

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 159-164

Topic: Acquisition of Small Business by Woolworths and Coles

Hansard Page: Written

Senator WILLIAMS asked:

The ACCC has said previously that it is concerned about the domination and impact of the major chains on the supply chain. However, nothing seems to stop this spread. At Logan Village south of Brisbane, I understand Woolworths has purchased the IGA site which will mean there will be 4 Woolworths and Coles in the that market. Woolworths will increase from 77 to 83.5% of the floor space.

159. Will the ACCC consider other ways, such as amount of floor space, to stop this march towards total dominance by the big players?
160. Did you not act at KARABAR which is a suburb of Queanbeyan to stop a Woolworth acquisition where they would have had 60% of the floorspace?
161. Woolworths and Coles, through their hardware arms Masters and Bunnings, are attempting to dominate the market by purchasing Independent hardware stores. Both chains require that Independent retailers not disclose that negotiations are underway, which means for example Mitre 10 cannot even make an offer.
162. Since 2009, 15 hardware stores have been purchased by the chains, including in my home town of Inverell. Mitre 10 has purchased 7 stores to try and stop this feeding frenzy.
163. Will the ACCC consider a Charter for Acquisitions in the hardware sector, as it did in the supermarket sector?
164. Does ACCC have enough resources to start acting to protect the smaller players?

Answer

159. The ACCC takes into account a range of factors under section 50 of the *Competition and Consumer Act 2010* when considering the potential effects of an acquisition on competition and whether a breach of the Competition and Consumer Act is likely.

One of the factors that the ACCC has regard to is the level of constraint that competitors would be expected to exert on the merged firm. In retail acquisitions this includes looking at the floor space of competitors relative to the existing or planned store as well as the size of the acquirer. However floor space is just one of the factors that are assessed to determine whether an acquisition is likely to substantially lessen competition.

160. On 25 June 2008 the ACCC announced its decision to oppose the proposed acquisition of the Karabar supermarket by Woolworths Limited (the proposed acquisition). The ACCC considered that the proposed acquisition would be likely to have the effect of substantially

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lessening competition in the local retail supermarket market in the Queanbeyan region of New South Wales.

An important factor in the ACCC's assessment was strong evidence to suggest that in the absence of the acquisition by Woolworths, the supermarket would instead be acquired by an independent operator and would be expanded from its then-relatively small size to operate as a full-line supermarket in strong competition with Woolworths and other supermarket operators.

The ACCC found that the likely independent operator offered a different proposition to existing operators in the local market and considered that this would lead to increased consumer choice, as well as competition between supermarket operators on a number of factors including price, range, service, and product quality and freshness.

The ACCC also noted that if the acquisition proceeded, Woolworths would own three of the four full-line supermarkets in the Queanbeyan area, or three out of five if the smaller Aldi supermarket is also included (this was three out of five in number of stores, not a calculation of 60% based on floorspace).

161. See response to 163.
162. See response to 163.
163. As the Chairman of the ACCC announced in his address to CEDA on 14 June 2012 the ACCC is currently reviewing the *Charter for the Competitive Sale of Independent Supermarkets* that was introduced in July 2005. The ACCC is considering whether it is appropriate to extend the terms of the Charter to the sale of independent hardware and liquor stores. As the Charter is voluntary, if an extension is appropriate, the ACCC will require the cooperation of potential purchasers of such stores.
164. The ACCC's role under the Competition and Consumer Act is to protect and promote competitive markets. The ACCC's enforcement and compliance priorities are established with its resources in mind. Currently the ACCC's resources are adequate for its role. If the ACCC has further reductions in its resourcing levels this will no longer be the case.