



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT SELECT COMMITTEE ON THE RETAILING  
SECTOR

**Reference: Industry concentration in the retailing sector**

THURSDAY, 8 JULY 1999

BUNDABERG

BY AUTHORITY OF THE PARLIAMENT

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**JOINT SELECT COMMITTEE ON THE RETAILING SECTOR**

**Thursday, 8 July 1999**

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

**Senators and members in attendance:** Senators Boswell, Ferris and Murray and Mr Baird, 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**

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**Committee met at 8.31 a.m.**

**CHAIR**—I 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 Bundaberg is part of the committee's inquiry into industry concentration in the retail sector and is the fifth of our public hearings in rural and regional Australia.

The committee has had a very tight schedule. Later today we are conducting a public hearing in Kingaroy, so we apologise for not being able to stay longer here in Bundaberg. Nevertheless, we are very pleased to be here and all of us said what a nice town it is. So well done.

[8.31 a.m.]

**POWELL, Mr Thomas Sidney, Owner/Operator, Tom and Gloria's Foodstore**

**TOMLINS, Mr Grant Alan, Proprietor (Partnership), The Tobacco Station—  
Bundaberg**

**CHAIR**—Welcome. The committee prefers all evidence to be given in public, but at some stage you may wish to give evidence in camera. In that situation, you should put a request formally to the committee. The committee has before it submission No. 259. Are there any additions or alterations that you wish to make to the submission?

**Mr Powell**—No.

**Mr Tomlins**—No.

**CHAIR**—Thanks very much for coming today and making this presentation. We also welcome the local federal member—it is good to see you. I now invite you to make an opening statement. At the conclusion of your remarks, we shall proceed to questions.

**Mr Tomlins**—Several months ago, I became aware of an article in the *Herald Sun*, 'Scrutiny of the supermarkets'. The Tobacco Station group was urging outlets to write to the Hon. Bruce Baird and put their view. I took this opportunity to write a short and brief letter of my opinion and truths about the very unfair and hostile environment, the retail sector. Since then, I have given this much thought and deliberation and have come to the conclusion that small business is at very fragile and crucial crossroads. If nothing is done now, within the next few years we will see the demise of this industry and, in turn, the acceleration of poverty, crime, unemployment and the degeneration of society.

Our government misleads us into believing it is trying to prevent these negative aspects of society but yet allows these giants to grow and attain a monopoly of diverse and lucrative industries. They then go about their business by annihilating once profitable small businesses. They call this fair trade. The ACCC, the Department of Fair Trade, the Trade Practices Act, et cetera, agree and allow this to happen. Please tell me how this can be fair trade. Because of their size, they are offered better deals or, more likely, stipulate better deals and better trading terms. For example, Coca-Cola two litre bottles cost \$2.50 from a wholesaler. At times, supermarkets sell it for \$1.60. That is 33 per cent cheaper than wholesale price. Do you mean to tell me that supermarkets are willing to lose 33 per cent plus costs and expenses plus make no profit? The same item is double the price at a small business, and the majority of times small businesses are verbally abused because of their outrageous price when really all they are doing is trying to make an honest living. How is that fair trade? We are not given the same offers. It is not only a waste of time having the ACCC and other departments but it is costly and absolutely hopeless.

The deregulation of trading hours has had a huge detrimental effect on small businesses. With these extended hours, I have seen very few extra staff employed at supermarkets. I have also seen small businesses close—with that, many employed people become unemployed and, in turn, further unemployment increases crime and poverty. I thought our

government endeavoured to reduce unemployment, poverty and crime. Do they not realise this or do they not care?

Rapacious growth of the major chains will see the disappearance of small businesses. They continually apply for extended trading hours, which makes it impossible for small businesses to compete. We cannot afford to be employing personnel during the day then once again at night to serve possibly a handful of customers or for the owners to be working 12- to 14-hour days, six to seven days a week. What about their families and social life? After paying taxes, working long hours, putting up with the ever increasing abusive customer because of the supermarkets undercutting you and the stresses of owning your own business, you begin to wonder why you bother. You would be better off on the dole.

Our next nightmare is about how much longer it will be before Sunday trade is introduced. Once again, small business cannot afford to be paying staff to work these long hours. This will demolish a very important part of the economy, work force and way of living. Another concern I have is the proposal for supermarkets in Queensland to be able to sell liquor. It is hard enough for pubs, bottle shops, hotels, et cetera, to make a good living as it is, and now the government is going to send more than half of these broke as well as put thousands out of work. What other lucrative small business industries will they seize and dominate next?

Would it be fair to say that businesses have to deal with different legislation requirements, excessive payments of taxes—sales and income tax, et cetera—hiring, firing, treatment of employees, security risks and general excessive fees, charges and expenses? As a general rule, major chains do not play an integral part in the business around the town. They generally use national developers to develop sites, their own national carriers, accountants, solicitors, shop fitters, et cetera. Contribution to local services and charities is very limited, with the manager easily able to quote company policy as a reason for refusal. In contrast, most small businesses buy local produce, support many—

**CHAIR**—Mr Tomlins, can I just interrupt you there? You said the local managers of the major supermarket chains quote company policy saying they cannot contribute. What exactly do they say?

**Mr Tomlins**—I have heard people go up and say, ‘We’re having a cent sale or a charity benefit,’ and the manager says, ‘Sorry, I’ll have to take that up with head office first.’ By the time that comes around, the event has possibly already happened. All they want is just a little handout—sponsorship or something like that. They do not help the community.

**CHAIR**—Have you known of any cases where they have helped?

**Mr Tomlins**—Not lately, no.

**CHAIR**—Thanks, keep going.

**Mr Tomlins**—In contrast, many small businesses buy local produce, support many other locally owned businesses and do contribute to local services, charities and sporting activities, as well as spending their own profits back into the town. The store also employs local people

and sees employees as people, not numbers. Also, the customer service given by small business, I believe, is far superior and beneficial to the community.

Small business is the major employer in Australia. We as individuals do not have the size and power of supermarkets but collectively as one we pay more taxes, employ more people, contribute more to communities and contribute more towards hope and a better society. Unfortunately, an increased feeling amongst most small businesses is one of disrepute, betrayal and pessimism. Without legislative changes, we will see the demise of a fundamental institution.

**CHAIR**—Thanks, Mr Tomlins. We appreciate your input. Would you like to make a statement, Mr Powell?

**Mr Powell**—Fourteen years ago, I started this business with my wife. At that time, the independents had 19 per cent of the market and the major chains had 81 per cent. At this time in Bundaberg, the major chains would have somewhere around 92 per cent. While we have been in business, there were three major chain stores. Now there are six, with the seventh about to open up in six months down the road where that big hole is, and that can only mean one thing. Twelve months ago, we employed in the vicinity of nine people. Now we employ three. That is only going to get worse. We are just one of numerous small businesses in town that have had to do the same thing.

Since extended hours commenced three years ago, 90 per cent of the small businesses in this town have had to extend their hours as well. You have husband and wife teams that used to open their shops until six at night; now they open till nine. I have always been a longer hour trader, so I have not been able to go any longer. My next move is 24 hours and I cannot afford staff to do that. I cannot afford to do the 24 hours myself either.

**Senator FERRIS**—Mr Powell, there is no Sunday trading here, is there?

**Mr Powell**—Not yet.

**Senator FERRIS**—No Sunday trading by the major chains?

**Mr Powell**—Not by the major chains, but they trade until five, I think, on a Saturday. I would just like to say something about local advertising. Our independent prices are huge compared to what Woolworths and so on pay. They go through AAP and pay \$200 for an entire page. We pay \$200 for a postcard. So we as an independent are basically paying for their advertising. Getting back to the hours that we work, obviously we spend a lot less time with our families. I have three kids. I have not seen two of them grow up. I hope to see the third grow up.

**CHAIR**—How long have you been in business?

**Mr Powell**—Fourteen years in the same place.

**CHAIR**—What has happened to your market share since you have been here?



**Mr Powell**—As I said, as independents we probably had about 19 per cent of the market in town. Now we are lucky if we have eight per cent.

**CHAIR**—So you have seen your own business decline?

**Mr Powell**—It has grown and then declined, yes. Since March, I have had two armed hold-ups—I have had four in total. I now have had to put on a security guard of a night, so I have had to close a little bit earlier. It will not be too much longer before I end up closing earlier because I cannot afford the security guard. For the pittance that we take of a night, it is not worth doing it. I have been doing a lot of it myself and occasionally employing someone to come in and do it so I could have a bit of a break. At the moment, I open the store at seven in the morning and sometimes close at 11.

**CHAIR**—How many days a week do you work?

**Mr Powell**—Seven days a week.

**CHAIR**—Holidays?

**Mr Powell**—What are they? I have not had a holiday in eight years.

**CHAIR**—Is that right!

**Mr Powell**—Occasionally I get a weekend off. This weekend I am going to take off.

**CHAIR**—Do you ever think of selling out and doing something else?

**Mr Powell**—I would love to sell out, but you do not get the price that the business deserves. People come in and offer you a pittance for the premises. Landlords do not mind taking their money and doing nothing for it. One Foodstore in town has sold in the last five years. Everyone is on the market.

**CHAIR**—Have the majors shown any interest in buying you out?

**Mr Powell**—I am not big enough.

**Senator FERRIS**—They do not need to.

**Mr Powell**—They will run me out. You only have to look at what they have done in some of the country towns where they have gone in and opened up a store. I am not sure, and this is only hearsay, but Biloela, I think, had four convenience stores out there once and now they have nil, and the prices in Woolworths went up by 10 per cent when the last one left. I am not totally sure of that. But that is the story I have heard, which is exactly what they will do in this town when they take control of it. As I said earlier, we had three Woolworths and Coles stores 14 years ago and now we have six, soon to be seven. In that same period, the convenience stores have increased by at least 10 to share that market that is growing smaller and smaller.

**Senator BOSWELL**—What is the size of Bundaberg?

**Mr Powell**—I would say about 60,000 in the district. The town itself is about 40,000. You cannot count the district in the town. What happens in Brisbane? Do they have 6,000 people to share a major chain store or do they have 60,000 people to share that store? You can run the independents down there but you cannot run them in a town of this population with that number. Why do you not do something about the major chains and say, 'Look, you can't operate on the weekends. You can't operate after 6 o'clock at night'? Give the independents that little bit of a go. They can run it down in Brisbane, Sydney and the like because they have the population. We do not have the population for it.

**CHAIR**—Mr Tomlins has a video to show us; is that right?

**Mr Tomlins**—Yes. Last year, a girl from Woolworths used to come into our shop with pen and pad and write our prices down and then match us or sometimes go underneath us. I was led to believe that, under the Trade Practices Act, predatory pricing was illegal. After speaking to relevant departments, I found out it is difficult to prove it.

*A video was then shown—*

**CHAIR**—So what are we seeing here? Is this a Woolworths employee?

**Mr Tomlins**—Yes. At the moment, every Monday and Wednesday during the day they come in and stand at the roller door just outside but about a mile from us. This was last year actually—1998. Now Monday and Wednesday they do the same thing. They write our prices down and go back and check theirs.

**CHAIR**—They are caught in the act there, aren't they!

**Mr Tomlins**—The Tobacco Station is a national group and our head office is in Melbourne. We sent this down to them.

**CHAIR**—Is this Woolworths or Coles?

**Mr Tomlins**—Woolworths. We have Woolworths and Franklins. Just in the last year, the whole shopping centre underwent a major redevelopment.

**Senator FERRIS**—Does she even have her Woolworths badge on?

**Mr Tomlins**—Yes.

**Senator FERRIS**—That is pretty silly.

**Mr Tomlins**—A bit later on there is other stuff. We had a redevelopment. There is her and a manager both with pen and pad writing all our prices down.

**Senator BOSWELL**—Do you go down and check them?

**Mr Tomlins**—A couple of years ago, on known other major brands they were \$2 and \$3 under cost price. They are very free. If we did not have wholesalers, so to speak, like we are supposed to have, we would have had to have shut our door and go. We have had to physically go out and get corner stores, pubs and what have you to survive.

**CHAIR**—What are we looking at here?

**Mr Tomlins**—I was going to pan the prices and that sort of thing and then go down with the video and check them out, but I was only writing it down in my diary. This was just to show that this is my price and this is what they do—their price before and after. They did change. If I have a special on, the tobacco companies do not support them. You can see her walking from Franklins now. She also checks the other stores.

It is only since the redevelopment that the supermarkets have really started to trade later hours. They work on a skeleton staff. Woolworths used to be open anyway to pack shelves, so they are not really putting on many other staff. They can sort of service the customers who do come through. All they need is probably a couple of people on the checkouts and maybe an extra manager. Their power and electricity is always running because they usually pack shelves anyway. I am starting to lose a few more customers because I shut at 5.30 p.m. I can stay open, but Woolies are now another 100 to 200 metres down and I do not get the traffic flow. Everything else is shut.

**CHAIR**—So in your store you have cigarettes and what else?

**Mr Tomlins**—Some novelty gift lines—T-shirts, bar essentials and that sort of thing.

**CHAIR**—She is fairly blatant about it, isn't she. There is no subtlety.

**Senator FERRIS**—Especially with her Woolworths badge on.

**Mr Powell**—You will find up here in Bundaberg there are probably four staff in there for every customer they get during the hours of six to nine.

**CHAIR**—Was this a hidden camera or what?

**Mr Tomlins**—No, it was mounted on top of our—

**CHAIR**—So there was no person standing behind it and she was not unaware.

**Mr Tomlins**—Later on, there is other stuff in there from when the redevelopment was happening. I have walked around with the video camera—I do not know whether it was her or another female and one of the management staff—and tried to put the camera over their pad and they did not even worry about it. They kept doing their job. We did write them a letter and basically they turned around and called our bluff.

**CHAIR**—Did you go and see the manager?

**Mr Tomlins**—I have not at the moment. I was not sure whether I should or not because I thought they could turn around and say, ‘If he wants to play this game, we’ll just drop all our prices and go well under cost price and force him out.’ They could be real cruel to us. It is a hard one.

**CHAIR**—So how many times a day do you see them there?

**Mr Tomlins**—Now it is twice a week—Monday and Wednesday.

**CHAIR**—Mr Powell, you were commenting on four times. Do they come to your store?

**Mr Powell**—No, they do not bother about the independents, unless we have real specials. But I am not a large store. I suppose I am a large store in comparison to a lot of them in town. We do eight or nine specials a week. Most of them are under their price anyway, but I am lucky if I can sell a carton of that special.

I think people think that, because we are an independent and we are a small store, we are not going to be cheap. They use us strictly for convenience. My market used to be reasonably good between 4 p.m. and 7 p.m. That was when I employed two to three girls behind the counter. Now I can get away with one. I have two there, and one is washing up. Occasionally she might have to go and serve, but most times I can get away with one behind the counter.

**CHAIR**—Are we able to take a copy of this video? Is that possible? We would be interested in a copy of the segment that relates to the girl from Woolworths coming down and checking, if we could.

**Mr Tomlins**—Yes.

**Senator MURRAY**—Mr Tomlins, that practice of price checking is universal worldwide amongst retailers. Did you find it intimidating?

**Mr Tomlins**—Yes. When they come in, they stand there. Yesterday a lady said to me, ‘Are they allowed to do that?’ and I said, ‘Not really, but that’s what they do.’ I believe they are just trying to kill small business.

**Senator MURRAY**—Do you regard it as a threat that, if you lowered your price below theirs, by that practice they are threatening you?

**Mr Tomlins**—If I lower my price, they are going to come back and lower theirs again. They get better deals. I buy my product today and pay for it in seven days. They buy their product today and pay for it in 90 days.

**Senator MURRAY**—So it is a method of forcing you to keep your prices up?

**Mr Tomlins**—Yes. I am caught both ways. If I go up any higher, I am going to get no business. If I keep going low, I will make no profit. In turn, if I am making no money, how can I pay my rent?

**Senator MURRAY**—What I am saying to you is that it is an anti-competitive practice, not a competitive practice, because it discourages you from lowering your prices.

**Mr Tomlins**—Yes. I am just about as low as I can go now to survive. As I was saying in this letter, they get better deals from the companies than we could ever imagine.

**Senator BOSWELL**—How do you know that?

**Mr Tomlins**—As a group we have had meetings and there are owners who used to work for Wills in the management area. The company's reps here would not even know what Woolies are paying but these guys are higher and they said they get three to four times the amount of rebates that we do. Per 1,000 sticks, we get X amount of dollars. Whatever we get, they get roughly three to four. As I said, we have a seven-day account. They have up to 90-day accounts. How can that be fair trade?

**Senator MURRAY**—So you are telling us that it is not below their real cost?

**Mr Tomlins**—No. They have a wholesale cost price and we have another one. Theirs is there and ours is up here.

**CHAIR**—Just to bring it back to the formal discussions, firstly, I want to formally move that we accept the video from Mr Tomlins.

**Senator FERRIS**—So moved.

**CHAIR**—Mr Tomlins, could we take that away, make a copy and then send it back to you? Would that be all right?

**Mr Tomlins**—Yes, that is fine.

**CHAIR**—We really appreciate it. It is very helpful.

**Senator FERRIS**—Mr Tomlins, could you tell us any more about these credit arrangements? I am very interested in that because it seems to me that you have little hope of being able to compete when your input costs are effectively a great deal higher. We have already heard evidence that supermarkets are able to negotiate incredibly low per square foot lease payments. Now we know you have essentially higher purchase costs because of the rebate system and you have very draconian credit arrangements with these companies. Have you as a group ever tried to negotiate better credit arrangements or better rebates? If you have, what has been your experience?

**Mr Tomlins**—I am probably unable to answer that because I am only an owner of one store. The directors of the Tobacco Station group have regular meetings with the three companies. They do try to get better deals all the time but, once again, when you look at the graph, most cigarettes are sold in the supermarkets and then corner stores, fuel stations, newsagencies and then the tobacconists, even though we are the front-line of attack—we are the ones that cop most of the abuse when prices go up or if a product is bad or whatever.

**Senator FERRIS**—But basically three of your key input costs—that is, credit arrangements, cost of leasing and cost of purchase—make it very difficult for you to ever be on what is called a level playing field.

**Mr Tomlins**—Yes, that is right.

**Mrs ELSON**—Do you get any extra rebate by displaying stock like putting up advertising boards and so forth?

**Mr Tomlins**—Yes.

**Mrs ELSON**—The impression I have is that the tobacconists are on a better deal than the supermarket because they get extra backing for pushing that product or having the display out the front—concept marketing.

**Mr Tomlins**—Holidays 40s were launched just a few months back. If we were to put a display up, yes, we might get a 50c per 1,000 better rebate from Rothmans.

**Mrs ELSON**—And the supermarkets do not get that because they cannot display that?

**Mr Tomlins**—There are three major companies. As a proprietor of the Tobacco Station, I have to have what they call a cake stand unit that stands outside my shop near my front entrance, and that is from Philip Morris and Rothmans. I then have to have a B unit next to the register, the point of sale, with Philip Morris and then there is also one with Rothmans. On the other side, I have one with Philip Morris and I also have to have another prestige unit from Rothmans. I have to have six units just from those two companies and I have one large one from Wills.

I do not have a huge counter. It is probably as long as this table. Try to display all those things there. I have to have that and I get, as I said, X amount per 1,000. I am led to believe that Woolworths get three to four times the better deal, and they have only one unit from Rothmans or Philip Morris and they have two-thirds less of what I have to have.

**Mr NAIRN**—We have some evidence which indicates that the tobacconists are funded by the suppliers for all their merchandising, fixtures, hardware and all that sort of stuff which the supermarkets are not. Is that right? Have the suppliers paid for basically your shop fit-out?

**Mr Tomlins**—Yes, that was the case. They still do some support. I am pretty sure that, before Franklins' refit, Philip Morris came in and gave them a total new refit at their expense.

**Senator BOSWELL**—Of just their tobacco department?

**Mr Tomlins**—Yes. I am actually in negotiations at the moment for a refit.

**Senator BOSWELL**—Tom, you have been in business for 14 years. Who do you buy from?

**Mr Powell**—Davids now.

**Senator BOSWELL**—You were with QIW before?

**Mr Powell**—Prior to that, yes. Mind you, if QIW were still here, I would be with them.

**Mr Tomlins**—Isn't Davids owned by Woolworths?

**Mr Powell**—No, that is AIW. I refuse to go to them on the grounds that they are Woolworths. While there are still two wholesalers, I will stay with the one that is not tied up with the chains, even though Davids is owned by South Africans or something now.

**Mr NAIRN**—Ironically, it is the only multinational in all of this.

**Mr Powell**—Had QIW still been going, I would not have left QIW.

**Senator BOSWELL**—There is a store up in Mackay—I have never been to see it—that is often held up as a hugely successful independent. They seem to be able to hold their market share and the independents seem to be losing theirs. Have you heard of this particular one?

**Mr Powell**—No.

**Senator BOSWELL**—Do you believe that it is just competition or is it the ambience of the place that makes people go and shop there? Do you have car parks?

**Mr Powell**—I have only front street access. I am only a small store. We are strictly convenience. Convenience stores are when people want bread, milk and the odd can of baked beans or something.

**Senator BOSWELL**—Do you trade as Four Square?

**Mr Powell**—We are trading as Foodstore. We have found since extended hours that the people who used to come to us—and we have one just over the back here who used to be in our shop almost every night of the week to get bread and milk—now go to Coles, Woolies and Franklins because they are open at the same time for 2c difference. My sister-in-law was always doing the same sort of thing. She can call into Coles and Woolies now at 4.30 or 5.30 with no problem and there are plenty of parks. They have stolen the convenience side of the market.

**Senator BOSWELL**—You are aware that this committee does not have any jurisdiction over trading hours. It is purely a state responsibility. I agree with you on how it has moved the market share across. If Woolworths or Coles came and offered you a price for your store, would you sell it to them?

**Mr Powell**—That is a bit hypothetical because they would not come near me to buy. They might go to the one around the corner that is twice the size of us, but they would not

come to us. We would not even be a thorn in their side with the amount of turnover we have.

When they have all these petitions and so on that go around, they employ someone to stand at the door and accost every customer who comes in to sign their petition. We cannot even afford to spend five minutes asking someone to sign a petition in the shop. Their managers are instructed to say how great they are trading after hours, yet they are not doing any business at all. Our convenience market outside of 6 o'clock is probably only \$200 an hour. That is all we have. We are lucky if we can get 10 per cent out of that. If we go and employ someone, there goes our profit margin out of that hour.

The convenience market, which was basically from close of business of the major chains—say, 5.30—until whatever time the convenience store chose to operate till, has virtually disintegrated now. The further they go, the sooner it will be that independents just do not exist. In relation to employment in the convenience market, a small store like ours has dropped off four or five staff and other stores have dropped more.

**Senator BOSWELL**—You are in the convenience market. What about the IG stores? Do you have any IGs?

**Mr Powell**—I have one around the corner.

**Senator BOSWELL**—How have they been going?

**Mr Powell**—They are going backwards. You are going to hear from him later on anyway.

**Mrs ELSON**—How many other convenience stores are around you, say, within a proximity—

**Mr Powell**—I have a racecourse, and you know the distance of a racecourse. There is another one on the other side of that. This IG is about 800 metres away. We have a railway line and then there are another three stores probably within 500 metres—small husband and wife affairs again. Then it is probably a kilometre and a half and you are in the town here.

**Mrs ELSON**—Were you there before those others popped up around the place?

**Mr Powell**—Coles were here.

**Mrs ELSON**—But were you one of the first independent ones and then all of these others popped up around the place?

**Mr Powell**—No, they were all there, but there is one new one on the other side of the racecourse. He sort of jumped in between another one further out again.

**Mrs ELSON**—So they were all there before Coles, Woolies and all of those came into town?



**Mr Powell**—I would say so. That was before my time, though.

**Senator BOSWELL**—Have any closed down?

**Mr Powell**—Yes, one has closed down in Dunn Road, but this other one opened up before the other one closed down. They were just up the road from it. I think part of the reason why the Dunn Road one closed down was a medical problem and they could not sell out so they just shut the doors. They may have been in a fair bit of debt and they just chose to walk out of the place.

**Senator FERRIS**—After driving around last night when we came in, at first glance Bundaberg seems to have a lot of retail food shopping. I appreciate that it is a regional centre, but it does seem to have a lot of large retail food shopping outlets. Do you think there are too many?

**Mr Powell**—Do you mean Sizzler?

**Senator FERRIS**—Yes, the big food outlets.

**Mr Powell**—That is probably not the problem. I was talking to someone the other day about it. I am also the treasurer of a large club in town and I see how much food goes through there and gambling, if you like. On the food side of it, most of the clubs and pubs in town now have dropped their prices on meals. You can eat for \$2 and \$3 in each place. You can have dinner in one place and tea in the other one for \$2 and \$3 a meal. That has probably affected a lot of convenience lines and probably affected a lot of Woolworths and Coles as well. I do know families who go from club to club and pub to pub to get those cheap meals and live on it. On the other side of it, we have lost business to them as well. I think the major retailers might have lost a bit too.

**Mr JENKINS**—Being here all of 12 and a bit hours, I could hardly be an expert on Bundaberg, but my observation is that there are fairly robust developments going on. There is the big hole which is to be a Woolworths which is just across the road from a Coles-K Mart complex with a Franklins sort of over the corner—and that is just one intersection. Also opposite was a large fruit and vegetable concern.

**Mr Powell**—There are two.

**Mr JENKINS**—That was just the one intersection and down the road there were others and Sugarland on the way in from the airport. It just makes me ponder about the context of these developments to an overall plan for the retail sector in Bundaberg and whether any of these developments have had rigorous debate about whether there was the need for the expansion of retail floor space.

**Mr Powell**—You would have to take that up with the councillors. We have no say in what opens and what closes. As far as the council is concerned, the more shops we have the bigger the sector is. You only have to drive down the main street and count how many empty shops are in the place.

**Mrs ELSON**—How many empty shops are there?

**Mr Powell**—I believe there are somewhere in the vicinity of 600 empty spaces in Bundaberg.

**Mrs ELSON**—Really!

**Mr Powell**—Six hundred empty shops, office space or whatever.

**Mr NAIRN**—That would include office space.

**CHAIR**—What about just shops?

**Mr Tomlins**—There are a dozen at least in the CBD.

**Mr Powell**—In one block there are probably eight.

**Mr JENKINS**—You give me the impression that you really feel powerless to sort of raise and enter into this debate about the overall number of opportunities that are given for people to ply their trade.

**Mr Powell**—All you seem to see is people closing their doors, so they cannot ply their trade. You have markets. We have two different lots of markets. We have a third one that wants to come into it now. They are taking the business straight out of the town, but they are allowed to keep going. They keep opening new markets.

**CHAIR**—When these developments came forward, did you actually go down to the council and stand up and express your views?

**Mr Powell**—I did not even know about this one until the hole started to get dug. I could not see the point of another Woolworths opening up in town. They already had one that closed down when they went to Sugarland. Why would they want to open up another one in town? It is just greed.

**Mr NAIRN**—What was there before then?

**Mr Powell**—Telecom offices, government offices. We do not have any government offices in Bundaberg.

**Mr JENKINS**—There is the empty social security building—that is by the bye. That is the extent of my local knowledge at the moment. I will leave that, but that underscores the position about your feelings about the way that you are part of the process. Mr Tomlins, you said you are part of a banner group. Was it the Tobacco Station?

**Mr Tomlins**—Yes.

**Mr JENKINS**—Do they negotiate price and conditions with suppliers or do you do it as an individual?

**Mr Tomlins**—The directors sit down with the managers from the three companies and make the deals. They are the ones who make the deals.

**Mr JENKINS**—When these questions that you have about the unfair competitive practices of others arise, are they able to act on your behalf? Do they take any role in going to the major supermarkets, for instance, and raising concerns to members of the group?

**Mr Tomlins**—I do not think so, no. All IPCs—that is, independent pricing competitors—get deals as well. There are other tobacconists in town, but we are in a buying group and we pay a fee to be under that buying group. We get slightly better deals than what they possibly do. There is a big gap between us and what the chains get.

**Mr JENKINS**—Is the buying group able to give you marketing assistance—for instance, negotiation for better rates for advertising?

**Mr Tomlins**—Maybe in the city areas; rural, I do not think so.

**Mr JENKINS**—So because of where you are you do not get the access?

**Mr Tomlins**—I am the only outlet in Bundaberg and will be the only one. They have another one in Gladstone. They are trying to expand. I do not know how many there are in Brisbane, but there are a fair few.

**Mr JENKINS**—Have you always been a member of the buying group?

**Mr Tomlins**—No, I joined it only two years ago, I think.

**Mr JENKINS**—Take me through what drove you to be a member of the group.

**Mr Tomlins**—Another tobacconist in Gladstone—a partnership who are good mates of mine—happened to say something about it. I looked into it and thought that it could give us a better way to be more competitive and compete against not only the supermarkets but the likes of corner stores, service stations and newsagents that were also undercutting and using that as a drawcard. In the main street of Bundaberg we have a tobacconist and a newsagent—the biggest one in town—running at 2½ and four per cent margins. That would not even cover my rent, bank costs, costings, et cetera.

**Mr JENKINS**—Are you satisfied that being part of the group has led to those outcomes?

**Mr Tomlins**—It has improved, but it is getting harder. Everybody is jumping on the bandwagon on discount cigarettes. So our competition is getting really huge. In the last year, since the supermarkets have used the late night trade, we have lost a lot of retail as well, and I shut up at 5.30. I was working back late because we had to go to a meeting on Tuesday for the centre and I walked passed at 6 o'clock and the number of people going through the checkouts then was unbelievable. There was a lot of people and there were people queued up at the cigarette counter. They are customers I have lost. As I said, they are way up there and

I am a couple of hundred metres and around the bend. There is no traffic flow that comes through and if I stay open I have to pay more rent and more fees as well.

**Mr NAIRN**—Mr Tomlins, what sort of gross margin do you have to work on?

**Mr Tomlins**—I run on six per cent on my cartons and nine per cent on my packets. We just basically work on the turnover. There are three shopping centres—ours, Hinkler Place and Franklins Plaza. All three are not fully tenanted. There are holes everywhere and in the CBD. When you speak to most people they cannot believe it, and the feeling is, ‘Why do we need another Woolworths in town?’ The community does not want it, yet the local council and the government have let this happen. It is not to the benefit of anybody.

**CHAIR**—I saw a hand go up in the group here. Only those people who are actually giving evidence can speak to the committee. I am sorry about that. They are covered by parliamentary privilege and they need to be sworn in.

As there are no further questions, thank you for coming. Mr Tomlins, I think the senior researcher would like to have a quick word to you. Otherwise, we would like to clear the room briefly because the committee has to have some private discussions. Thank you for coming. We appreciate it. Thank you for the video also, which we found very interesting and useful.

**Proceedings suspended from 9.20 a.m. to 9.33 a.m.**

**SOUVLIS, Mr Micklos Andrew, Owner, Eidsvold Foodstore and Thrifty Link Hardware**

**CHAIR**—Welcome. How far is Eidsvold from here?

**Mr Souvlis**—It is 185 kilometres over Mount Perry.

**CHAIR**—The committee prefers all evidence to be given in public. At some stage during your evidence, you may wish to go in camera. If you do, please put a formal request to the committee and we will consider it. I also remind you that the giving of false or misleading evidence may constitute a contempt of parliament. The committee does not have a submission before it, but we look forward to your presentation, Mr Souvlis. After that, we will ask you some questions.

**Mr Souvlis**—I am pleased to be here today to voice an opinion on the independent retailers of Queensland and of Australia. Ten years ago, independent stores had 32 per cent of the market and the major chains—Woolworths, Coles and Franklins—had 68 per cent of the market. Today, the chains have 82 per cent of the market—that is nationally—with Franklins with 12 per cent to 14 per cent and Coles and Woolworths with the rest. The independents have 18 per cent of the market.

It is pretty hard out there to compete with stores where reps will go into a store and spend time in that store. The chains will actually sell space to those stores. If you want an aisle end, the chain is given \$500 for an end. They get paid by the companies for that space. If you come into an independent store, you are lucky if you see reps, for a start, because they are tied up doing in-store promotions inside the chain stores, and that is with hardware stores as well. Being a hardware store, we have the new Bunnings stores as well, now. We used to see a fair few hardware reps.

I was talking to the Queensland manager of Thrifty Link Hardware stores yesterday about this. Bunnings stores will actually tie a rep up for two days. He will even work in that store, he will sell in that store and, if you are a customer, he will tell you everything about it. When it comes to us as independent stores, we are lucky if we see a rep. Maybe a fax will come through to us and say, 'These are the deals that are on.' They can probably sell stuff at cost price. Bunnings are now putting a thing up where, if you buy a product—say it is a gate latch—for \$2 from me and bring the receipt to them, they will take 10 per cent off that price straightaway.

It is becoming a harder game out there. It is like two different playing fields for two different people. We are independent people; we are not a chain where we can dominate the marketplace. It is a scary scenario but, if one day seven-day trading comes in, it is going to knock a lot of these coastal towns out. I came from Maryborough. My father has been in business in Maryborough and has had a food store there for 45 years. I have grown up with the whole lot. I know the ins and outs of retailing from bakeries to newsagents to whatever. When my dad went to Maryborough forty-something years ago, he bought a little corner store on the road, and he grew that store. In those times, if you employed four staff, you could not open on a Sunday. I remember how the labour and industry people would come.

Dad went to court about it; they shut him down. They were going to take him to gaol about it because he refused to pay the fines. Now it seems that, as time has moved on, the rules have changed for the bigger people, and the independent people seem to be the ones who are left behind.

It is not as though the independent retailers are not good traders. There are some good traders out there, and we are moving with the marketplace. I am building a new store out at Eidsvold. It is costing me close to \$800,000 for this store. It has an in-store bakery, the whole hog. When I bought that store five years ago, it was run down. The couple that had had it for 39 years never used to turn the lights on. My father said to me, 'If you want to go out and make it in life, you have to go out into the country and do it.' So I drove around, and I found this country store.

Eidsvold is a town of 800 people, probably 65 per cent of whom are Aboriginal. The rest are mainly timber workers and council workers. Now, you have to move out into the country to establish yourself and your business in the marketplace. For me to come to the city and try to do that just would not happen. The change would crush me. It is like when the prices of cigarettes are going up. There was a thing in a Foodstore article where the chains bought \$6 million worth of cigarette stock. They get a 90 day account to pay for that. Everyone said to us, 'You'd be buying up on stock.' You cannot afford to go and buy \$5,000 worth of stock, because you have to pay for that in seven days time.

**CHAIR**—Are you sure, by the way, that the majors get 90 days to pay for it?

**Mr Souvlis**—Yes, there was a Foodstore article that told us that they bought \$6 million worth and they get 90 days. They get stock given to them. Where we come in, we have to stock that stock. You talk to the reps about what the chains get. They get paid for that floor space. If you are like me, you have a business and all that sort of stuff and you have to pay your staff and your superannuation. All you want to do is trade, be happy and have fair trading.

I know it is a hard thing out there to be an independent. Chains are not just selling food; they are selling everything now—you name it—from electrical goods to flowers. My wife has a bridal and florist shop in Bundaberg. They pick the markets. It is a worry to me because if they get any more of the market there will not be any more independents.

My father has bakeries in Maryborough. Everyone said that bread was dear, so we came in and started making bread and selling it—two loaves for 50c. We were in the *Courier-Mail* for it. My brothers and I worked our arses off for two months straight. We had to work hard. People came from everywhere. If you could buy two loaves for 50c you would come, and they came. Then the chains hit us. As soon as we put ourselves in the marketplace to say that you do not have to make so much money on bread, they deregulated the bread industry. From doing that, we gave the impression that bread cost too much money, that it is only flour, water and air—it rises and there is nothing much involved in it. We went along and did that. You would think that, if you were the first one on the block to bring prices down, people would stick with you. The chains came in and hammered us—they nearly sent us broke—but we wanted to prove that there was a lot of dough in dough. There was a heap of it and a lot of it was unnecessary, and we were trying to provide that market for people.

If I am a retailer and I own two stores, I will special the same special in all the stores. The same should apply to chains. If they want to do a special and cut the price on the cigarette guy or the bread guy, then that should be done globally. It should not just be done in that one place to actually sink that person. They can afford to run this store here at a loss because there are all the other stores to prop it up on the side.

You see that in shopping centres where a retailer—it could be one of your family friends or whoever—owns a store or a cafe, and a major chain is in that shopping centre. The business for them is no good anymore and somebody is building a new one down the road. So they will opt out and move to that one. But the poor little independent person that is there has still got to pay his rent because he is tied to a lease. The chains can still afford to pay their rent on that because that is just a loss margin, but not the independent person who is tied up in that centre. I have a number of uncles and aunties in Brisbane who have actually just about lost their houses from that. It has been publicised in the media and in all that sort of stuff.

You just want a fair trade. We are individual people; we are human beings; we are Australians. I think when you see so much support going to overseas countries and different places like that you find it hard to understand. We really need the support—not financial support, but people to hear us out and look at us as individual people. To me, Australia is a great country. But it takes people like me, you and other people to keep it going. If the chains get too much more of the market, there are not going to be any more independents. You say, ‘No, come on.’ But it is in the figures. In 10 years time, we will have lost more of the market share. I invest real money. It is my money and it is the bank’s money, and if I do not make my payments, I would be out of there. I would have nothing. I would be on the street and be a derelict or whatever. But I have a lot more fighting power in me yet. I think coming here today, voicing that opinion and putting a face to the actual concerns of what is really out there is helpful. I do not want special treatment for us; I just want even treatment.

With the media and Kerry Packer, for example, there is legislation that he can only own a certain percentage. How much does he own of the media? If he owned 82 per cent and someone else owned 18 per cent, there would be a bit of an uproar. Telstra had the full market, but now there is Optus and AAPT, and there are other companies out there now. That is all we want: a fair playing field where we can still survive, pay our mortgages, and actually grow and invest back in our country.

**Senator FERRIS**—How many food stores have you got in your town?

**Mr Souvlis**—There are two.

**Senator FERRIS**—Are they both independent?

**Mr Souvlis**—They are both independent. In this new store that I am building, they want me to trade seven days. I will not for the simple reason that, if I did, I would crush the other stores in town. That is not fair. Our little chamber of commerce, the Eidsvold Development Association, is run by Dr Ray Swanell. He said, ‘You should be opening seven days.’ This new store has a bread shop. It is just like a little Woolworths or Coles—it is a mini-independent store. If I was to open seven days, it would shut the other one in town. It

definitely would. I know that. It would shut the guy on the corner who sells a few groceries. Keith Warren opens seven days a week. On Christmas Day, he is open there until 10 o'clock. He has been there for 49 years. He came to Eidsvold on a pushbike. I am only a newcomer to the town, but I am actually trying to bring the people back to the town of Eidsvold. It was a small country town run down by older retailers in the business.

**Senator FERRIS**—Do you think many people come in here to Bundaberg to shop? Are there a lot of what are called 'escape dollars'?

**Mr Souvlis**—Yes, but you cannot actually stop people from going in and looking at the bright lights of the city. They are not going to do it every week. They will do it once a month. They will do it at Christmas time. They will bring their kids in to have a look. We are talking about a town of 800 where there are two grocery shops, a butcher shop, a newsagent and a pub. People want to come to the city to have a look, and I reckon that is a great idea. Come to the city and have a look. You are not going to say, 'Hey, don't go there.' It is human nature. I like going out and having a look at the shopping centres when I go away. I love going out and having a look at different atmospheres.

**Senator FERRIS**—So what you are saying is that you want to encourage people to shop locally?

**Mr Souvlis**—Yes.

**Mr NAIRN**—Who is your wholesaler?

**Mr Souvlis**—Davids.

**Mr NAIRN**—And the other independent in the town?

**Mr Souvlis**—I am not sure. He does not like me.

**Senator FERRIS**—He will be open seven days then!

**Mr NAIRN**—Do you have a problem with deliveries? Will they deliver to you at Eidsvold?

**Mr Souvlis**—Davids? Yes, I get rail. Rail comes out there.

**Mr NAIRN**—You have rail that goes past.

**Mr Souvlis**—Yes, truck-rail or whatever you like to call it. Deliveries are fine. It is what you cater for. These are the set days that they will deliver, and that is the day you work your business around. I think we have rail four days a week, we have trains twice a week and trucks twice a week.

**Mr NAIRN**—I do not know the geography very well, but would Eidsvold be on a line where they would probably deliver to you and then to someone else on the way through?



**Mr Souvlis**—Yes, you have Gayndah, Mundubbera, Eidsvold and Monto. The rail line goes straight up there. There are independent stores in those towns as well. They are all Davids stores. I used to be with AIW. I was there for two weeks, but it was Woolworths owned. I like service. I like to feel like I am someone. I will go to a garage where the guy will come out and pump up my tyres, wash my windscreen and check my oil. That is what I like. It is the same with Davids compared with AIW. AIW just sold me the groceries. You never heard from anyone; you never saw anyone. With Foodstore—

**Mr NAIRN**—Foodstore is the banner group?

**Mr Souvlis**—Foodstore is the banner group.

**Mr NAIRN**—And that is quite independent in that the Foodstore banner group buys from Davids?

**Mr Souvlis**—Yes, we actually buy from Davids. We have a buyer, Mark Gregory. He does all the buying for us and associates that. We have advertising and that sort of stuff. It is quite professional, and it is getting better.

**Mr NAIRN**—How many stores in the Foodstore banner group?

**Mr Souvlis**—There are 84.

**Mr NAIRN**—Are they all in Queensland?

**Mr Souvlis**—Yes, and northern New South Wales. I think there is one in Papua New Guinea.

**Mr JENKINS**—Is the Foodstore banner group run as a co-op?

**Mr Souvlis**—What do you mean?

**Mr JENKINS**—Is it owned by the 84 stores?

**Mr Souvlis**—We concentrate on running our stores. We have a guy in Gayndah who is actually on the committee and goes to meetings and that sort of stuff, but we have to concentrate on our stores. That is our job. We try not to go into something that we do not know anything about. We are pretty happy with the guys who we have got. They run us. They make sure that we have good food hygiene. They come from outside to look into our store to make sure it is clean and tidy. We get a kick along. It is the same as Coles and Woolies have. They have managers who go around and make sure that their departments are right.

**Mr JENKINS**—But Foodstore is separate from Davids?

**Mr Souvlis**—Yes, it is separate from Davids.

**Mr JENKINS**—You gave us a good outline—as others have—of the way you see the general situation for independents versus other competitors, larger or otherwise. Tell me what your greatest fear is about the way the general climate is going. What direct effect would it have on you at Eidsvold?

**Mr Souvlis**—None, directly. It would have an effect on my father, so it would affect me in that respect, but it would not directly affect my business. The RFA has more effect on me than that. I know this has nothing to do with it, but that is my biggest worry. When you spend the money and the store is due to be completed on 6 September, and if you borrow a few bucks from the banks and you have someone who knows nothing about our industry or the timber or whatever—

**Mr NAIRN**—You will need the RFA finalised by the end of September. We will not go into that.

**Mr Souvlis**—It is a sad thing because they want to shut down an industry where the guys are third and fourth generation timber cutters who do not use chains and bulldozers. They use a chainsaw to cut that tree down, and then it is milled. It is not a total wiping out of that industry. Who is going to come out to Eidsvold? They are talking about having these different little nature parks—millions of them scattered around—that are going to be like long hair on a bald head instead of having it cut nice and neatly like grass. It is sad to think that people want to try to shut down an industry which employs people. You see the cleansing of ethnic Albanians in Kosovo; it feels like we are getting a cleansing of country people.

**Mr JENKINS**—I will try to dig myself out of the hole that I got into by asking Mr Souvlis the question. I appreciate that he has answered in the way he has, but it would take a lot of debate to get around that reaction. I have a habit of sometimes asking questions and getting answers that I did not really want to hear, but that is all right. We have put forward the notion that there needs to be a critical mass for the independent wholesalers. That would relate to how many stores they can supply in a metropolitan area. Obviously, a store at Eidsvold—hopefully surviving the RFA—would be supplied by an independent. If it does not have the critical mass of supply that metropolitan independents do, it may make it more difficult for you.

**Mr Souvlis**—That is very true.

**Mr JENKINS**—Would you be concerned that that might happen?

**Mr Souvlis**—I am concerned now that you have put that point across. I am concerned that Metro, the South African group, has now bought Davids and is running Davids where we have the opposition wholesaler AIW. If independents were squeezed out of the city and were to build up the AIW, which is Woolworths now, their wholesaling ability would cut down our choice and we would have nowhere else to run. A lot of independents will not go to AIW for the simple reason that it is Woolworths. Most stores are now on computers. They say Woolworths has nothing to do with running AIW, but it is drawn out of Woolworths' warehouses, so they would see where the bulk of the stock is going to.

**Senator BOSWELL**—I do not think it is. I think they have independent warehouses.

**Mr Souvlis**—Yes, but if Woolworths owns a business like AIW, you still want to know whether that is making money. You will know how many dollars are being turned over in that industry. As you see in Brisbane, in Ascot or Hamilton they have that new Woolworths superstore. It is based on a convenience store. It is nice and tight. It is my biggest worry that they are going to be hammering into the independents, the smaller traders. It is different for people sitting on that side of the fence, but when you are actually involved in it and retailing is your life, you have that threat. There is nothing you can do about. It is pretty scary. We are not on big bucks. The new retailers of today pump everything they get back into their business so they can compete and prove to the local people, ‘We want to survive with it and we want to support you.’ Derrick Cornett is a great retailer. He has a store at Bribie Island. He has 14 stores. He bought a lot of inland stores—at Cloncurry, Barcaldine and places where people would not want to live, but that is where there are people. That is where the retailers will survive—in the country.

**Senator FERRIS**—That is why we are here. Can I ask you whether you have any evidence of significantly differential rents—perhaps not in your business but in your wider business or your father’s family business—per square metre being charged for the smaller stores in relation to a larger store, perhaps in a shopping precinct? Are you aware of different input costs in that way?

**Mr Souvlis**—I think that is just common knowledge. If you see a shopping centre and you have not got a chain or an aggressive store in there, you have not got a shopping centre. Woolworths can actually stipulate what they want to pay for things. We are talking about a big business; it is not a small business. The person who owns the shopping centre is an individual person. He wants to rent that business. If the big stores come in to him and say, ‘We’re willing to pay X amount of dollars,’ that is all they will pay. They are not going to pay any more. He has an empty shop there, and he wants to rent it out, and he has all the other little shops, so he works out with his accountant what the extra is that these guys have got to pay to actually balance it out. A lot of people have told me—and it is pretty well common knowledge—that a guy in a cafe is paying nearly as much as a Woolworths store because that store is the major drawcard.

**Senator FERRIS**—What about terms of credit? You said you would buy from a wholesaler, but are you aware that terms of credit are different for a supplier to you in relation to a supplier to a major chain?

**Mr Souvlis**—Again, that has been common knowledge.

**Senator FERRIS**—Have you got an example you could tell us—not of the name of the supplier please but of a product, for example?

**Mr Souvlis**—When the cigarettes came out in the Foodstore last year, there was a thing in the QRTSA about how Woolworths bought something like \$6 million worth of cigarettes and they got 90 days to pay for them. Those guys can sell it at cost as a drawcard, and they do not have to pay for 90 days. When my cigarette guy comes in to me, I have to pay for it in seven days. Sometimes, when I first started, I had to pay cash. I had to write a cheque

out. If I was not actually there, he would not leave the stock. Until you actually get into it, so much of it is a one-sided business. But I love a challenge.

**Senator FERRIS**—We can see that.

**CHAIR**—We have two minutes to go.

**Senator BOSWELL**—Is your father still trading?

**Mr Souvlis**—Yes.

**Senator BOSWELL**—How is he going in Maryborough?

**Mr Souvlis**—He is a Greek, so he is going all right.

**Senator BOSWELL**—He will survive.

**Mr Souvlis**—My dad is a workaholic.

**Senator BOSWELL**—This is the problem that we have: there are some people who not only survive but do very well and there are other people who do not. There is a guy in Mackay that you may have heard of—

**Mr Souvlis**—Lou Paconi? No, Lou Paconi is in Cairns.

**Senator BOSWELL**—Paconi is another one. There are guys who are actually driving forward—

**Mr Souvlis**—Yes, definitely.

**Senator BOSWELL**—in the independents. But that is the exception rather than the rule. We know the problem. We have been all over Australia and many people such as you have come forward. Have you ever thought of the solutions to it? What are the solutions?

**Mr Souvlis**—Solutions—I was thinking of those on the way over here yesterday.

**Senator BOSWELL**—We know the problems, and we have heard them from Tasmania to Bundaberg and everywhere else. The same message is coming through.

**Mr Souvlis**—People work less now than they ever did in their lives. Everyone works fewer hours—in councils or whatever—except for the people in their own private businesses. I believe there are too many shopping hours.

**Senator BOSWELL**—I agree with you. Before I got into the in the Senate, I held the trading hours up in Queensland for a number of years through the Bjelke-Petersen government. But this committee has no jurisdiction over trading hours; that is purely a state responsibility. What do you believe is a solution?

**Mr Souvlis**—Apart from the trading hours?

**Senator BOSWELL**—Yes. Let me put it this way. You are spending \$800,000. We have heard about creeping acquisitions—and you understand them—where Woolworths and Coles go out and buy the better end of the independent sector. Do you believe a person has a right to sell his store to the highest bidder?

**Mr Souvlis**—If he has worked for it.

**Senator BOSWELL**—One of the solutions that has been put to us is that we put a cap on the market and stop creeping acquisitions. To stop creeping acquisitions, we would give the ACCC a power so that, if Micklos Souvlis wanted to sell his store to Coles or Woolworths, the ACCC could stop that. But then what about Micklos Souvlis? Does he want the right to sell his store to Woolworths and Coles?

**Mr Souvlis**—I think it depends. If I have a great store, Woolworths and Coles want that store, they come and offer me a price, I want to sell it and the ACCC stops that, what is to stop Coles and Woolies from buying the houses next door, sinking me and getting it for nothing anyway? I lose out. I do not think they should stop an independent person. He did not get the store given to him. He has had to work for it. Coles and Woolies will get it whichever way.

**Senator BOSWELL**—You wouldn't be in favour of legislation that would prevent Woolworths or Coles or Franklins coming to you and saying, 'We want to buy your store, and we are prepared to pay five or six times what it is worth.'

**Mr Souvlis**—I know Franklins bought one of Kevin Cast's stores, but it is only a minority.

**Senator BOSWELL**—It is a minority, but it is shifting quite a lot of market share away from Davids.

**Mr Souvlis**—I still think it is to do with the trading hours—and I know you have nothing to do with the trading hours. There are all these good traders out there like Derrick Cornett, the guy in Mackay—I cannot think of his name—and Lou Paconi in Cairns. They still have 82 per cent. Imagine if these guys were not operating what sort of market share they would have. There is even my store; there is John Learmont here in Bundaberg. Imagine if he were not to spend money on his store. When he took over from his father, it was the same as my father: they were set in their old ways. The new blood came in and took it to the next level. If we did not change, I reckon we would have about two per cent of the market now.

**Senator BOSWELL**—But that is not the question. It has been put to us that, to stop an increasing market share shifting over to Coles, Woolworths and Franklins, we should prevent those major chains buying independents. I am asking you whether you think it would be fair to stop traders such as yourself selling to the majors or whether, in the better interests of the independents, that should be prevented.

**Mr Souvlis**—I think they should be prevented from selling to the major chains, but who will buy their stores? If you own a store and you want to get out, who would buy it from you if you were stopped from selling it to the chains? I do not agree with selling it to Coles and Woolies, but who would you guarantee to me would buy it?

**Senator BOSWELL**—If this committee came down with a recommendation for legislation that would prevent Coles and Woolworths buying independents, would we not have absolute outrage from the independent traders that we have prevented them from getting the highest price for their stores? Do you think there would be general acceptance?

**Mr Souvlis**—I think that would be cutting it a bit thin. If you owned the store and wanted to get out, but the government stopped you from selling it to someone, how would you feel?

**Senator BOSWELL**—That is what I am asking.

**Senator FERRIS**—It is just like you were living in Russia!

**Senator BOSWELL**—There are some retailers who believe that we should do it. I am asking you for your opinion.

**Mr Souvlis**—I think it is divided. Who would buy it? If I stopped Coles or Woolies from buying your store for \$6 million, would you be happy?

**Senator BOSWELL**—No, I would not be happy.

**Mr Souvlis**—If the government said, ‘No, they cannot buy it,’ then who would?

**Senator BOSWELL**—You could sell it to another independent. I am putting it to you because it has been put to us many times. You are trying to dance around the question.

**Mr Souvlis**—No, I am not actually, but it is a hard question. As a retailer, if you have had enough and you want to get out, you have the right to sell a business, the same as when you sell a car, a house or whatever. In some ways, I do not agree with selling it to the chains where they would gain more market share but, on the other hand, I am thinking of the retailer who wants to get out.

**CHAIR**—We have time constraints. Could this be the last question.

**Senator BOSWELL**—Mr Souvlis is a particularly good witness, and I think we should pursue this sort of person. Let us get back to solutions, because you have obviously thought a lot about this and you think the solutions lie in the trading hours. I think you are right to a point, but this committee has no jurisdiction over that. Have you thought about any other solutions?

**Mr Souvlis**—Bring back the old Department of Labour and Industry days. It is a hard one, because your trading hours seem to be the major thing. You cannot say to Coles and Woolies, ‘You can’t sell meat, bread or electrical goods.’ The more you extend the trading

hours, the more time they have to trade. If they were to be 5½ days as they used to be, you would find that there would be more competition in that 5½ days than you see now. It would be more so. It is not going back in time. It is ensuring the survival of our independent groups, because there are some good traders out there. They would want to get the people in the stores and they would want to get it happening.

**Mrs ELSON**—Since the monopoly Davids had with supplying groceries to independent stores came to an end when AIW came into competition with them, has the service been better or have there been better deals?

**Mr Souvlis**—I think the better years were back when QIW was there and Davids was the opposition.

**Mrs ELSON**—Okay. But have you seen any difference since AIW came? Are there better deals?

**Mr Souvlis**—Yes, there are now.

**Mrs ELSON**—Do you think it is healthy for the industry to have that competition between wholesalers?

**Mr Souvlis**—It is healthy for the industry to have an opposition but not one that is involved in chains.

**Mrs ELSON**—It is still an opposition so it gives you a better deal?

**Mr Souvlis**—Yes, it does, but it gives them more percentage of the market. The stock that is sold through AIW warehouses would actually go on to the chains. It would be money through their tills as well. It is another business for them.

**CHAIR**—Thank you very much, Mr Souvlis. We found your evidence very interesting. You should consider politics as a career. Obviously, you have the rhetoric.

**Mrs ELSON**—I have been in the same business as you. Just because we are sitting here does not mean that we haven't been through it.

**CHAIR**—The only comment that I would make—and it is not appropriate to say this—is that I do not know whether the comment you made that people work fewer hours is entirely true. My observation is that in a place like Sydney the working time has extended exponentially as people want greater productivity from their employees. That may not apply in country areas—I do not know.

**Mr Souvlis**—But don't they get RDOs or ADOs—another day off—and those sorts of things?

**CHAIR**—If they can take them, but in a lot of places it just does not apply. The length of time for the traffic keeps on shifting forward.

**Mr Souvlis**—Come out to the country—it is better. It is peaceful. There is no crime. There are no bars on your windows. That is the big push.

**Senator MURRAY**—The statistics that they record show that those who are working full time are working longer hours.

**CHAIR**—Is that in the country and in the city?

**Senator MURRAY**—It is nationally. I am not sure whether they are country statistics.

**CHAIR**—Thank you. I bow to a Rhodes scholar for the final word. Thank you very much, Mr Souvlis.



[10.11 a.m.]

**LEARMONTH, Mr John Douglas, Managing Director, Olsens Store Pty Ltd**

**CHAIR**—Welcome. The committee prefers all evidence to be given in public, but at some stage you may wish to go in camera. If you would prefer to do that, you should put a request to the committee and we will consider it. I should remind witnesses that the giving of false or misleading evidence may constitute a contempt of the parliament. The committee does not have a submission before it, but we look forward to your presentation. We will ask questions at the conclusion of it.

**Mr Learmonth**—My business has been owned and operated by my family for the past 65 years. We are a small supermarket, employing 10 full-time and 10 casual staff. I am appearing at this hearing because of my growing concern with the market dominance of the major chains in the retail sector. Throughout the past 15 years that I have managed my family's business, I have witnessed a dramatic decline in market share of smaller retailers due to the opening of larger stores here in Bundaberg. Since 1986 here in Bundaberg, we have seen an additional four major supermarkets established to increase the total to six. That has trebled the number of major stores in that time. The population would have grown by approximately 20 per cent. This has been at the expense of small business. As we speak here today, foundations are being laid for another supermarket in Bundaberg adjacent to two others and only three kilometres from their own new supermarket which opened last November.

Does Bundaberg really need another supermarket? Retailing for the independent retailers has become a war zone, a battle of survival not unlike any of the wars recently seen in Europe. Apart from the loss of human lives, dictators invade countries and governments react and offer support, but in our country this happens every day without real concern. The chains come in and conquer the small retailers. Confidence in the independent sector is very low. My family has been considering a development on our existing site to upgrade our facility. However, with the growing number of supermarkets in Bundaberg, this project is in jeopardy, especially when the new store being built is 800 metres away. This is unfortunate, given that the independents employ a larger percentage of staff in proportion to the chains. That is one staff member to 1.7 to be exact.

Our store growth has stagnated—a similar story to most independents. The chains are targeting food, meat, newsagencies, liquor, pharmacy and fuel. I acknowledge that the chains conduct a very polished organisation, and the stores are usually of a very high standard. However, on an equal playing field, I am sure that independents could offer the consumer equal standards. It is hard to compete when chains vary their prices from store to store, depending on the opposition. This means that, if there is no competition, the prices soar. This is treating consumers with disrespect. I have given up trying to compete against the chains, as they come in and spy. It is commonly known as price checking.

The smaller independents are usually more supportive to the community and to the service clubs and organisations that are always seeking donations, et cetera. When they approach the larger stores, it is not uncommon to get the 'not the company policy' excuse. I hear this every day. What future does the independent have? Most of us enjoy the industry. I

personally love it. We have a large investment at stake and are trying to support our children's futures. Governments are continually deregulating, playing into the hands of the large chains. It is great for the consumer in the short term; the long term is uncertain. What about the small retailer? We employ vast numbers across the country. Shouldn't we have support? Hopefully, after the inquiry has ended, the government will have sense enough to have a hard look at the retail sector and offer some assistance to us. No, we are not after financial support like most other industries. I feel a good old Aussie fair go would be enough. Let us make the playing field a bit more even. I have not sat here and briefed you on the figures, which no doubt you have had repeated to you on several occasions. What I have stated is what has affected me and I hope has been of some assistance to you. Thank you for your time.

**Mr NAIRN**—Which wholesaler are you with?

**Mr Learmonth**—Davids.

**Mr NAIRN**—Have you always been with them?

**Mr Learmonth**—Yes. It was QIW prior to the acquisition by Davids. Davids bought QIW out six years ago.

**Mr NAIRN**—And you have just the one store?

**Mr Learmonth**—Yes. We own a small centre of 10 specialty shops. We own the freehold as well. We have just acquired adjacent land with the hope of developing further. I do not mean more shops, just to demolish our existing site and build a better store—not necessarily bigger, just better. I feel that our store is probably to a great standard. But I feel that—and this is probably because the building is an old building—it is time for a change.

**Mr NAIRN**—So you are in a position where you can balance the sorts of specialty shops that complement your supermarket, as well.

**Mr Learmonth**—Yes.

**Mr NAIRN**—So you do not have competing interests within your area?

**Mr Learmonth**—Competing interests from others?

**Mr NAIRN**—Within your centre.

**Mr Learmonth**—Not within our own centre, no. We have centres very close.

**Mr NAIRN**—Just out of interest, as you own the freehold, in the leasing arrangements you have with the other specialty shops, do you give them guarantees that you as a supermarket are not going to compete? For instance, if you had a florist—

**Mr Learmonth**—It would be one florist only, yes.

**Mr NAIRN**—You make sure that there is no other florist. Do you give the guarantee that your store will not start running those lines as well?

**Mr Learmonth**—Exactly.

**Mr NAIRN**—That is written into leases?

**Mr Learmonth**—No. Because of my own situation—I have just started taking over as director; I have had deaths in the family just recently—I have only just come into the managerial side. I have just put in financially, now. All of our stores would be guaranteed that, yes.

**Senator MURRAY**—On the wholesaler side, the proposition put to us is an economic one where, unless the independent sector remains of a certain critical size, it will not be able to support a wholesale sector and, because there is a symbiotic relationship, if the one does not exist, the other cannot exist. I want to ask you whether there has been an improvement in the wholesaler service, style, product range, price, all the marketing efforts and so on as a result of Davids buying out the independent. Or, from your point of view, was there no change? Or was it worse for you once you lost the extra competition available through QIW?

**Mr Learmonth**—I changed warehouses primarily at the request of our group. We are part of the Foodlink retail group in Queensland, which has 700-odd stores ranging from the very small to the largest stores. Hatfield's is probably the largest—that is the store you were trying to think of in Mackay. Going from the Queensland Independent Wholesaler days, I felt the service dropped. I was on the verge of moving back to QIW, and Davids bought them out, so I had no choice. However, in saying that, we complained a fair bit, and I have noticed that the service has increased since probably the last two years. They made an effort. Many called us regularly just checking complaints and so forth. I feel the service has improved.

**Senator MURRAY**—The wholesale sector has made it clear to us that it is actually impossible to have more than one wholesaler because of the size of the wholesale market. Would you have preferred the option of having more than one supplier at the wholesale level?

**Mr Learmonth**—As far as a purchaser goes, it does not really worry me. I am a very loyal person. If someone sticks by me, I will stick by them. I do not think there was ever a great deal of price difference between the two wholesalers when they were going, so I do not think it is really an issue. It is in the wholesalers' interests to be reasonably competitive. I do not say that they are, but then other issues are addressed here. With sales tax and so forth, we feel the chains have had a pretty good deal until now.

It is probably up to the warehouse wholesaler to support us to their utmost. I do not say they have given us their best support. I did a study trip to America and Canada three years ago and I found that the warehouses were much more supportive of the retailers over there. They actually guaranteed finance for upgrades of their stores and such. The warehouse is doing a pretty fair job, but I think it could do better, yes.

**Senator MURRAY**—Does vertical integration worry you—the fact that Woolworths owns one of the other wholesalers that is available or the fact that Davids and Foodland over in Western Australia own retail outlets themselves and operate them? Do you think that is a conflict of interest?

**Mr Learmonth**—I will not buy from AIW, as I feel I would be supporting the guys who are trying to strangle us. Not only that, regardless of whether they run independently, there still must be a database there. If I had a goods shop working somewhere, they must have some sorts of figures getting fed back to them so that they can set up their stores in opposition, no doubt. In principle, anyhow, I will not buy from AIW. I am a true-blue independent, and that is probably half the trouble with true-blue independents: we are pig-headed in a sense.

As far as Davids go, they have had the dual operation here in Queensland until recently. Yes, I frowned on that; I thought that was pretty low considering they had bought another store and it was virtually another chain, as far as I was concerned. It did leave a slightly sour taste in our mouths.

**Senator MURRAY**—The retail sector, by and large, is asking that the independent sector be preserved. The only way that that can be done is either through what is known as a divestiture regime or through a cap. There has to be some mechanism to stop chains in any area from getting complete domination of a sector. The alternative is that you let them do that. The previous witness was questioned about the fact that that would lessen the ability of retailers to sell their businesses to the chains. But you cannot have both; you cannot ask for the maintenance of an independent sector and at the same time say ‘except for me—I want to be able to sell my store.’ How do you feel about restraining chains in terms of their total market share, and how do you feel about the fact that they may lower the sales value of retail businesses to those chains because they will be locked out?

**Mr Learmonth**—I look at this as two issues for me personally, because I am a landlord. I do not have a centre big enough to accommodate a chain, I suppose, and I do not think my store is big enough to be purchased by the chains. As far as selling to the chains goes, if someone walked up today and offered me three times the value of my store, I would sell it regardless of who it was. You might say, ‘This guy is contradictory,’ but I think we are all human at the end of the day.

**Mr NAIRN**—You are honest.

**Mr Learmonth**—Capping the chains is a very hard issue. I do not think you can really stop that in free enterprise in Australia. However, when you see a town the size of Bundaberg with seven supermarkets, where Woolworths opened up a new store last November and they have just started digging foundations today probably three kilometres from their other one, there has to be some issue as to the location of a store. This probably reflects back on the local council. I do not know how that can be done. I do not mind. If we had a fair go with locations of stores to population and so forth, I am quite confident that I would be prepared to spend millions of dollars to sink into that business and have a store that is every bit comparable to the chains. I respect the chains as far as their store presentations go. There are some very nice stores out there—not in Bundaberg, I might add,

but in other towns. I respect the chains as far as their development goes. I think the new Woolworths is a fantastic shop, and I wish I had one like it. I will be honest.

However, it is not fair, I suppose, given the fact that I do not want to go out there and—I will be honest—borrow \$1.2 million this week to purchase a property and a third partner for our business. It is scary to think, ‘Our business is not that profitable at the moment. How am I going to pay this back?’ But if I knew that we had a definite customer base for the future, I would wholeheartedly go out there and spend millions of dollars to set up a store. I love the industry. I really love it. I have a passion for it. I sit there all day and think that the store we have is only small compared with these big guys, but the standard within our store is every bit as good on a smaller scale.

We were probably the trendsetters in Bundaberg initially in the fresh food thing. We beat the big guys to it. We were doing very well up until last November when the ‘fresh’ concept hit town with Franklins going fresh and Woolworths opening a new shop. We have seen a downturn since last November in our fresh produce. It has been quite a substantial drop, but that is probably the novelty effect. People like to try them out. It is going to be hard to sway them to come back to us. I think the chains do a very good job. They offer the public a great service but, like I said, with the independents, I am sure that, if we could be guaranteed of our customer base, I would be only too happy—and I am sure all retailers out there, independents or most of us would be happy—to set up stores every bit as good so that the standard would be the same across the range.

This happened in Canada. I remember one example over there was at Whistler, the ski resort—let us face it; I think we would all like to live up in Whistler—which had guaranteed that they would have only one supermarket up there for the next 20 years. Not many places in the world would do that. That guy then spent millions of dollars to set up a new supermarket.

**Senator MURRAY**—If you are a free competition person, then you would not mind if, say, two of the major chains dominated the whole of Bundaberg in terms of the supermarket business.

**Mr Learmonth**—How many stores?

**Senator MURRAY**—It does not matter. They might have all the stores. They might just simply wipe you out. Do you accept that as the consequence of free competition?

**Mr Learmonth**—I realise that is going to be the consequence, yes. I do not accept it, but I am going to have to, I suppose, if it happens. We are trying everything in our power to stop that. I think there is a place for us, but it is a bit hard when you are getting stores building everywhere. I think there is a limit to how many shops you can take. I think there is a limit to how many politicians we have too, isn’t there? You can have too many. So, let’s face it, I think it applies to every different thing around here.

**Senator MURRAY**—The reason I ask you this question is that you are a family business going back I do not know how many years—

**Mr Learmonth**—Sixty-five years.

**Senator MURRAY**—It sounds like an awful lot of generations to me. That is something to be immensely proud of. The economic argument is that, if the chains dominate—and these are the people advocating a cap—prices go up and jobs go down because they employ fewer people. You get an independent sector which is incapable of operating and that is not good for the country. There are fewer opportunities for people like you.

**Mr Learmonth**—It is probably worse for the banks.

**Senator MURRAY**—The other side of the coin, as you know, is the free market argument. This committee has heard both sets of arguments. That is why the views of key long-term, experienced independents like you are very important. Right at the nub of it is: do you believe that there should be a restraint on a chain's growth or not by market so that they could not grow above a certain number, a certain volume or a certain market share in the Bundaberg regional market, for instance? That is at the heart of my questioning.

**Mr Learmonth**—Put it this way: if I were told that I could not be any bigger, I would be pretty pissed off—pardon my words. This has been brought up with me on several occasions. I realise that you cannot cap them. I do not think that will come in. I know I would like to see it happen, but I suppose it then comes back that, if the independents started to grow, started to get beyond our 20 per cent and started getting up to 50 per cent, what would happen to us? I would hate to be in your situation to have to come up with a decision on this one because, if you cap them, we are going to have to be capped if we start to grow, which I do not see happening. I am stuck on that one.

**Mr NAIRN**—With the Woolworths store that is a hole in the ground at the moment, did you say that it was 800 metres from your store?

**Mr Learmonth**—Yes.

**Mr NAIRN**—There must have been some planning process, locally. Even if it were zoned appropriately for that, it would still require development approval by the local authorities. What input did you and other competitors have?

**Mr Learmonth**—I spoke to several council members about it. Their comment was, 'If we stopped them, they would take us to court, and we wouldn't be able to beat them.' That hole started in the ground, so to speak, before it even hit the press. It happened quickly; it happened overnight. There were rumblings of it, but nothing was black and white until all of a sudden we saw them starting to dig this hole. I think it appeared in the newspaper a week later. We were told at that stage that it was going to be one store, a stand-alone supermarket, but the press reported that it would be 15 specialty shops. Going back to when I said that I would like to do another development, I must add that we probably would not be increasing the number of stores in our centre because of the restrictive size of the town block that we own. It would be more upgrading the existing ones and providing more space, because most of our shops are very small strip shops. We have no intention of ending up with a half-empty centre like most of the others are here.

**Mr NAIRN**—Also being a supporter of free enterprise, the real nub of the difficulty— from your point of view—is that the chains have the ability to run prices which are really below normal profit margins because another one of their stores might be subsidising the lower prices. Some of their input costs, as well—their rents—are below the normal rates that independents pay, and their advertising costs are lower, too. If you had to pick three areas where you feel that you are made to compete on an uneven playing field, would they be the three main areas?

**Mr Learmonth**—I think the main area is the saturation of stores in the town. If you look at the population base going back to stores, there are seven stores with a population of, say, 42,000—everyone is going to exaggerate—or 45,000 or whatever. It is a catchment area, but we have to remember that there are other stores servicing that area. I still think that is number one: we have too many shops in the town. That probably comes back to local government.

Rent is the second issue. Here is an example—and I am just quoting what I hear; I have no figures in front of me here. Three or four years ago, there was a centre down at Broadbeach opposite the casino on the Gold Coast. I do not even know the name of it, to be quite honest. It was a dog of a centre; it was not trading. Woolworths were given free rent for 10 years—this is only hearsay, but I have heard it from more than one person. I would say that they are pretty reliable sources. Woolworths were given free rent to get the centre alive. They did. They got the centre alive, but I do not think all the other tenants got free rent.

Advertising within the companies is like Micklos Souvlis said, prior to me: the chains screw the companies for corporate dollars. You were talking about promotions. I do not know what the going rate is at the moment. Some years ago, they might charge something like \$10,000 to arrange a product. Their arranging fees are so high. Some companies will not deal with the chains, but then it is a bit of a catch 22. If you do not pay the bucks, you do not get in there and, if you do not get in somewhere that has 80 per cent of the market, you do not sell. So they go in, and a lot of the profit from the chains is made before the stock even hits the shelves. I will get a bit of a kickback from time to time, but it would be only minute compared to the kickbacks of the big guys. Honestly, we are only a small fish in the sea, these days.

Probably eight or 10 years ago we used to attract a few more dollars but never to the extent of the bigger guys. They get these arranging allowances. If you were selling a particular brand of dog food, you might be hit up to introduce it. Davids gets a similar type of thing, but I cannot say whether the dollars are the same. The chains can ask for more money, so the profit from that product is made in the arranging allowance, I would imagine, before it even gets to the shelf. It must help them—they can get their advertising dollars out of that.

Going back to the warehousing, I would say—and I would be honest in saying this—that the dollars that your company, say, puts to Davids, do not necessarily get passed on to us retailers. They might say, ‘We’ll give you a dollar a carton off.’ Davids will probably forward that 50c a carton on to us; their argument is that that 50c goes into their warehouse

costs and promotions. They send their magazines out to us each month to tell us that a product is there. But we do not see the full flow-on.

**CHAIR**—Thankyou, Mr Learmonth. We appreciate your evidence here today.

**Proceedings suspended from 10.36 a.m. to 10.52 a.m.**



**FULTON, Mr Andrew William, Manager, Planning and Development, Bundaberg City Council**

**WILKINSON, Councillor Mary, President, Bundaberg Chamber of Commerce and Industry; and Representative, Queensland Chamber of Commerce and Industry**

**CHAIR**—Welcome. Do you have anything to add about the capacity in which you appear?

**Ms Wilkinson**—I am a councillor on Bundaberg City Council, but I am not here as a council representative. I am also President of the Bundaberg Chamber of Commerce and Industry and a representative of QCCI, and I was previously the manager of Hinkle Place shopping centre. I also do some management consultancy for a small coastal shopping centre.

**CHAIR**—The committee prefers all evidence to be given in public but, if at some stage during the proceedings you wish to go in camera, you should make a request to the committee and we will then consider it. I also remind witnesses that the giving of false or misleading evidence may constitute a contempt of parliament. The committee does not have a submission before it, as this was organised this morning. We are happy that you are able to talk with us. May I remind you at this point that, because of our hearing that is in Kingaroy later today, we must finish these hearings at 11.30 sharp. I now invite you to make an opening statement. At the conclusion of your remarks, we will proceed to questions.

**Ms Wilkinson**—I do apologise to the committee for jumping up and down. I got a little bit excited at some comments that were being made. Welcome to Bundaberg. We do appreciate your being here. I would also like to say that I would not like to be in your position because it is a very difficult situation that I think you guys—and ladies—will find yourselves in.

**CHAIR**—Generic ‘guys’.

**Ms Wilkinson**—Yes, generic ‘guys’. To start off with, for the council point of view, I have asked Andrew to come down. Comments have been made, and the presentations that have been given have been excellent, although there have been a couple of emotive points made that local government was maybe at fault or to blame for some of the extension of the large supermarkets that are coming into town.

**CHAIR**—We have not actually spent a great deal of time with local government. We had the Mayor of Dubbo yesterday, who is also the local member. But we are particularly interested in the extent to which you looked at the number of supermarkets in the area. You were not here, Mr Fulton, but one of the problems that people have outlined is that the council has not given due regard to what they see as an oversupply of the major supermarkets and the impact on small stores.

**Ms Wilkinson**—Council does give due regard, and this is why I have asked Andrew to speak and explain the situation of council with town planning and planning.

**Mr Fulton**—Generally, councils are not responsible for market controls as such. A decision to enter the market here in Bundaberg is up to the individual entity that proposes to do so. From a planning point of view, council looks at matters that benefit or go against the city's growth as a whole. With respect to the George Street development which has recently come into Bundaberg—Woolworths is the major proprietor in that establishment—the land was zoned some years ago to allow that to be established. The developer had as-of-right benefits to use that land.

**CHAIR**—Even though it is zoned that way, doesn't the buck still rest with the council in terms of whether you are going to approve it or not?

**Mr Fulton**—That building required a building approval. It had as-of-right uses to go in there, so we could not not approve it.

**CHAIR**—You could not not approve it?

**Mr Fulton**—Because the zoning allowed it to go there.

**Mr NAIRN**—It did not require development approval. That is a key thing.

**CHAIR**—The zoning—

**Mr Fulton**—It was a commercial zoning.

**CHAIR**—Who did the zoning initially?

**Mr Fulton**—Bundaberg City Council, some years ago.

**CHAIR**—Once you zone it, do they have an automatic right to put it in there?

**Mr Fulton**—To put in certain uses. In that case a commercial use was as of right.

**Senator BOSWELL**—Is that under a state act?

**Mr Fulton**—It is under state planning legislation.

**CHAIR**—There seems to be a problem. If, at one point, you decide to zone an area as being commercial but then get an application and think, 'I don't know whether that should go ahead,' and you cannot knock it back—maybe that is something that the committee could look at. But please proceed.

**Mr NAIRN**—Even though it was zoned correctly, it would have required a development application if there was any exemption applied for, such as for car parking. Is that right? Presumably, if all it required was a building approval, the developer must have complied absolutely with all aspects of the town plan in relation to car parking, et cetera.

**Mr Fulton**—Absolutely. They did comply with all those aspects, and they only needed a building approval.

**Mr NAIRN**—If they were looking for any sort of exemption, would that then require a development approval?

**Mr Fulton**—That is correct.

**Senator MURRAY**—What about objection procedures?

**Mr Fulton**—That would have been addressed at the time it was rezoned, some years ago. There was a process through which it would have been publicly notified and objections would have been taken but, once it had those rights through the zoning process, there is no public notification or objection process.

**Mr JENKINS**—Are you able to put in place local development plans in Queensland?

**Mr Fulton**—Yes, we are. Bear in mind that Queensland is in the process of rapid change in planning. Last year, a new planning act came in and local development plans are not so much encouraged as incorporated into the planning scheme. Our new planning scheme, which is being worked on at the present, really consists of a number of local development plans all put together.

**CHAIR**—We are not picking on you—it is really representative of a whole number of regional centres, so our understanding of where some of these problems arise—

**Mr Fulton**—Bear in mind that the courts tend not to consider that councils should be involved in decisions that basically reflect market controls—that is, not allowing developments to come in on some kind of market parameter such as economic need and those kinds of things. The court tends to frown on that and considers that that is not the role of councils.

**Mr JENKINS**—And the new act did not go to those issues?

**Mr Fulton**—Those kinds of issues are set by precedent from previous court decisions.

**Senator MURRAY**—Which court?

**Mr Fulton**—In Queensland, it would be the Planning and Environment Court. In its planning function, council has a role to ensure that, for example, the central business district remains as the central business district. Where we are not dealing with one party but a whole group of parties, we have a role to ensure that the central business district retains its role and function as a central business district. Council went to appeal over a decision made in 1995 or 1996 regarding a planning approval for more commercial areas to the west of the city in the Sugarland precinct. Council refused that application on the grounds that such an approval would be detrimental to the overall wellbeing and function of our central business district. That appeal did not go to court; it was settled out of court, and the developer accepted council's decision.

**Senator MURRAY**—Earlier, a witness said that all these developments were going on at the same time that 600 vacant shops and offices could be counted. Does that influence the

council at all—what vacancies there are and how the rest of the regional economy is doing in that sense?

**Mr Fulton**—It did, in the big planning picture. That was one of the matters considered when council refused the application for more commercial land out at Sugarland. There were obviously a high number of vacancies in the CBD, and the economic health of the CBD was suffering because of the large area of commercial land out at Sugarland. Council made that decision, one parameter of it being the amount of available leased area in the CBD that was not filled.

**Senator MURRAY**—Does the council take into account social considerations? I will give you an example: in our hearings yesterday, it was indicated that when a major supermarket came in and developed their new store, a consequence was to wipe out four or five independents, with the loss of all their jobs. The number of jobs that went into the supermarket chain side was less than the number of jobs lost, the number of families affected and all the community consequences on the social side. Does the council consider those sorts of issues by right in the legislation, or do you just consider them because people raise the issues?

**Mr Fulton**—Basically, it boils down to economic factors as a result of an entity coming into town or not coming into town. That is not a matter that council can control—it is really a market control, as to whether it is viable for that entity to come into town or not to do so.

**Senator MURRAY**—So you do not consider either the economic or the social consequences?

**Mr Fulton**—If the social issue is unemployment, we would not consider it as an issue.

**Senator MURRAY**—If the social issue is closure of existing businesses which may employ more people than the new venture, you do not consider that?

**Mr Fulton**—I think we would generally say that that is a matter for the market to sort out and not a matter for council. I think that would be how the courts would see that as well in Queensland.

**Senator MURRAY**—The planning court?

**Mr Fulton**—The planning court.

**Senator MURRAY**—So what does it consider then?

**Mr Fulton**—It considers impacts on the community and on infrastructure.

**Senator MURRAY**—Let me just stop you there because I find it difficult to follow. If it considers impacts on the community, surely it considers the very things we have just been discussing.

**Mr Fulton**—When I am talking about the impacts on community, I am talking about noise, amenity and those kinds of issues rather than unemployment and whether this particular application creates unemployment. That is not something we get involved in.

**Senator MURRAY**—So neither the court nor local government is required to take into account what we are broadly discussing here as social and economic factors.

**Ms Wilkinson**—It is a very difficult issue.

**Senator MURRAY**—You would therefore look to the Trade Practices Act to govern that sort of area. Is it broad competition policy as established by the federal government, broad trade practices policy, that you believe should govern that?

**Mr Fulton**—Yes.

**Senator MURRAY**—So the responsibility rests with us, not with you? That is what you are telling us.

**Mr Fulton**—It is outside the control of local governments.

**Ms Wilkinson**—At this stage, they are our guidelines. I am just saying basically what Andrew was saying. They are the parameters that we have to work with at the moment. It has to be sustained in court. It is very difficult to refuse a lot of things, particularly with the planning act now. We have to be very careful too that we do not drag back the council's record all the time. We cannot say that, because that is opening at this point in time, we know that is going to close. We may feel that and be very concerned, but we cannot say definitely. It has to be provable.

**Senator MURRAY**—My impression from the evidence we have was that your method of operation is quite different from the Bendigo council in Victoria, which were very activist and assessed these areas, as I understood it. The Dubbo council in New South Wales were also very activist and assessed these areas.

**Mr Fulton**—Council would see its role in terms of addressing unemployment not so much in development controls but in attracting development towards the city. I do not believe we can address unemployment within the development control framework. However, I do believe council has a role in terms of benefiting the city to encourage development through whatever method it chooses.

**Mr JENKINS**—Is there any stage where this desire to encourage economic development is in conflict with your requirements for what is basically a physical land use town planning procedure? How proactive can you be on the town planning side to ensure the type of economic development that you would like to see?

**Mr Fulton**—I guess there is scope for ending up with conflict. The decisions made in development control type situations have to stand up in a court of law.

**Mrs ELSON**—I just wanted to ask Ms Wilkinson: with your position with the BCCI, how do your members feel about the vacant shops that are around town, and what is your unemployment rate? Is it about 25 per cent?

**Ms Wilkinson**—No, it is not that now. It is coming down. Bundaberg has a very large unemployment rate, but it is very difficult for anybody to come in and in half an hour or two hours or whatever—

**CHAIR**—But what is the rate?

**Ms Wilkinson**—The rate at the moment is about 14 per cent. The juvenile unemployment rate is a fair bit higher. Also, in Bundaberg we have a very large retirement population. We have a very large static population with very much fixed income. Bundaberg is very different from a lot of other places. What we have to do—and what I have been trying to do because I am very passionate about business and industry—is look to get the CBD revamped. I am working, at this stage, trying to get grants through ACC and State Development to get a coordinator for the CBD.

We are working on all those things all the time. But the difficulty for this committee this morning is the conflict between the large chains and the independent retailers. An overview from my point of view, from a business and industry point of view, is the huge disparity between the buying power of the independents and the buying power of the chains. It is free enterprise and all that sort of thing and we talk about throwing everything onto a level playing field, but it is very un-level at the moment. I know it is a state issue, but a lot of this has definitely developed from the change in the trading hours. The population wants 24-hours-a-day, seven-days-a-week trading. Now that everybody is able to go into that—or six-day trading, anyway—this is where you are getting this huge difference. The chains are now taking more of a stranglehold. It is an extraordinarily difficult situation. The small-business person has to work extremely long hours, and you sometimes wonder what the hang you are doing it for. But, because you believe in it and because you are passionate about it, you do it.

**Mrs ELSON**—There appear to be very large numbers of the majors in Bundaberg. It is only natural that—and we have seen evidence of this along the way—the majors close down quite a few small businesses. Where is the solution there to help your town to stop that from happening? Does it go back to the state, to the planning courts and so forth? Does something have to be changed in that area before that happens to other small regional towns also?

**Ms Wilkinson**—I believe, from the gentleman from the ACCC, that you cannot have this huge disparity of buying powers. I know that the bigger you get, the more you can buy, the less you pay for it, but I believe they cannot do that overseas. If you are selling like to like, there has to be some sort of equity. That is one of the main reasons, and also your trading hours. People want the convenience of seven days a week, but—

**Mrs ELSON**—I am talking about control of the development.

**Ms Wilkinson**—Yes, I am talking about control and at this stage that is state.

**Mrs ELSON**—What is the purpose of the council? The council knows their local area the best, and they can see what is happening to a town as far as taking employment from all your small businesses. What power does the council need to stop that happening? It appears that you know your town best, and you know what is happening, but you do not or cannot stop it. Is it bad planning in the first place?

**Mr Fulton**—We have very little control to control that.

**Ms Wilkinson**—At this point in time, yes.

**Mr Fulton**—Rather than control it, we try to address it by encouraging other employment creation opportunities within the town.

**Ms Wilkinson**—We are looking to get the water infrastructure. Bundaberg is very restricted by a lot of other things, as well. We are looking to get all those things—to get the manufacturing, to be able to get the large industries into Bundaberg, to get the value adding to the agricultural industries and things like that. Therefore, you are going to pick up. This is what it needs. This is what you have to have. Everything keeps changing, but the council is looking to attract people to, to develop and to grow Bundaberg. This is on the retailing side, but we are looking to grow Bundaberg as well. That will then pick up what we are talking about.

**Senator BOSWELL**—I have a generic question as far as local councils are concerned. Whether this retail development goes in very much depends on the Town Planning Act, which is a state government act. If there is any excess of retail development in the city, that has to be corrected by the state government act. Am I correct in saying that?

**Mr Fulton**—If we are going to make decisions based on issues like economics and unemployment, yes.

**Senator BOSWELL**—Not on economics, but there must be a commonsense decision made. If you have X number of stores that are vacant, then is it in the best interests of everyone to put another retail development in? There may be some way you can do it by the number of square metres per the number of people in the catchment area. There must be some sort of formula that will work. What you are saying is that the local governments really do not have much room to move.

**Ms Wilkinson**—It has to be sustainable.

**Mr Fulton**—It has to stand up in court. That is the difficult one. My opinion is that the court sees generally that, if an entity believes that the market can sustain them then, all other planning grounds being equal, there should not be a barrier for them to do it or not.

**Senator BOSWELL**—But I am suggesting that the market cannot sustain it because there is already too much square footage in an area that has not been filled. Whose decision is it—the state government's or the local government's?

**Mr Fulton**—We are bound by state government controls. As I said, in the bigger picture where, say, the CBD is going to be severely affected, we would say that there are adequate planning grounds to ensure that, if a development is going to severely affect the CBD, we would refuse it—which we have done. For example, the zoning allows the big Woolworths down here and there are basically no other controls.

**CHAIR**—Do you believe that there is too much shopping centre development in Bundaberg right now with the development of this latest one, which is the seventh supermarket that has been opened up?

**Mr Fulton**—It surprised us that Woolworths set up this establishment here, but one would expect that Woolworths, which are a big player in the commercial field, have done their sums.

**Mrs ELSON**—Is there a service station or petrol outlet attached to that one?

**Mr Fulton**—No. But it is surprising, yes.

**CHAIR**—You still have not answered the question.

**Mr Fulton**—What I am saying is that I think Bundaberg is overserviced with supermarkets.

**CHAIR**—What is your view, Mary?

**Ms Wilkinson**—I find that it is concerning but, with the way we are at the moment, I find it difficult that we cannot do too much about it at this point in time. That is why I am working passionately to try and refocus the trading and things in the CBD to try and get the passion and life back in there in a different area.

**CHAIR**—But it does drain away from the CBD every time this happens.

**Ms Wilkinson**—Yes, I know. That is why, personally, I was very surprised. As I said, I used to manage that centre. The original owners had looked to do an extension over the road where they have their original car park, but that was before the redevelopment out here of Franklins and all those sorts of things, and that was always put on hold. Now, for whatever reason, the person who owns it has decided to go ahead and do what he is doing there now. But, as I said, if it were me personally, I would not have done it.

**CHAIR**—It seems like the developers, though, are calling the shots to a certain extent because, if you do not feel that you have the power to knock it back on the grounds that you do knock it back—which are the social implications, the employment, et cetera, and the impact on other retailers—and if you have land zoned for retail, the developers can come in and certainly just upgrade stores and away you go. It is just interesting.

**Mr JENKINS**—Ms Wilkinson, can I ask you a question from your experience in your involvement with the shopping centre. Of course, the nature of these shopping centres is that predominantly a major goes in as an anchor tenant. There is then the theory that, because of



the anchor tenant, people come to the shopping centre and, therefore, it is a symbiotic relationship with small retailers. If we take Mr Tomlins's story from earlier today, rather than a true symbiotic relationship, that can be a fairly aggressive competitive environment. From your observation, is there a balance when the large anchor comes in? Do the small retailers really get the benefit?

**Ms Wilkinson**—That is how it is in theory and that is how it worked when I was there. That is how we worked it—so that we did not sell against our tenants. Yes, the majors would go around and check prices and things like that, but they always brought the people in, and the other tenants then sold off the custom. You have to have a major because they have the advertising, the name and the hook. That is how I used to work when I was there. I would try to have them all working together so that the one fed off the other. But I know that it does not necessarily work because it does depend on how aggressive the major is. It has changed in the last 10 years.

**Mr JENKINS**—Your answer indicates to me that the market would dictate something other than what you had to achieve by small 'i' intervention as the manager. Did you really have to work at it?

**Ms Wilkinson**—No, that is just a policy—the policy that you do not bring other tenants to sell against it.

**Mr JENKINS**—Are you saying it is the retail mix?

**Ms Wilkinson**—Yes, you have to get your mix right, otherwise it does not work. You have to get a name major. That is how it has always worked. It has changed in 10 years; now things appear to be much more aggressive. It also depends on the centre itself.

**Mr JENKINS**—What about under Queensland retail tenancy legislation? Are there any guarantees about disclosure documents giving details of the retail mix or of any redevelopment and possible compensation for redevelopment—which, again, was one of the things that Mr Tomlins raised?

**Ms Wilkinson**—I was not here for all of that. I did not hear him talk about all that.

**Mr JENKINS**—In general, how much protection is there for the smaller tenants? For instance, is the retail mix disclosed as part of the information given to a small retailer when they sign up?

**Ms Wilkinson**—When they sign up, the centre has negotiations with them, and then they will ask what is there—I cannot tell you how everybody else works; I am telling you how we worked and how we work—so that they know who is in there and who is not, and they are notified. We definitely work to keep the mix as good as we possibly can. There is no point in putting someone in and then pulling them out again. That is just crazy.

**Senator MURRAY**—Doesn't the Queensland commercial tenancy law—or whatever it is called in this state—require that disclosure in a shopping centre? It does in Western Australia.

**Ms Wilkinson**—I do not know. I have not got a copy of it right now. I cannot answer that, I am sorry.

**Senator MURRAY**—In Western Australia, shopping centre owners are required to disclose the tenancy mix that is proposed or is present.

**Ms Wilkinson**—It would be to their benefit to do it. The tenants make the choice to go in. If they did not have the full information, I do not think they would go in anyway. It would not be in their own best interests.

**CHAIR**—Thank you very much. We appreciate the input and find it interesting. We certainly would not want to recommend taking powers away from council areas but more recommend increasing your powers. This is obviously something we need to look at for its social and employment implications. It is a broader Australia-wide issue, and we will take it on board. Thank you for coming to see us today and thanks for the welcome to Bundaberg. That concludes our hearing in Bundaberg and I thank everyone who has appeared before us today.

**Committee adjourned at 11.24 a.m.**

