Senator MURRAY—Yes.

Mr Sides—Yes. As usual, it was like a lot of referendums—you seem to ask the question in a way that is the opposite to what people think of it, and that was one of the reasons for confusion. But I can make that material available.

Senator MURRAY—Can you indicate to us whether any funding was available for the yes and no case?

Mr Sides—Not from the council. The legislation—and both sides would agree with this—under which the referendum had to be run was the most difficult, convoluted tightrope that I have ever had to walk. I think you would have to say that there was extremely good grace on both sides. In fact, the SOS group were, I think, particularly cooperative given the difficulties. It was not so much that the legislation was loaded against them; it just made it very difficult for them. I was charged with running a fairly independent line then, which I did. I had no opinion during the entire debate on this. Therefore, there was no money made available directly by council. The councillors did declare their position as elected persons on it, which was to be in favour of extended hours.

Senator MURRAY—Is the cost of the referendum to the states or to the council?

Mr Sides—You mean the actual running costs?

Senator MURRAY—Yes.

Mr Sides—From memory, I think the referendum cost me—and Mr Carty may remember more than me—about \$80,000.

Senator MURRAY—When you say ‘me’ you mean the council?

Mr Sides—Yes. It was borne by the council.

Senator MURRAY—Did the private sector participate? Was there money either side on the yes and no case?

Mr Sides—I am pretty sure a lot of the retailers obviously supported the yes case. There was obviously an SOS case that was put together. I am not sure of their funding and where it came from. I did not see evidence of massive funding on either side.

Senator MURRAY—Tens of thousands or hundreds of thousands?

Mr Sides—Tens of thousands would have covered it, I would have thought.

Senator MURRAY—Mr Sides, from listening to you, your language is very professional. You understand a lot of the retail world just from the things you say. Have you ever worked or done work for the major groups—the Coles Myer group, the Woolworths group, Franklins?

Mr Sides—I do not think I have worked directly for them. I have worked usually either for developers who are putting together floor space or for councils who are preparing a case in handling retailing, or perhaps other groups. I do not think I have worked for one of the major retailers directly.

Senator MURRAY—When you outlined earlier that you assist with business plans as a council activity, does the council assist in submissions or anything of that sort that are made to inquiries such as this or to the Productivity Commission or to anything else?

Mr Sides—Do you mean: do we assist other groups?

Senator MURRAY—Retailers or businesses or industries?

Mr Sides—We will if we are approached. I think we draw a line where someone is presenting evidence to an inquiry such as this. It is their own evidence and therefore they have to take responsibility for it. However, we probably collect more local economic data than anyone else and will make that available. In fact, we have had situations here where, on a number of issues—even planning issues and so on—people in the economic development unit have often provided advice to someone who may not be in agreement with the council line, but that is their job and I encourage them to do that without fear or favour.

Senator MURRAY—So if, for instance, Coles made a submission to the Productivity Commission, would the council—through you or through the other officers—provide them with information as a matter of course?

Mr Sides—If we were asked. I am not aware whether they have, in fact, approached us and asked us for specific information. Normally they would have better information on the retailing sector than we would, but if people come and ask for information, we will make available whatever we have.

Senator MURRAY—It is a service you provide any ratepayer, is it not?

Mr Sides—Yes, generally it is publicly available information. We have a fairly open door policy on information.

Senator MURRAY—On the number of stores and vacancies, I understand there was a Coles-Fosseys-Jewel complex here which closed. Is that so?

Mr Sides—There are two. There is a Coles-Fosseys building in the centre of town which is closed at the moment. It is probably two-thirds occupied by a Myer discount direct store. There is Jewel complex up the road, just off the city centre, which has closed because Franklin Big Fresh have taken it over and are moving in.

Senator MURRAY—My question really is: were those complexes taken into account in the 91 stores that were considered vacant and are they out of the count now that they are down to 71?

Mr Sides—We do it quarterly. They would have been in it some of the time and out of it at other times, depending on whether they were occupied or not. I think the Jewel complex was probably shown in the latest one as vacant, because it is vacant at the moment while it changes ownership. The Coles-Fosseys complex might have been in one of the earlier ones, but it would now be shown—and I am guessing this—as full on one frontage and empty on another that is not being used.

Senator MURRAY—So the difference in vacancies could be simply because complexes have closed and, therefore, are no longer counted?

Mr Sides—No, if they are vacant they are counted. All shops in commercial areas are counted. We find that it is not the same ones. There is a small core of badly located, poorly fitted out shops that have tended to be vacant for a long time. Most of the others tend to be cycling through rental periods and, therefore, what is actually vacant has shifted a bit. But they would have been counted when they were vacant.

Senator MURRAY—My last question is on the unemployment area. Anyone who sees unemployment rates fall is always pleased. I think you gave the figures of 12 down to 8.8, which is encouraging. The national figures—and the figures all politicians get; they pour in to you—universally show that small business is the employment generator and big business is the employment loser, unfortunately. If a consequence of Sunday trading is to move business more into larger business operations—the majors in whatever sector—we would naturally expect that to reflect national and regional trends. Are you saying that Bendigo has gone against the trend or that you have just seen a drop and within that drop Sunday trading happened as well and you do not know what the effects were?

Mr Sides—I think you would have to say partially that the latter is true, because there is no real, specific, local sectoral data. The drop in unemployment here is an unusual situation. We have had a very large withdrawal of government employment in Bendigo, which was very significant. We have seen losses of state, Commonwealth and Telstra employment, but it has been more than compensated for by the growth in the private sector—a lot of it would be in small business. Except for retailing and some call centre activity, we actually have not had a large new employer come to town which has employed hundreds of people, so I would say that apart from the major retailers a lot of the growth has been in the smaller businesses here. So that national trend probably would still be relevant here.

Senator MURRAY—I understood you to have indicated that your view was that the arrival of Sunday trading would have slowed or stopped some interregional shopping and, therefore, kept businesses within the town—which would retain jobs. But no research has been done on that, has it?

Mr Sides—I guess the research is to actually just have a look at what happens on a Sunday. The reality is that if you live north or north-west of here you have to go past here to go to Melbourne—and Melbourne is a long way to go just for weekend shopping. Part of our retailing attraction here is to be somewhere which is open, interesting, attractive and worth driving 100 kilometres for. Therefore, it is not only the retailers being open but things such as our parks, our gardens, our gallery—which we spent a lot of money on—and our outdoor eating areas. I see it as part of a total package, because people do not divorce retailing from general entertainment or outings. It is part of what people do. Therefore, I think part of a robust attractive centre is to have not only the wineries and all of those tourist attractions but also retailing. The single biggest expenditure item, other than accommodation, for people when they travel or go for an outing is, in fact, retailing. So we see it is an important component.

Senator MURRAY—So you see it as an essential tourist activity?

Mr Sides—I would say it is a pretty essential tourist activity. If people drive 150 kilometres here from Melbourne—from where they are used to seeing Sunday activity—and arrive at a country town which is closed on a Sunday, I think it confirms all of their worst prejudices.

Senator MURRAY—So you do not think it is simply a substitution from Monday to Saturday shopping going into Sunday? Do you think it is new business?

Mr Sides—There is an element of that. I think a lot of the evidence shows that there is new business. Some parts of it—food and so on—are probably a redistribution. I think that is to do with lifestyle and where you have households where both partners work and so on. I think extended shopping hours provides a valuable social function for those sorts of households as well. Also, my experience is that there is a discretionary dollar in everybody's weekly household expenditure, and the question is whether it is going to go on retailing, travel, pay television, sport, gambling or whatever. Retailers cannot expect to attract that discretionary dollar by being open at hours that traditionally suited them. If they want to intercept that dollar, they are competing against some very powerful marketing interests in those other discretionary uses. If they want to attract that dollar, they have to be in the way of the dollar, literally. They have to be out there where people will see them and be motivated to spend that marginal dollar. It will not happen on food, but it may well happen on something like fashion items or whatever. Otherwise it will end up in something which we do not traditionally think of as retailing.

Senator MURRAY—My last question is: do you think the net result will be to simply increase the market share of big business versus small business in your town?

Mr Sides—It may mean that there is an increase in the share of big business, but I do not necessarily see that in itself as a problem. I think, in terms of retailing, if you are

looking at this city's viability, the essential result for all of us must be that retailing must be in the hands of those who are most competitive. If that can be the small businesses, good luck to them; that would be a fine result. It may be some of the larger chains, which seems to be the drift generally across the sector. But what I would not want to see is a retail sector that is propped up by local regulation and rules which are not competitive, because eventually that will just mean that people will drive down the highway to make those higher order expenditures.

Senator MURRAY—But this inquiry is about retail concentration and the dangers of that. I would have difficulty believing you would want to see your town purely run by three majors and nobody else getting a look in.

Mr Sides—I think in the food industry—and this is obviously the reason for your inquiry—that is very much happening. Outside of food, I would say we have a fairly diverse range of retailers here that are still pretty vibrant, and that is working to our advantage. Part of attracting people here, as I said before, is also the image of choice. Therefore, we want to maintain—as you are saying—a range of choice. The concentration here in this town so far has been primarily in food. In fact, a lot of the major chains in some areas of fashion and so on are not represented in this city; it is still very much locally owned.

ACTING CHAIR—Besides assisting with business plans, does the business unit give information—especially to small business—about rights, about access to organisations such as the ACCC, about what they might be able to do under trade practices legislation?

Mr Sides—It is probably not an area that they are expert in. That advice would be handled by the small business section of Business Victoria, which is in fact integrated with that unit—you go to the same front door.

ACTING CHAIR—I think we have covered most of the things that we wanted to cover. Do you have anything else you wanted to add?

Mr Sides—No, I am fine.

ACTING CHAIR—Regrettably, we have very short time lines. We thank you very much for your time today.

Mr Sides—Thank you.

Senator FERRIS—Has the city of Stonnington got extended trading hours?

Mr Sides—Extremely so.

Senator FERRIS—I am afraid I do not know where it is.

[9.22 a.m.]

ATHORN, Mr Neil Philip, Manager Properties and Client Services, Sandhurst Trustees Ltd

MACKENZIE, Ms Kathryn May, Manager Visitor Services, Bendigo Tourism

McRAE, Mr Greg, Furniture Retailer, Greg McRae Fine Furniture

THOMPSON, Mr James, General Manager, Central Deborah Bendigo, Bendigo Trust

ACTING CHAIR—Do you have any comments to make on the capacity in which you appear?

Mr Thompson—Our business is represented on the Greater Bendigo Retail Network Group.

Mr Athorn—We represent the estates which own 110 shops in the central business district and are also involved in the Retail Network Group.

Ms Mackenzie—I am here to represent the tourist industry which, in the main, is small business.

ACTING CHAIR—The committee prefers all evidence to be given in public, however you may at any time request that your evidence or part of your evidence be given in private, and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee has before it submissions Nos. 307, 308, 309 and 310. At this stage are there any alterations or additions you wish to make to any of those submissions? If not, we will move to opening statements. Hopefully, they can be brief and we can then go to questions. Who would like to go first?

Mr Athorn—Thank you for the chance to take part in this discussion today. As I said before, we operate 110 shops in the CBD. A number of them are owned by the estate of Dr Henry Backhaus, which we cannot sell. It is vital that we keep the CBD alive in Bendigo. We have worked on a number of different committees—the Retail Network Group, the Hargreaves Mall Traders and the Central Traders Association, when it was around—to try to keep the CBD alive. We are mindful of the fact that we have to keep below and above the veranda lines in good appearance, for shops as well as shoppers. With seven day trading we have seen an increase in the demand placed upon us for shops to be available for leasing. We currently have our 110 shops occupied, which we have not had before.

The estate has had some decline in its rental, because of the marketplace being established. But when you have an economy and a population the size of Bendigo and are bringing another 50-odd shops into it, something has got to give somewhere. But we have clawed our way back to having 110 full shops. We are also now taking inquiries from people

about privately leasing their shops out for them. So we see Sunday trading and also deregulated shopping hours as vital to our existence in Bendigo.

Sandhurst Trustees is part of the Bendigo Bank Group. We have 80-odd branches throughout Victoria. We see that also as a viable thing that we must be able to operate. Bendigo is unique in that it has its own country based bank. We need to make sure that we have the facilities open and that we have the facility to trade seven days a week.

Mr Thompson—I would like to give a bit of the background of the Bendigo Trust. We were established in 1972 by passionate members of the local community wishing to preserve key elements of Bendigo's heritage, namely the Bendigo tramways and the Central Deborah gold mine. Today the business entertains around 70,000 visitors each year, driving turnover of approximately \$1.2 million and contributing around \$3 million to \$4 million to the local economy. In peak periods—for example, school holidays and the Easter period—the business employs in excess of 50 staff. Critical to our success is the maintenance of retail functions, which contribute around \$400,000 annually in total sales. These include two gift shops, a cafe, an underground function centre and Australia's first cafe tram. Planned expansion of our retail functions in the coming months is expected to increase turnover by 25 per cent.

The point I would like to reinforce is that we are not simply in the business of mines and trams; we are in the business of providing entertainment and a total leisure experience for people who come into our business. We are increasingly finding that our retail function—our gift shops, cafe and food services—is providing us with the wherewithal to actually maintain our heritage assets. The effect of banning Sunday trading for our business—because we employed in excess of 20 people in that peak period—would have closed our business on weekends. Our weekend periods are our busiest periods. That is when we are making money to tide us over those low periods during the year.

Based on a sample survey in 1994 of walk-ins to the business—representing approximately 45 per cent, or 30,000 customers, of the business's market base—15 per cent were international visitors. We estimate that in the last five years this has risen to 20 per cent—mainly Asian and European visitors, with a noticeable increase in European visitors during this period. This is consistent with Tourism Victoria's trend analysis in their strategic business plan, which indicates that Scandinavians and Germans are most likely to travel outside Melbourne to regional Victoria.

These visitors, who have a longer length of stay in the country, tend to travel to regional destinations. We are finding that they are second-time travellers to this country. They have seen the major icons of the country and are wanting to get out and experience what I would term the 'real Australia' out in the regional areas. They expect the destinations to be open for business. Anecdotal evidence to us on general information inquiries regarding other attractions, shopping options, et cetera—we effectively operate an information service too on our tour desk—is that the traditional notion of Sunday being a day of rest with retail services shut is out of step with the general expectations of visitors.

Mr McRae—I run an independent furniture store, and I have been at the forefront of the push for extended weekend trading, mainly as a response to what was already happening in Melbourne. It was first Saturday afternoons, long after Melbourne was trading on Saturday

afternoons, and then Sunday, because Melbourne furniture shops were trading illegally on Sundays for a long time. There is no question that furniture shops in Bendigo were losing trade to Melbourne. I would not be a supporter of weekend trading for the sake of weekend trading, but it has been a reality and you have to be seen as being competitive. I would just like to say one thing about the vote: I do not think the vote in Bendigo was just a vote for whether people wanted shops to be open on Sundays; it was actually a vote as to whether Bendigo was to be out of step with the rest of the state. The reality was that Sunday trading was happening in Victoria, so it was really a vote as to whether we shut Bendigo while the rest of the state was open. So it puts a slightly different perspective on it.

Hadley said a lot of the things that I would like to say about shopping becoming a leisure activity. We see it so much in furniture. People will come down from Swan Hill on a Sunday and we will have them there when we open the doors at 10 o'clock—not only from Swan Hill, from lots of places, but I picked Swan Hill because on Sunday people from Swan Hill were there when I opened the doors at 10. It is a big day out. They look; the family are there; they will go away and have a cup of coffee or do some touristy things; they might come back two or three times during the day. It is a real day out, and they have not been able to do that until weekend trading came. Also, Hadley mentioned competing for discretionary dollars, and that is very much the case. We are actually competing with the tourist industry—gambling, all sorts of industries. You have to get those discretionary dollars, so you have to be open at times that people can spend those dollars; you cannot have them rushing in after work.

The other thing that I would like to say was that it has become a real family activity. Saturdays and Sundays—particularly Sundays—the whole family comes in. They sit and discuss things, go and have a cup of coffee and come back. It is a real family activity, and you do not get that during the week. One other thing is that out of town sales as a percentage of my total sales have increased dramatically. I cannot put a figure on it, because we do not feed that information into the computer, but it is very significant.

Ms Mackenzie—Tourism in the goldfields region attracts over 1.7 million visitors, and that is based on the 1995 tourism and travel survey. Over one-tenth of all visitors to Victoria visit this region, and visitors to the goldfields account for over four million visitor nights, or eight per cent of all visitor nights for Victoria. Almost half of our visitors are from Melbourne, 32 per cent are from country Victoria, 17 per cent are from interstate and, as James said, there is a growing overseas market of three per cent. Total expenditure derived from this overnight visitor population is something like \$185.6 million.

What is it that visitors really want to do when they come here? There are four main things that overnight and day tripper visitors want to do: shopping is number one, 47 per cent; very high for Bendigo is visiting friends and relatives, 44 per cent; restaurants and dining out, 43 per cent, which would be around what Mr Sides was saying; and sightseeing. They are the top four things visitors would really like to do. What impact has this Sunday trading had on the City of Greater Bendigo and on the tourism industry? Tourism is really a seven day a week industry. You do not have a day off. As I think all speakers have said, Sunday is a day when people do want to get out and about and do things.

We cannot neglect the megatrends or the trends of what people are really doing at the moment. People do want to go out and have the experience of dining, shopping and doing all of the sorts of leisure activities that probably contrast with their busy daily activities. We do know from work done that the VFR market—the ‘visiting friends and relatives’ market—is a large one for Bendigo. On Sundays, from anecdotal evidence, it is quite obvious that locals take their visitors to their favourite eating spots. We see it in our visitor centre every day. Locals are bringing in their visitors to view our fantastic centre and then they are heading off to lunch and shopping. The short break market is the other market that we are certainly attracting in Bendigo. The work done by Tourism Victoria states that 47 per cent of all interstate trips to Victoria are holiday trips and 79 per cent of the intrastate holiday trips constitute a ‘short break’, which is one to three nights.

The focus group research done by Tourism Victoria says that Victoria is well placed because of its compactness and product diversity, and the two segments, the socially aware segment and the visible achiever segment, really constitute this short break market. With over 40 per cent of our visitors coming from Melbourne—many of them fitting those two segments—the expectation from these people is that Bendigo will be open for business on the weekend, both Saturday and Sunday, and on Monday, so that short break can be one of those three days, or the Friday, bridging that weekend.

As James mentioned also, one of the growth areas that we have noticed in our visitors centre is the international market. Having just come back from overseas myself, I have seen that it is just taken for granted that everything is open seven days a week. Certainly our overseas visitors want to do everything they can while they are here.

Bendigo is located very centrally in Victoria and it is certainly a day trip market, significantly. People drive into Bendigo and, under the Sunday trading, if we had McDonald’s, Pizza Hut and KFC closed, they would drive on to another centre to do those things, but that would have a negative impact, because we do know that on Sundays the trend is people moving to small bric-a-brac, antique stores, second-hand goods stores and furniture stores, nurseries and up-market garden shops. From anecdotal evidence these are very busy. These stores are open in Bendigo on the weekend and people certainly shop.

One of the other major growth areas is hospitality. There has been a huge growth in the two years since the voting for Sunday trading, combined with the council’s innovative street furniture and allowing outdoor eating. In fact, talking with many of the owners and managers in the hospitality industry, Sunday is their biggest trading day, double to triple that of a weekday, and Sunday lunch is huge. A number of hospitality industry operators told me that without Sunday trading their business may not be viable. One operator was saying that she was one of the first operating on Sundays for lunch. She has been operating for five years. Early on she did good trade prior to the Sunday trading issue. Since Sunday trading she has 15 competitors out there in the marketplace, but Sunday is still her busiest day, and growing. That seems to be the general trend of the hospitality industry in the city.

The other growing area in tourism here is conferences and events, and many of the conferences that we are winning and booking in are bridging the weekend. Conference organisers are adamant that they want to bridge that weekend because they see it as important for their attendees as well as the partners of attendees. We organise shopping

vouchers; we encourage our retail outlets to welcome our conference visitors with a program that we put into operation; and we organise tours and visits to eating places and other attractions for our conferences.

Bendigo is a big sports town and we hold a large number of sporting events, obviously on the weekend or bridging the weekends. This gives operators in this town the option to open on those weekends that they believe their businesses will benefit. We do know that, as Greg McRae has stated, a lot of this becomes very much family oriented as families attend sporting events. Members of the family can go and do shopping and eating and do other things while family members are playing their sport, and they also take opportunities to stop overnight and make a weekend of it.

In the two years since Sunday trading, my staff in our Visitor Centre have said that it has almost been a revolution. It probably coincides with our movement into the heart of town, into a major visitor centre development. It has really been the green light for tourism, and the optimism which I have seen in this city has been almost unprecedented in my time here. People really believe that Bendigo is an optimistic, vibrant centre, open for trading.

ACTING CHAIR—Ms Mackenzie's enthusiasm for Bendigo makes it almost embarrassing that we are here less than 18 hours. Did you want to speak to the graph?

Ms Mackenzie—I will speak to the graph. At our Visitor Centre, as good visitor centres should do, we collect data on who comes. This is not all visitors, and the study done in New South Wales on visitor centres said that about one in four visitors to a city attended a visitor centre. For 1998, we graphed who came during the day, weekdays and weekends. As you can see by the maroon part, the weekends are vying very well there with the weekdays. You can expect that in January, as it is holiday time; there is a bit of blurring for a lot of visitors between weekends and weekdays. The same goes for Easter in April. Once again, picking up your school holidays of June-July and October, there is a bit of blurring there. But you can see that the number of visitors we had through our doors at a weekend means that it is certainly our busiest time in the Visitor Centre. We can get anywhere between 350 to 500 or 600 on a weekend, depending on what else is happening in the city. Weekends for us are very busy, and it is certainly a vibrant place over that period.

ACTING CHAIR—Is it the wish of the committee that this graph be tabled as evidence? There being no objection, it is so ordered.

Mr NAIRN—Ms Mackenzie, I am trying to see the pattern a bit better. Weekends are obviously very even. October is a bit out on its own, presumably a long weekend or something like that.

Ms Mackenzie—Yes. We have quite a significant number of big events in October that bring people.

Mr NAIRN—Other than that, you are very lucky that you have a fairly even spread, particularly weekends. Are these figures just from one year?

Ms Mackenzie—These are from 1998, last year, through our door.

Mr NAIRN—It is just one monthly sample for each month?

Ms Mackenzie—Yes, it is a monthly sample. Basically, as people walk through our door there is 0.5 and as they walk out the door it is another 0.5, but if they leave our visitor centre by the interpretive centre door we are not counting them. So it is not an over-the-top sample, it is very real. In 1998 we had just on 80,000 visitors to our centre.

Mr NAIRN—Mr McRae, do you compete with any large retailers at all in your business?

Mr McRae—Very much.

Mr NAIRN—I should have asked what type of large retailers you are competing with.

Mr McRae—Harvey Norman built 60,000 square feet on the edge of town. My business has increased quite dramatically in the last two or three years and a lot of things have happened in that two or three years. Harvey Norman have come to town, Sunday trading has become a fact of life, and it is hard to decide what aspects have influenced the business. Harvey Norman is the only major furniture retailer in town, but there is a lot of competition in furniture in town and there are other very big stores.

Mr NAIRN—I know it is not part of your submission but do you have common suppliers with people like Harvey Norman?

Mr McRae—Yes. My philosophy has been that you have to find a niche for yourself. To compete with people like Harvey Norman, you must have a niche. There is no point in competing head on. We have developed a successful niche. Yes, I have quite a few common suppliers with the Harvey Normans of the world.

Mr NAIRN—How is your relationship with those suppliers—them to you as opposed to them and Harvey Norman? Are you getting as good a deal or are they getting a significantly better deal, do you think?

Mr McRae—No. I know they are not getting a better deal. Certainly, in furniture—and I am only speaking about furniture—suppliers, generally speaking, do not like the big boys because they try and screw them. They want advertising rebates—all this kind of stuff. I have a lot to do with the Guests Anderson group in Melbourne, too, because I know the people. The suppliers do not like them either—generally speaking. They get the volume but they do not like the hassles associated with the big groups and the pressure.

Mr NAIRN—I am asking this question because we have taken a lot of evidence in relation to supermarket retailers and their relationship with suppliers, et cetera. So it is just interesting to know of a slightly different area—how that operates.

Mr McRae—I think suppliers are more concerned with the way you sell their product in furniture—it is not like selling a packet of soap powder or something. So you need specialised, skilled staff and you need a different tack. Often the big people like Harvey Norman—I only talk about Harvey Norman because they are the only one in town—cannot

do that as well as the smaller people can. As I say, our business has increased quite dramatically in the last two or three years. Certainly, that is largely in response to weekend trading because our truck is in Melbourne just about every week now with deliveries, whereas before it was once every few months. We have a lot of business from Melbourne that we were never catching before.

Mrs ELSON—I think you said, Mr Athorn, that you manage 110 shops?

Mr Athorn—Correct.

Mrs ELSON—Are they small niche market shops or are there supermarkets amongst those?

Mr Athorn—There are no supermarkets. I have got a couple of shops in opposition to Greg, though—bigger shops, 4,000 to 6,000 square feet furniture retailers—but no supermarkets.

Mrs ELSON—You would not have an idea of how many staff were employed in those 110 shops, would you?

Mr Athorn—No. It would range from 15 in some of them down to one or two single operator people. The biggest one would be 6,000 square feet. The smallest one is about 400 square feet—it is more popular than the big one, though.

Mrs ELSON—Thanks. I was interested in that one.

Senator FORSHAW—In the submission that we first received it states that the number of vacancies has dropped from 90—when the Save Our Sundays Group conducted a survey—down to 55. This is in the city of Greater Bendigo. Does that correspond with your analysis?

Mr Athorn—Yes.

Senator FORSHAW—We have a submission from a witness who will be here later—but I thought I should put this to you now—from Bendigo Wholefoods and Bulkfoods, which states that there are 154 vacant shops. That figure does not include a number of premises still operating but currently for sale. Have you seen or heard of that other figure? Is there some explanation? Is one right and one wrong? How do we determine them?

Mr Athorn—The city of Greater Bendigo, through the economic development unit, do surveys on the number of empty shops. As far as I know, they go all over their whole district, including Heathcote and Elmore. I do not know about John Carty's shop, which is also leased from us. You would have to ask John where he got those figures from.

Senator FORSHAW—I will, but I thought I had better put it to you that it is a fairly large discrepancy.

Mr Athorn—As I have said in my submission, we are building a new shop because we have not got enough. At the moment, as well as the one we are going to build for \$350,000, we will be spending about \$1.2 million in the centre of Bendigo on an upgrade of shops—the rebuilding of shops—just to keep up with the current trend.

Senator FORSHAW—What is the situation with family owned and run small businesses? Have you seen any trend over the years, either up or down, in Bendigo?

Mr Athorn—We have a couple of small business operators. Gold Rush Jewellers comes to mind because I know Graham and Judy Baker quite well. Because they have young children, they do not wish to open Saturday afternoon or Sunday, which is their choice. At the bottom of my submission it says that deregulation has provided shop operators with the ability to open when they desire and also to meet customer demands as they warrant. It is a win-win situation. Gold Rush Jewellers do not wish to open during the winter months, but in the summer, coming up to Christmas, they wish to trade, and that is what the shopping hours deregulation allows them to do.

Senator FORSHAW—Have you noticed any sort of pressure coming to bear for smaller businesses to sell out, either for the purposes of a straight takeover or because a larger retail chain wants to expand its business?

Mr Athorn—No, there is no evidence of that. I suppose the only shops or businesses that have been sold that we operate have been for reasons that they have been too busy on the food side of it. We have a couple that are up for sale because of the turnover or whatever in food. They have to get out for various reasons, such as single people operating it and it gets too much for them. Perhaps they are not making enough out of it—I don't know, but they are the ones that we have seen change over.

Senator FERRIS—I can only imagine how divisive this referendum must have been in this region, because, looking at the submissions that have come in, there are still points of difference. There are differences of opinion on the number of empty shops, there are difference of opinion on the effect of employment, and there are differences of opinion on the extent to which competition has benefited the region.

Picking up on your point about how your business has expanded as a result of the deregulation, and expanded despite the fact that you have got Harvey Norman, we have a submission from a food retailer who says that, since competition has come into town and since deregulated shopping hours, his business has gone down 40 per cent. You know there are winners and losers in all of these debates, but it raises the question: what is it that you do that has enabled your business to expand despite that competition in furniture, yet Randall's Supermarket has suffered a loss of almost half of its business because of deregulation in food retailing? What advice would you give to Mr Randall?

Mr McRae—Probably it is because Randall's were allowed to open on weekends when the big boys were forced to shut. We are not really talking about the same thing, because they had the market—although not completely—to themselves.

Senator FERRIS—But you are still thriving, despite a pretty heavy-hitter in your sector?

Mr NAIRN—It is probably the wonderful service he provides.

Senator FERRIS—Perhaps it is.

Mr McRae—It is partly that.

Senator FERRIS—That is why I asked the question. I am interested to know why it is that somebody like you is competing so effectively against a name that sends shivers of fear down the back of many retailers?

Mr McRae—I think it is, partially, that Harvey Norman draws more people from the country areas—not from Melbourne because, obviously, people would not come from Melbourne for Harvey Norman. With the constant advertising, people from Deniliquin or somewhere, which is quite a drive, are more inclined to say, ‘Okay, let’s go to Bendigo for the day.’ So I have tapped into that extra market that was not so significant before. Also, it has allowed me to gain from the leisure market that we have not been able to do before. My shop has an attractive facade in the main drag where all the tourists have to go past. The people who come into my shop from Melbourne and elsewhere are up for the weekend or the day. The business we do is amazing. They say things like, ‘We haven’t got a shop like this in Melbourne.’

Senator FERRIS—So you have not changed your stock?

Mr McRae—The stock is always changing.

Senator FERRIS—I mean you have not changed your focus, and you have not tried to get into a market niche for outdoor furniture. Do you still have the same balance of stock?

Mr McRae—Not really, because the stock is constantly—

Senator FERRIS—No, I do not mean that. Have you thought, ‘Perhaps I will concentrate more on outdoor furniture’? You talk about the leisure market, and I understand you are talking about leisure shopping, but I am intrigued that somebody’s little local shop is thriving in the face of quite heavy competition—and I know what Harvey Norman has done in South Australia; it has not been there very long. It intrigues me because it seems to me that essentially you are grabbing the competitive ball and running with it in a way that is enabling you to expand and, no doubt, create more jobs for locals. That essentially is the issue we are trying to deal with all around the country: how does a small local business, mostly in grocery retailing, cope with a heavy-hitter coming to town or a heavy-hitter being able to open more often? Did you sit down and do a business plan? Did you get some assistance in marketing? What did you do?

Mr McRae—I should do business plans, but I do not. I am constantly looking for a niche, which I suppose is what I was trying to say before. I am constantly looking for different products that meet that niche market. Just last week we received a shipment of Turkish rugs that we bought in Istanbul. They give you a nice little interesting point of difference—Harvey Norman would never have something like that. And so you sell your enthusiasm—you were there, you bought them, and people get fired up by it.

Senator FERRIS—I am interested also to explore whether you have any difficulties with minimum purchase orders. Some approaches have been made to me individually saying that we should be exploring more the way in which suppliers insist on minimum purchase orders—that, unless you buy 20 of something, they will not sell you one. Have you had any experience of that?

Mr McRae—I have not, because I think that tends to affect the lower end of the market a bit more. I am not really in the lower end of the market; I would be middle to upper, and it does not affect my market at all. I have never had that situation.

Senator FERRIS—I have one question for Ms Mackenzie. You gave us a lot of really optimistic evidence—quite impressive, really—about the way in which this region has coped with quite fundamental change, but I go again to the Randall's Supermarket evidence because I think it is typical of evidence that we have got from all over this country. I wonder how an organisation like yours might help the long-term local business that is suffering a bit as a result of some quite fundamental changes in the way they operate. Do you have anybody on your staff who works in that area?

Ms Mackenzie—We do not. I manage the visitors centre, although we do work with numerous operators—they are our industry and business. At this point, I would have to say that possibly supermarkets and a number of retailers do not see themselves as part of the tourism industry, although we do. We are certainly looking at ways in which we can convince those sectors that they are part of the tourism industry. In fact, we have just won a Commonwealth grant for regional tourism that is going to be used to do an economic impact statement for this region, and one of the areas we are certainly looking at is that retail sector.

We are hoping from that that we may be able to work with the retail sector to take part in what I think Greg is talking about. As a retailer here he is talking about personal, individual service, knowing his niche market and knowing who he is marketing to. People today with the lifestyle trends want personal service, because it is a busy world. The people that we get from Melbourne often do not want to do anything more than have a coffee, go out to dinner and relax. Yet we in our centre encourage and enthuse them to do it on the tram or somewhere else or to go underground and have an experience. We are always trying to on-sell and support our industries.

I think it is really educating individual retailers about this new market—that you cannot do it as you have always done it, that people want personal service and that you have to know who you are marketing to. Sometimes you need to change the markets. The tourism industry is dynamic: what is relevant today may not be tomorrow. We work all the time with our operators, rethinking how they market their product to this new and dynamic industry.

Senator MURRAY—One of the major reasons for this committee having been drawn together and given a brief by the minister is that the independent supermarket industry sees itself in crisis. The figure we have been given in the supermarket and grocery sector is that there is between 75 per cent and 85 per cent market share control by three groups—Franklins, the Coles Myer group and Woolworths—and that that is now going to be extended into clothing and other retail sectors. The problem that we are advised of is that once that small and medium sector get too small they lose their critical mass and cannot support a

viable wholesaling sector. The consequence of that of course is that you get a continuing erosion and loss of business and jobs in that area.

Listening to you all, it strikes me that the desirability of having Sunday trading from a tourism and niche market perspective is confused with a need to have Sunday trading overall. I notice that the question was not asked of the community: do they want their factory, their office, their council chamber and every other business and enterprise open seven days a week because this is a tourism centre? In Western Australia tourism is promoted without having the major supermarkets open, although small and medium supermarkets can open on a Sunday. I think the proposition that for people to have a coffee or to be on-sold or to have a restaurant meal or for international visitors to visit needs Coles Myer to be open and to gobble up the whole town's business is suspect.

What I would like to hear from you—I have led in deliberately so that you can understand the framework in which we have heard evidence—is whether, in the drive for Sunday trading to create the very good activity which brings business and jobs to your town, there was any way of ensuring that those sectors under serious threat, as the evidence before us says they are throughout Australia, could have been protected. For instance, there is the Western Australian model of cutting off businesses at a certain level or other models are around elsewhere. Is it necessary for the pursuit of the tourist dollar that Coles Myer, Woolworths and Franklins achieve 80 per cent to 90 per cent of your town's supermarket business by extending into Sunday trading? Because that is the proposition that the independents are putting to us as the consequence of Sunday trading for them, and they do not have a differentiated business such as furniture. A can of baked beans is a can of baked beans. It is a different kind of business. I would like to have your response as to whether alternative ways of dealing with this problem for particular business sectors was explored in developing the Sunday trading option.

Mr Athorn—The question you are asking is: are the smaller supermarkets, the corner store and everything viable now against the supermarket being open seven days a week? We have seen a number of the smaller stores close down since the seven days a week trading started up. As Greg was talking about before, he is trying to look for a niche market to keep his business going. Greg gets out there and does the ads for himself. He does a lot of advertising on the television and people know where he is. I just question whether those corner stores or smaller supermarkets have done any advertising. One out here in Long Gully has—the fellow does the ads himself and he has a catchphrase and things like that to try to promote himself.

From a personal point of view, if you were going shopping at the supermarket five or 5½ days a week, now you can balance it out over seven days a week and you seem to buy more in the way of food—whereas perhaps you did not go to the corner stores, you balanced out what you needed during the week and planned ahead. Basically, our industry survives on death and we run seven days a week, 24 hours a day, and most certainly that does not choose five days a week.

Senator MURRAY—What a morbid person.

Mr Athorn—It is a growing industry.

Senator MURRAY—Everyone is dying to get in it, you are going to tell me any minute.

Mr Athorn—That is right. On the property management side, thieves do not leave the properties alone on the weekend and only attack from Monday to Friday either.

Senator MURRAY—This is a serious business, Mr Athorn. You should not have us all laughing.

Mr Athorn—It is just that one of the points you raised was whether we had considered what we do ourselves, whether we do open seven days a week. As I said before, we wanted the facility to be open seven days a week and before that we were trading seven days a week, 24 hours a day, if it was required.

Senator MURRAY—Behind my question is this idea that there has to be losers. Other states and other jurisdictions have found a way of trying to make sure that there are as few losers as possible. It is also behind Senator Ferris's questions. At the root of it is how we stop, in the long term, small and medium business people going out of business while we still enjoy the benefits, which are great benefits, of these great chains with Sunday trading and all that sort of thing. I just wonder how much exploration those who have pursued this policy in this town have put to that problem.

Mr Athorn—If you are looking at that type of thing, a supermarket can certainly pitch its prices a lot cheaper than the local store and smaller store, so they could buy the business five days a week if they wanted to anyway, with people planning ahead. It is only when you are absolutely desperate that you go and get something from a smaller store on a Saturday or Sunday afternoon. If you cease the bigger stores being able to trade seven days a week, they are going to price their market to get you five days a week.

Senator MURRAY—Does anyone else have a view on this thorny issue?

Ms Mackenzie—I would like to say something. This is probably more from a personal point of view, but I know that freedom of choice drove a lot of the debate on Sunday trading that was going on in Bendigo just over two years ago. You cannot escape the fact that all the figures tell us, and we know, that we are all working longer and harder and that often the weekend is the only time that you can shop. When you look at the tourism figures here for Bendigo, with a VFR market of 44 per cent, most visitors come during that weekend time and certainly the supermarkets are gaining from that. We know from the work done that, while they do go out for a meal, certainly they buy more at the supermarkets and so on.

Senator MURRAY—If I can interrupt you with a question: why has no-one ever asked the question of those being asked about shopping seven days a week whether they want their banks, their offices, their factories, their jobs open seven days a week? If the answer in a referendum was 'yes', because people wanted that freedom of choice—'providing it is not my job, of course,' which is usually the answer—why is that not ever pursued? Why is it only the retail sector and tourism sectors that must give up their Sundays?

Ms Mackenzie—Perhaps Mr Sides should be answering that one. There is choice. We do have banks open seven days a week so you can bank and access dollars seven days a week. I

do know from some reading that stores that open on Sunday often do it with staff who volunteer to be rostered on for part-time work on those weekends. Some people enjoy having that opportunity. It may not be as cut and dried as that. I would probably have to do some more work. There could be questions asked in the retail area on that—I am writing it down—in our economic impact statement and study that we are going to have.

I still think it comes back to good business. Wherever you look, it does not matter whether it is big or small business, it has to be good business. You have to know who your market is and you have to change to it. I would yearn to have a small corner store look after my personal needs and deliver fruit and vegies to me and do all of that. Very few of the small stores are actually meeting a niche market need for me. If many businesses in this city started to look at their market and started to think about who their potential market is—because perhaps their traditional one has dried up because of other competitiveness—then I think they would be well on the way to building back some good business. There are some small corner stores here that are doing just that. I have not seen their balance sheets, but to me they look as though they are doing very well because they are meeting a need of mine. But they could be doing much better in looking at how you can deliver good personal service and knowing who your client is in this day and age. That may account for any differential in price.

Mr Thompson—Small business does not simply consist of the issue of the food supermarkets; we are talking about retailing which covers jewellery, gift shops, et cetera. To give an example of our own business, we are looking to increase our retail space from about six square metres to 13 or 14 square metres. We had a retail consultant come in and he suggested that we can increase our retail sales by 50 per cent over a 12-month period if we do make the change. So we are going to be very much competing with a number of the big gift shops in town such as those up at the Bendigo Marketplace.

We have the capacity—unlike some businesses in town—where we can nearly guarantee 70,000 people coming through our doors, so we are trying to utilise all means possible to increase the yield of revenue that we earn from those people who come through our doors. We are looking at our retail component and we will be moving up into the up-scale gift shop products that are traditionally provided in some of these major shopping centres. We are effectively going to become a direct competitor. What we are doing now to some degree with some of the small businesses in town, such as the galleries, the potteries and small jewellers, is that they are actually supplying us and providing some goods on consignment through our retail function. As I understand it, we are not simply talking about food in this issue; the retail sector encompasses a whole range of issues.

Senator MURRAY—We all understand what is going on here, but it seems to me that the council and community have taken into account business and economic needs in their debate and, to some extent, social needs; that is, the need for people to be able to choose what to do over weekends and to have a wider choice. But there is another side to that. If families are constantly disjointed by parents being away, by parents not being at home and not having a day of leisure, we know that there are major social consequences. This committee has to deal not only with economic needs but also with environmental and social needs. The major social consequences in our society are that we are a fractured society: we have increasing drug problems, suicide, drunkenness, violent abuse and so on—that is not

because of retail trading hours. I am just asking: was that day of rest and day of family interaction considered in your debate?

Mr Athorn—Senator, I think it was when we looked at the situation. The ability to be able to go into Greg McRae's shop, for example, as a family to have a look at what furniture he has because we need a new lounge suite or whatever—certainly a Saturday afternoon or a Sunday is the only time we could do it. Sports and things like that are all done on a Sunday or whatever. But I am still available to my tenants and to the people I look after seven days a week, 24 hours a day, as I was before.

Senator MURRAY—Thank you.

ACTING CHAIR—Mr Athorn, are the properties that you manage predominantly stand-alone properties or are some of them shopping centres?

Mr Athorn—We have a mixture of both. We have shopping centres, we have two arcades in Bendigo, and we also have 12 shops in a row around a block.

ACTING CHAIR—Whilst it is at the periphery of this inquiry, retail tenancy matters always come up because there is seen to be a difference in power relationships between small and big business in the way that they are able to negotiate agreements with landlords, et cetera. We have never heard complaints about strip shopping centres where there are stand-alone properties. The complaints have usually been in the nature of a collection of shops where there is a change in the mix of retail that goes on: a small business says that it was not informed or was informed differently when they took up the premises. Have any of the changes to the Retail Tenancies Act in Victoria made it more difficult for you because you have to give more information to people that take your properties?

Mr Athorn—It has become most difficult with the new Retail Tenancies Act. We have had tenancies in place for over 50 years in some of the shops. Under the new disclosure statements we now have to write and tell them how much power they are going to use, how much gas they are going to use and all that, when the only people who know that are themselves. That is one of the difficulties we have with the new Retail Tenancies Act.

The other point that you raised is the tenancy mix with big players against the small players. We have a string of shops in the Hargreaves Mall—three smaller shops and one big one. The big one at the moment wants to put in a subtenancy which is in direct opposition to a shop next door. We have written to the big player saying that we do not think it is fair because they will be in direct opposition to one of their neighbouring tenant shops. We are actually backing the small shop in that one.

ACTING CHAIR—Would you say that the recent changes have, in a way, levelled the playing field by way of the information that is available to those entering into agreements?

Mr Athorn—Yes, we have a duty of care as a prudent person to be able to bring that information to both sides of it. We have to mediate in between them. One may feed off the other—the same as Greg feeds off Harvey Norman—but you have to ensure that you are not doing like with like. We have another situation in Hargreaves Street and Mitchell Street

where we have Pure and Natural on one corner, Cafe Au Lait down the street about half a dozen shops away and a Turkish shop that wants to sell the same food lines just around the corner—all the one owner and all within a minute's walk of one another. A part of the lease for the new Turkish shop is that he cannot sell in opposition to the other two with the same lines, similar prices and anything like that. He has accepted that and he is going into the shop on that basis.

ACTING CHAIR—I regret that I have to cut this off abruptly because I had a few more questions. I thank you all for coming before us and sharing your views with us.

[10.20 a.m.]

CARTY, Mr John Dennis, Bendigo Bulk and Wholefoods

RANDALL, Mr Bryan Frederick, Partner, Randall's Supermarket

SMITH, Mr Andrew, Director, Smithies Supermarket Pty Ltd

ACTING CHAIR—Welcome. Is there anything else you want to say about the capacity in which you appear?

Mr Smith—Smithies Supermarket, Long Gully, has been referred to earlier on as the supermarket that does some marketing on its own.

Mr Carty—I operate a small retail shop and a restaurant.

Mr Randall—My wife and I operate a supermarket just on the outskirts of the town.

ACTING CHAIR—We have received submissions from Mr Carty and Mr Randall and now we have a submission from Mr Smith. Is it the wish of the committee that we receive Mr Smith's submission? There being no objection, it is so agreed. The committee prefers all evidence to be given in public. However, you may at any time request that your evidence or part of your evidence be given in private and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament.

I have to remind everybody that, because we are moving on to Cooma later in the day, we have got short time lines, but I am sure that you will all be brief and succinct. I now invite you to make an opening statement, and at the conclusion of the remarks I am sure that we will be going to questioning.

Mr Carty—I thank you for the invitation to appear today and to compile some sort of a submission on the situation that has developed here in Bendigo. Might I suggest to the committee that Bendigo would be a great example for trying to unravel the complicated problems that exist for the small business people.

I was not aware that this started off being a debate on Sunday trading, so I will not touch on that issue. It does put the finger a little bit on the real problem, and the real problem is that small retailers are hurting today. We know what is happening in the country towns outside and the effects, for instance, that the banks are having on those towns, but Bendigo may be a great example for you to delve in further. Might I suggest to you that you come back with the necessary powers perhaps to investigate in more detail the facts.

What I will put before you is how I see it as a small retailer. I was originally a fruit grower in the Swan Hill district, so I have experience right across the board. I am successful in my business. I work very hard at my business and I speak for myself. I would suggest perhaps that most today would have been employed to speak on behalf of others, and I think

it would be interesting to note also that those appearing earlier were mostly associated with what is known as the Greater Bendigo Retail Network. I could stand corrected on that, but I understand that may be the situation. So I suggest to the committee that they look further at that organisation and its connections further afield, right throughout the strata of this community, be it the Tourism Association, the trusts or other bodies that have input regarding council, and perhaps where that body operated from. I will go no further than ask that question of you. Perhaps you can investigate that particular body.

This may be a last chance for small business across Australia to have a say and to survive. I understand that you have a big job ahead of you to investigate right across the areas that need to be looked at, but there is no doubt that the large business corporations are destroying this town and many others. The situation of the small retailer is very serious. This can be indicated by two witnesses that have agreed to participate today to give first-hand information. I would be quite happy to answer questions in relation to the retail sector too. Many others that I had approached would not give evidence for fear of retribution. Some of those perhaps were members also of that retail organisation. So it is a serious situation. I do not say that lightly. I live in this town and I have to work with the people that spoke before me. I have to live with them. But I appeal to your sense of decency and fairness to go deeply into this subject. No doubt you will have evidence in other parts of Australia that will show some concern there.

I apologise for the lateness of my submission. I had no-one—no professional organisation—to assist me in doing this, but I will get a clearer copy to you through the secretary. At this stage, seeing it is getting late, perhaps we could call on the witnesses, Mr Chairman.

Mr Randall—Along with my wife, I operate a medium sized supermarket just on the outskirts of Bendigo. I left school 52 years ago and commenced in that business, and I am still there today. The effect of deregulation, as you have heard, has knocked our business 40 per cent. It has also affected staff levels; they have had to be reduced. I believe it has a flow-on effect, too, to the small distributors that I deal with, which the chains would not deal with—it would be thrown on a semitrailer in Melbourne and brought up. Most of those distributors have their own vehicles. Most of them are locally owned and operated, and their vehicles would be serviced here, no doubt. I believe that would have a flow-on effect.

At the age of 66, I put a plan into effect, about six years ago, where a family member joined our business and he was being trained to take over and run the business. He has now had to seek employment elsewhere.

We heard earlier that we should look for our market niche. If you were to ask around Bendigo, I think we would probably be right up the top there with service. We offer a delivery service to any of those who want it—the sick, the elderly, the young mothers. We put their stuff in their fridge for them if need be. My sister, who also works in the business, has often put their light globes in and tied up their shoelaces. We carry their parcels to the car. We know most of our customers by name. The deregulation has just about destroyed our business.

Mr Smith—I started out as a Woolworths supermarket manager in 1981. I worked for Woolworths for 12 years in New South Wales, managing country stores from Dubbo through to Wagga and Canberra, and then Griffith for the last seven years. Then in 1993 I came here and opened Smithies Supermarket in Long Gully, which is a small to medium sized supermarket. It was formerly a Foodtown supermarket. I think you would be familiar with that.

In Griffith, as an example of the market domination, I was a full-on Woolworths career manager for the 12 years I was there. It was a great training ground, and you are certainly indoctrinated with company spiel. In Griffith, we were trading at \$140,000 a week when I arrived in 1987. When I left in 1993, the trade was an average of \$500,000 a week out of that store, in a country town of 15,000 people. That obviously had a quite significant impact on the local community. I thought it was great because I thought Woolworths was the bee's knees, and I was doing my job, and doing it really well. We beat our budget significantly every year I was there.

But then I came to Bendigo and opened a small supermarket, and that was another kettle of fish. We increased our trade initially by 33 per cent up until the end of 1996. We are now doing less than half that trade. As of last week, we are doing approximately 33 per cent of that trade. We have marketed ourselves very extensively in the local community, just like Greg McRae. Actually, Greg and I do see a bit of each other. We are very similar in regard to marketing, but in my market I have not been able to establish a niche like Greg has, and that is certainly what we are trying to do. I believe that one day I will succeed, but at this point in time it is particularly difficult, given the circumstances.

I have seen corner stores in my area shut. Just in my area alone, I have noted four or five, and that is within a two-kilometre radius of my supermarket. Since 1992 in Bendigo, there have been four supermarkets close. I have very passionate views on the market domination of the big three players. I certainly feel that it needs looking at.

ACTING CHAIR—We will go to questions. Obviously there is a depth of experience in the areas that we are investigating. Just so I can get it in context, Mr Smith, where is Long Gully exactly?

Mr Smith—It is just off central Bendigo, in between Bendigo and Eaglehawk. So it is part of town.

ACTING CHAIR—So it is part of town; it is on the edge. In this six years that you have been running your store, how many majors have started up that have then become competitors to you?

Mr Smith—Since 1993, the new marketplace has opened in town. I think that is the only new major. No, the majors took over the Tuckerbag just up from Bryan. Coles bought that one out. They are the only new ones. Certainly each one of them, Coles, Safeway and Franklins, have refurbished extensively.

ACTING CHAIR—Before the total deregulation of the opening hours, you were able to open on a Sunday?

Mr Smith—Yes.

ACTING CHAIR—What hours did you open?

Mr Smith—Eight till eight.

ACTING CHAIR—Seven days a week?

Mr Smith—Yes. We now open 8 a.m. to 11 p.m. seven days.

ACTING CHAIR—Whilst it is obviously difficult to quantify this, how much of the decrease in your trade can you attribute to the extended hours as against the greater competition by bigger players, in your view?

Mr Smith—In our store, on our figures, we did 54 per cent of our trade on Saturday and Sunday when I took over. Having come from New South Wales and seen the situation in Griffith, I realised that we could not continue with that because things would change. Our trade now is only 30 per cent on weekends, but 30 per cent of a far smaller pool. Monday to Sunday, our days essentially do not change. We are very much a community store. We service everyday local needs.

ACTING CHAIR—What banner group are you associated with now?

Mr Smith—Friendly Grocer IGA.

ACTING CHAIR—Who is the wholesaler?

Mr Smith—Davids.

ACTING CHAIR—Foodway, Mr Randall?

Mr Randall—We are with AIW, which is a division of Woolworths.

ACTING CHAIR—How long have you been with AIW?

Mr Randall—Only four or five months. We were previously with Davids, and they took Composite Buyers over, whom we had been with for 25 years.

ACTING CHAIR—What led you to make the conscious decision to change your wholesaler?

Mr Randall—It was practically our whole group. We found that some of the things that Davids were doing were not helpful to our trade. Previously we were a Riteway group. Our committee controlled our own banner, and the warehouse wanted to take that control away from us. We employed our own banner manager. They wanted to take that away from us. They were cutting back certain little rebates that we got which also helped the profitability of your store. Our committee delved right into it and put both scenarios to us. Whilst I did not like to buy from a chain store, we had to look at who we believed was the worst enemy.

After all, Davids are now owned by South African Metro group anyway. We believe that the deal we currently have is the best deal to try and keep us in the trade today.

ACTING CHAIR—How many stores are there in the Foodway group?

Mr Randall—About 85.

ACTING CHAIR—You have gone to the new wholesaler and you have been able to keep control of the management of your own banner.

Mr Randall—Yes. We now have a chief executive. We still have our own committee that runs the show and we also have a chief executive who runs the show. He is paid for by the group.

ACTING CHAIR—Are they similar to Davids on price?

Mr Randall—Yes, it would be very similar.

ACTING CHAIR—And on the type of service that they provide—access to range of goods and deliveries?

Mr Randall—They are not quite as good as Davids in the range but, from our experience with Davids compared with what we are getting now, our truckies are quite happy with the way they can drive in and drive out with your load of goods, instead of experiencing three- and four-hour delays.

Senator FERRIS—What about credit? It seems to me that credit would be a significant thing too. Is that the same?

Mr Randall—AIW allow you another seven days credit. You have to pay your account at some stage, but it does help cash flow. That was not the major thing in our decision to change.

ACTING CHAIR—Mr Randall, you are a rarity here in that you have actually shifted from Davids to AIW. It is of interest, because something that the committee has been trying to get around—I have to choose my words carefully—is the relative domination by Davids for independent stores at the wholesale end. I understand the reluctance because of the ownership of AIW, but the group that you are associated with has made that conscious decision.

Mrs ELSON—Mr Randall, you provide such an excellent service, such as doing the shoe laces up and changing the light bulbs, that I would like to be able to shop at your shop all the time. Why do you think your customers have left you? You said you went down 40 per cent.

Mr Randall—We have gone down 40 per cent.

Mrs ELSON—What do you put that down to?

Mr Randall—We used to trade fairly well on Saturday and Sunday, but we have also lost trade through the week. We open our store 84 hours a week but the bigger stores are open longer.

Mrs ELSON—Why would a customer leave you if they are getting the top service you are giving out?

Mr Randall—We were considering a customer last week who used to work and has now given up work. We wondered why we did not see her any more. She may go and meet mum and have a cup of coffee somewhere and do her shopping while she is there. We look at some of those scenarios. One of the other things is that, after having been in the one area for a long while, a lot of your customers get old, of course. But that has not just happened in that last two years. We have tried to analyse it. We do advertise, perhaps not as extensively as we used to because you allow a certain percentage to spend on advertising and, when your sales go down, you work within that budget.

Mrs ELSON—Do you have other specialty stores around where you are?

Mr Randall—No, we are more or less stand-alone.

Mrs ELSON—Do you think people go for the convenience of being able to do other things?

Mr Randall—Yes, that could well be the case.

Mrs ELSON—I notice your family has been in business for 57 years. Did they have corner stores and then go into the supermarket business?

Mr Randall—We started on that same site as a very small grocery store; it was previously a grocery store. We then put in a milk bar, and we then knocked the wall out between the milk bar and the grocery store. In those days, of course, the law said, ‘You must close at 1 o’clock on Saturdays, and you must close at 6 o’clock at night,’ which we adhered to. Ten years ago we could see the chains starting to dominate and opening more stores in Bendigo, and we said, ‘We are free to open seven days. I think we must do it to try to retain our trade and to retain our staff.’ That was the only reason we did it. We hate it. If there are any family activities on, we either go in relays or we do not go. I hear them talk of family shopping, but we have some casuals who work for us who choose to work and not play sport, so there would be a lot of families that cannot shop together.

Mrs ELSON—That appears to have been a trend over the years. I was in a corner store myself, and an independent grocer came in and shut all the corner stores down. Now the same thing seems to be happening to the independent grocers where the bigger chains are coming in. It seems to be consumer demand, rather than anything else; they go to where it is convenient. Mr Carty, you probably heard one of the previous witnesses say that he had 110 shops filled and he was looking to build more. Yet in your submission one of the figures you gave was that in your estimation there were 150 shops vacant.

Mr Carty—Do you want to know where the discrepancy comes in?

Mrs ELSON—Yes.

Mr Carty—It is the difference between sitting in an office and getting out and doing hard footwork. A number of people assisted me to go out and get those figures. We had those itemised and numbered, so if you wish that for future reference we can supply it.

Mrs ELSON—Are those shops still vacant?

Mr Carty—They are vacant shops, and this does not include shops that are for sale. When you are looking at figures—you are a politician, so I do not need to tell you about figures—they can mean a lot, so I suggest you delve deeper into that. Prior to the referendum on Sunday trading—I do not know where we got the 90 from—we actually had 109 empty shops. The latest figure on, I think, Friday night was that we had 154. Since then, two more have appeared—shops that have closed down in a small country area—which I think are included in the survey. We have compared that survey to the graph that the council had prepared, and I am totally at a loss as to how they get those figures.

Mrs ELSON—So are your vacant shops coming from outer town areas and not the central district?

Mr Carty—No, they are coming from across the board. They are compared with the graph that the council have supplied, which is attached to that document. I do not know how they get the figures. These are current, up-to-date figures. We have those shops listed and wherever possible we have them numbered; some shops do not have numbers. Prior to the referendum we had 109. This is the same comparison, incidentally; it has increased to 154 and is growing. That does not include a lot of corner stores in the little suburban areas and back streets. I did not have the facilities to actually get that information. It is a very difficult job. I apologise for the lateness of that submission due to the workload. But, yes, those figures are true, and we can substantiate them.

Mrs ELSON—Thank you.

Mr NAIRN—Mr Randall, you mentioned earlier that you were concerned about the effect of the downturn in your business on local distributors. But your wholesaler is AIW.

Mr Randall—That is right.

Mr NAIRN—Besides what you get from AIW, do you also buy a lot of other things away from that wholesaler?

Mr Randall—There are a lot of products, like fruit and vegetables. We have a local wholesaler that delivers fruit and vegetables. We have another chap that brings a range of yoghurts. Some of those yoghurts may be available in the warehouse, but you are forced to buy a big carton, whereas we can buy a smaller quantity from him and a bigger range. Perhaps some fruit juices are not available in the warehouse—all those types of things. I think I did count up at one stage about 28 little vehicles that we have calling on us with smallgoods and those types of products. I believe that, if stores like us disappear, we will see some of those suppliers disappear as well.

Mr NAIRN—So you are not locked into AIW right across the board; you can choose.

Mr Randall—Yes, we can choose.

Mr NAIRN—You said that the Foodway banner group has 80-odd stores. There has been a rationalisation of the banner groups in recent years, hasn't there?

Mr Randall—Yes.

Mr NAIRN—Is FoodWorks in Victoria as well?

Mr Randall—Yes.

Mr NAIRN—They have also gone to AIW, haven't they?

Mr Randall—Yes. They were there prior to us, actually.

Mr NAIRN—Mr Smith, are you still with Davids?

Mr Smith—Yes.

Mr NAIRN—You did not discuss that relationship with suppliers. We have taken a lot of varied evidence over the last few months as to the way in which stores are treated by their wholesalers and suppliers and so on. Have you anything that you would like to add on that aspect of the marketplace? There is a concentration or a near-monopoly being developed by Woolworths, Coles and Franklins. But I am interested in how the wholesaling side of it runs, because, if there is a push for us to talk about limiting market share at the retailing level, I raise the question: if that is such a good thing, should a similar thing be happening at a wholesaling level, because there is domination in the market at the wholesaling level too?

Mr Smith—It could be seen as that. But Davids—or the wholesaler—only survives if the shops survive. Obviously, they have seen a lot of their market share leave them over the last five years. If they cannot keep their stores increasing in turnover, they are going to go out of business. Essentially, that is the bottom line for them and for us. They have to try to give us a better deal and try to help us to maybe find niches or increase our market share somehow.

Mr NAIRN—Are you with a banner group or are you totally independent?

Mr Smith—We are in a banner group; we are a Friendly Grocer IGA. But the banner groups are just marketing groups.

Mr NAIRN—I realise that.

Mr Smith—Certainly the story with AIW in Victoria with the Foodway and the FoodWorks groups goes back a fair way. There was a lot of angst between Composite Buyers and Davids over many years. Brian would probably agree with that.

Senator FORSHAW—Just following on from those questions, Mr Smith, what was the secret to your success in increasing the turnover for Woolworths when you were in Griffith?

Mr Smith—It was several things: it is a big organisation; we refurbished the store. It was not a major refurbishment, because the store has had a major refurbishment since. We had an interior refurbishment—put in a bakery and had a general upgrade. Our turnover increased by over \$80,000 per week, almost overnight—from one week to the next—once we opened the bakery.

Senator FORSHAW—You started selling products that you were not selling before.

Mr Smith—Yes. I felt that we were offering a better service than we previously were. I am a local bloke. I was born and bred in Leeton, which is only 30 miles down the road. But, apart from the fact that I was a local bloke, I think it was more that—

Senator FORSHAW—Did you increase the range in other areas—liquor, meat or fruit and veg?

Mr Smith—At the time we certainly tried to carry as much local produce as we could. In those days we had that flexibility, with Griffith being an irrigation area with certain exclusions for product coming in. We could not bring any rice in from outside the area. Likewise, a lot of fruit and vegies had restrictions. So we were able to buy quite a lot locally. There is a very significant wine industry there, which we also tapped into. But that was gradually wound down.

Senator FORSHAW—Were you able to measure the impact of Woolworths increasing its turnover—and I presume that meant you increased the share of the market, because I do not think there would have been a huge population explosion or anything? What was the impact upon the other businesses in the town? You alluded to the fact that you have seen the impact of it; can you be specific?

Mr Smith—Yes. There was a local cooperative supermarket, which was a fairly large style supermarket—more like a small chain store—which shut down while I was there. That was a major thing. There was also one other local supermarket whose turnover obviously decreased over time as well.

Senator FORSHAW—But the store was there at the time. One of the arguments that has been put to us is that Woolworths and Coles, et cetera, are only either buying out other shops or building new stores in locations where they have not previously been and might draw then people from surrounding towns. But this did not occur in Griffith, did it?

Mr Smith—The store, obviously, had to be built at some stage. It was built about four years prior to when I went there, so I think it must have been in 1983.

Senator FORSHAW—I now want to go on and pick up this business about suppliers. We have had evidence that the big three companies can put a lot of pressure on suppliers in terms of the price that they can supply to their competitors. Are you able to give us any

information about the prices that Woolworths was able to get from your suppliers and about what occurred in Griffith with other supermarkets?

Mr Smith—That is very hard.

Senator FORSHAW—I appreciate this puts you in a difficult position. You are protected by parliamentary privilege here. Anything you say—

Mr Smith—No, it is fine in that regard. Because we had a large proportion of the Griffith supermarket trade in the one store, it gave us quite a preferential position locally. The local growers, et cetera, were quite keen to get on our back. So it was very easy for me to talk to locals and do a deal with them.

Senator FORSHAW—What if someone was supplying to one of the other stores—this could occur in any town, of course—at a cheaper price. Are you aware of the company getting on the phone and saying to the supplier, ‘Hang on a second. We know you are supplying X product at Y price to so and so, and we are not too happy about it.’

Mr Smith—I was going to give you anecdotal evidence on that. No, you would have to talk to the buyers at the city level. I was certainly aware, at a store level, that pressure was brought to bear on suppliers, on growers, but I would not be able to state—

Senator FORSHAW—I have a couple of questions for Mr Carty and Mr Randall. Do you have any hard data about these vacancies from, say, the real estate agencies here? I am trying to find a way to test the result of this dilemma between the figures you have provided and the figures that have been provided earlier.

Mr Carty—The only hard data we have is the fact that the shops are empty, and we have listed those, so they can be checked against that. That is fact, to be proven of course. We have approached certain real estate people. It is very difficult to get any figures whatsoever from that area—almost impossible because they do not keep figures. There is a fair amount of jealousy between the different operations and they like to guard those figures. It is very hard to get those figures.

Senator FORSHAW—One of the interesting features of this whole debate is that we have seen—and this is well documented—the impact upon country towns and regional centres of the closure of banks and the removal of various government services and other services and the effect that those major closures have on a town. The irony here is that often the argument is put that when a big company like Woolworths moves into a town or a city and sets up a store where they have not been before they can actually destroy some of the local business. That seems to be your argument, except that, from what I gather, it is more related to the trading hours than to the new stores coming in.

Can you differentiate between that and what the impact may have been of just the general economic circumstances that could be affecting small businesses? We know that a lot of small businesses do not survive because of poor management practices. It is not always the case. I appreciate in your case you obviously know your business very well and you have managed to survive, even through difficult times. Sometimes I am uncertain as to whether or

not what we are hearing is the result of the big three or is the result of a whole range of other different factors that may be not the fault of the supermarkets at all. Have you considered that?

Mr Carty—We can look at Bendigo which, as I pointed out, was a great example. Traditionally, the CBD of Bendigo is the heart of the community, always was the heart of the community. That heart is now becoming fractured in that it is developing in different areas. To understand how it is becoming fractured, first of all you ascertain the number of empty shops, not necessarily in the CBD but in the general overall drawing of the region. I have never known Bendigo to have a decrease in rents—it has appreciated over the years—but I have it on good authority that there has been a rent decrease in the order of approximately 20 per cent. That is a huge decrease in rent. You have to ask yourself: why is the rent decreasing, particularly when the council is increasing rates, which goes against all accepted business principles?

Senator FORSHAW—Councils never decrease rates. There are some economic truths in this country, and that is one of them.

Mr Carty—My rate notice tells me that it is based on improved property values.

Senator FORSHAW—Yes, true.

Mr Carty—This last week—and it is all documented there—the council increased rates between four and 14 per cent in the two zonings that are calculated in Bendigo. It just does not add up that rates are increasing when rents are decreasing. That can be sought from other authorities, and I think Sandhurst Trustees would substantiate that, that the rent decrease has taken place. It is a strange situation that has developed.

Do the authorities—and I am talking in relation to the city council and the officers—actually believe in their own propaganda that things are booming for the small sector, small retailers? We know they are booming for the bigger retailers because they are opening up complexes left, right and centre—in fact, all around in this case. We have another situation that is developing which is interesting—that is, the Bunnings enterprise is coming into Bendigo. I have nothing against Bunnings of course, but they are a large operator. We have the situation at Kangaroo Flat where the K Mart complex is being rapidly extended and renovated. Alongside that, you also have a Harvey Norman complex and then you will have a Bunnings. I think in the states they call these power centres.

Senator FORSHAW—Super centres they are called.

Mr Carty—No, they are actually called a power centre. It is a different type of thing from a complex. It has the ability to category slash. They are actually called category killers; I think someone mentioned the name earlier. A category killer is a different concept from a complex. We have a Big W in Bendigo and we have a Big W in Shepparton, and they are not going to pull away from each other. Shepparton is happy with their Big W and we are content with Big W here.

But these power centres that are developing now, which do exist overseas, will concentrate on—category slash—refrigerators this week, for instance. They will cut the price of refrigerators to such an extent that everyone who has got a leaky fridge or one that is ready to go on the blink will move in and buy it at that price, and that is commonsense. Then another week they will move in on another category. That has a compounding effect on the smaller whitegoods retailers or whatever they might be—home wares, whatever. It compounds so that for the next six months they do not sell a refrigerator. These power centres will pull beyond Shepparton, because they are not related to the complexes—the groceries and the clothing. They are one-up situations; you do not buy a fridge or a washing machine every day of the week.

They will drag people from Swan Hill, which is a considerable distance, and even from Ballarat. If Ballarat have not started developing these power centres, they had better start doing it because they are going to be pulled out of Ballarat. This is how serious the situation is developing. These big people have the ability to buy at a price and to slash the price to the detriment of small independent retailers.

Senator FERRIS—Given that you cannot turn the clock back on deregulated trading hours, what is the answer for people like you? What do you think the answer is for shops like yours? And what do you think this committee should do to enable shops like yours to have the best chance to survive?

Mr Randall—I personally do not have years on my side to do it. Andrew probably has.

Senator FERRIS—I reckon you have got 57. That is why I am asking you the question.

Mr Randall—Which means I am winding the clock down. It is very, very difficult. We thought we had the answer five or six years ago with the family member coming in to take over and add that new, younger enthusiasm to try to see if there was another niche there that we were not using. He would cope with the hours probably better than we would. I really do not know.

Mr Smith—I said earlier that I think we will survive, but we will now be offering a completely different range from what we were offering five years ago. We now have 300 videos in the store. We now have fast food in the store. We have scratchies and I would like to get a Lotto outlet in the store. I am in a suburban area on a main arterial road, so we are essentially trying to provide as many services as we possibly can to our local community for as long as we can.

Senator FERRIS—Neither of you raised the issue of predatory pricing—that is, the bigger supermarkets taking your trade by claiming to be able to undercut across the board when in fact if you check it out it is often only a number of core items. That issue has been raised with this committee in a number of other cities where we have taken evidence. It has been suggested that we should look at some way of strengthening access of individual shops, like your shops, to some form of protection against predatory pricing, yet neither of you raised it as an issue.

Mr Smith—I do not think we would be categorised by the chains as competition in that regard; we are too small.

Mr Randall—I would go along with Andrew's thinking there. If we closed our doors tomorrow and our business went to the chain stores, they would probably hardly notice it was there, although it is very significant to us.

Mr Smith—When you are talking about the levels that the Griffith store was taking—and that was in 1993; it is a couple of hundred thousand dollars more now—the figures we are talking about here are minuscule in comparison, but they are certainly very important to our families. If the trading hours could be reventured somehow, that would have to be able to help.

Senator FERRIS—Consumers would come and kill us.

Mr Smith—Well, they are not in Western Australia, are they?

Senator FERRIS—It is a different issue.

Senator MURRAY—Just quickly, are you able to tell me, Mr Carty, what market share the three majors have in Bendigo? Do you know what their total market share is?

Mr Carty—No. I do not have access to figures, except from the Retail Grocers Association. Throughout your inquiry, no doubt, you have had this expertise given to you in evidence. It is generally accepted in the supermarket area that about 80 per cent of the total trade of Australia is going to those three large operators.

Senator MURRAY—From memory, Mr Carty, the figures for Victoria are said to be around 78 per cent to 80 per cent. I wondered from what you had said whether it was much higher in Bendigo.

Mr Carty—Woolworths just recently announced an extra three per cent increase in sales. That is probably since you had those figures, so I would anticipate that percentage to be in the high 80s by the end of this year. We have no evidence at all as to the market share of those three here in Bendigo. There is no avenue to get those figures.

Senator MURRAY—So you could not tell me whether the three of you are down to five per cent or 10 per cent of the total market here?

Mr Carty—No, I cannot. I am in a different situation in that I run a health food store. It is a niche situation and I think that is why it is fairly successful. My concern goes out to all those that are just being slaughtered. Something that has not been mentioned here today is the degree of the turnover of shops, particularly within the CBD, since deregulation occurred, which is some three years ago now. We must remember that deregulation was forced illegally into the community. There is only one member here—Mr Jenkins, I think—from Victoria.

I have outlined in my submission the scenario that took place in relation to how the large corporations actually defied and broke the law of the land. The Kennett government suggested to the minister that he find a solution. Of course the solution for the big fellows was to deregulate and no more prosecutions would take place, and that is what happened. But the consequence of that deregulation is that thousands of stores are closing their doors. But it is your job to sift through the data that has been put forward to you in relation to such things as those I have mentioned. The turnover of shops within the CBD is an example. That is why I suggested earlier that if you were to do a detailed investigation of Bendigo it would probably reflect the national situation further down the track.

ACTING CHAIR—Thank you very much, Mr Carty, Mr Smith, and Mr Randall. I am sorry that I have to draw the hearing to a close because of the time constraints that we have and the logistical problems in getting elsewhere. To Mr Carty, at least we have your very full submission to go through, and I thank you for that. To Mr Randall and Mr Smith, I thank you for being so open in sharing your story. In sharing your stories you have put a bit of weight on our shoulders in our deliberations. I am not sure whether we can do anything directly for you as individuals, but for you collectively, and people in your situation, hopefully our deliberations will be of some assistance. To the City of Greater Bendigo, thank you for hosting the public hearing. To Hansard, who will now have to run around and pack up very quickly, I thank them for their cooperation. To my colleagues, I thank them. And we move on to Cooma.

Senator MURRAY—Could Mr Carty please provide the secretary with his list of 100 and whatever stores?

Mr Carty—I can get that to you.

Committee adjourned at 11.11 a.m.

