

17 June 1999

Mr John Cosgrove  
Presiding Commissioner  
*Impact of Competition Policy Reforms Inquiry*  
Productivity Commission  
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Dear Commissioner,

COLES SUPERMARKETS  
AUSTRALIA PTY LTD  
A.C.N. 004 189 708

Thankyou for reviewing Coles submission to the Commission on the *Impact of Competition Policy Reforms on Rural and Regional Australia* and the opportunity to comment on the draft report.

We concur with the Commission's *Finding 9.1* and comments relating to *Retail Groceries in Part C 12.2*. As the Commission would be aware Coles has provided a comprehensive submission and verbal evidence to the *Joint Select Committee into the Retail Sector* and continues to cooperate with the Committee in its deliberations.

Please find enclosed a copy of Coles' submission to the Joint Select Committee into the Retailing Sector for your information and reference, particularly for Part C 12. A supplementary submission has been lodged with the Committee. However, this is not publicly available until the Committee releases it.

Coles submission to the Productivity Commission focussed on competition policy reforms impacting on the retail sector and used a case study (the deregulation of Victorian trading hours) to illustrate the public benefits of the reforms in Victoria and the regional city of Bendigo in particular.

The key retail indicators of sales, floor space and jobs illustrate the robustness of Victoria's retail sector following the deregulation of trading hours, at the end of October 1996, which effectively allowed **all** retailers to trade on Sundays.

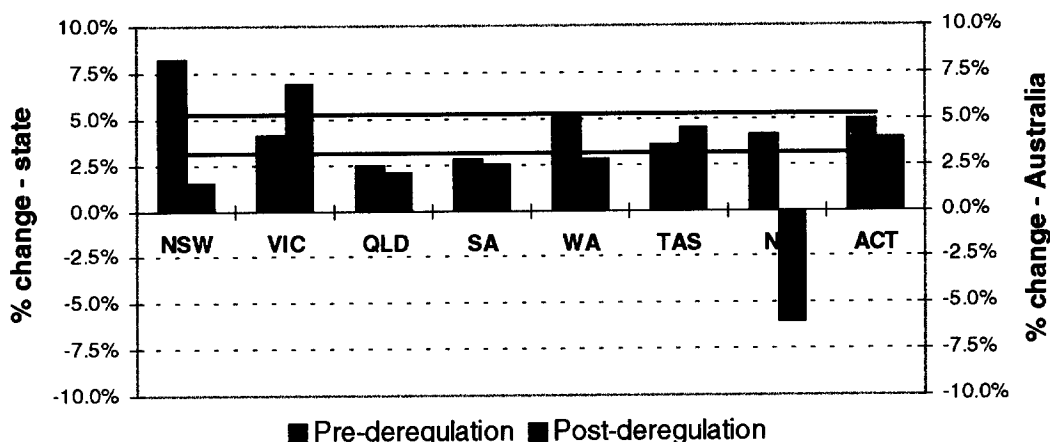
Shops are now free to open when their particular customers wish to shop. The Victorian experience to date suggests that this has increased retail activity.

#### **Retail sales growth**

Victoria outperformed all other states in total food and non-food retail sales growth in the year following deregulation. **Figure D-1** illustrates retail sales in all states and territories for the year before and after deregulation of trading hours in Victoria in November 1996.



## D-1: Change in retail turnover (total food and non-food)



### Note:

- Total food and non-food retail turnover includes total food and non-food retailing but excludes hospitality and services retailing.
- Pre-deregulation refers to the change in retail turnover between the 12-month period December 1995 to November 1996 relative to the 12-month period December 1994 to November 1995.
- Post-deregulation refers to the change in retail turnover between the 12-month period December 1996 to November 1997 relative to the 12-month period December 1995 to November 1996.

Victorian retail turnover in the year **prior** to deregulation increased by 4.1 per cent compared with an Australia-wide average of 5.2 per cent. The year **following** deregulation, Victorian turnover increased by 6.9 per cent **double** the rate for Australia as a whole which was 3.2 per cent.

### Retail floor space growth

Not surprisingly this growth helped Victorian retailers and retail employees. According to property agents Colliers Jardine<sup>1</sup>, there has been strong growth in retail shop fronts and retail floor space in Victoria since 1994. Over **500 new retail locations** and almost **500,000 square metres of additional retail floor space** (a 19 per cent increase in four years) were added to the Melbourne retail market over the period 1994-1998.

Continuing changes in consumer demand have seen the tenancy mix turn over at high rates (as high as 20 per cent in some of Melbourne's prime shopping strips) despite overall vacancy rates actually falling in most shopping centres and strips in Melbourne over this period.

### Retail jobs growth

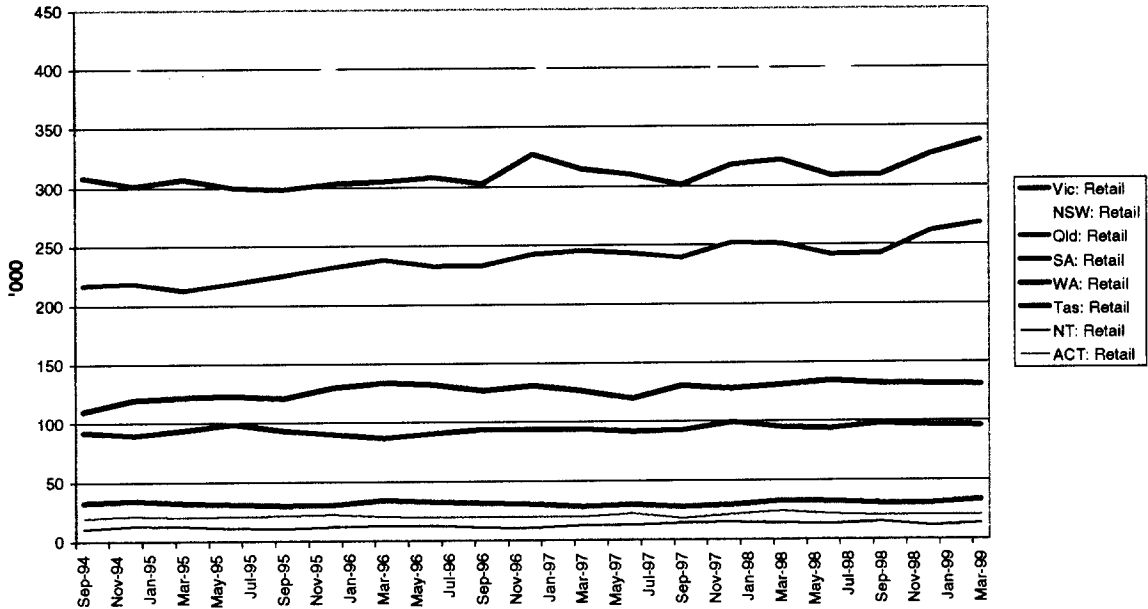
Victorian retail employment has grown by 35,000, or **11.6 per cent**, since deregulation occurred in late 1996<sup>2</sup>. Only one state, Queensland, had a faster rate of retail jobs growth. **Figure D-2** below illustrates State retail employment.

Importantly, **retail jobs** growth in Victoria **more than tripled** the rate of total employment growth (3.2 per cent) over the same period.

<sup>1</sup> Melbourne Retail Property Market July 1998 – Colliers Jardine Research

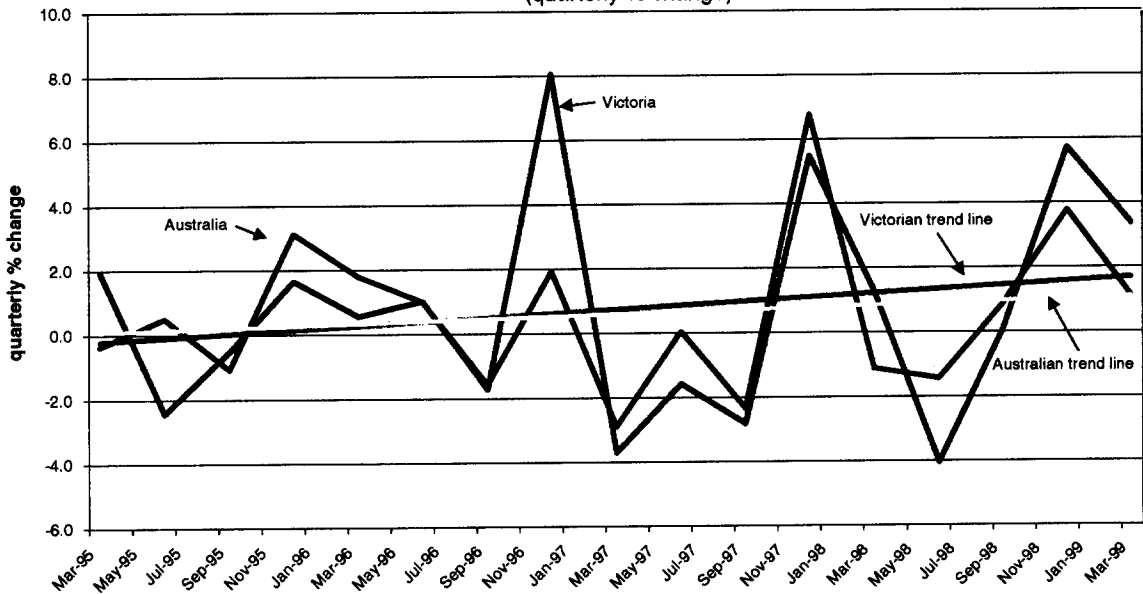
<sup>2</sup> ABS Cat. No. 6203 - September 1996 and March 1999 quarterly figures. See graph at appendix #

### D-2: Retail Employment by State



**Figure D-3** shows Victorian and Australian retail employment, by quarter and by trend, over a four-year period. This graph illustrates the seasonal nature of retail employment, driven largely by Christmas trading, and the strong performance of Victoria relative to the rest of Australia.

### D-3: Australian and Victorian Retail Employment (quarterly % change)



While economic conditions and consumer confidence are pivotal to retail sales it is fair to say, from a combination of retail data presented here, that deregulated trading hours have had a significant positive impact on retail jobs in Victoria.

#### Net community benefit

While some small traders previously able to trade without competition on Sundays would have preferred no change, there are now a great many small

retailers who benefit from the additional trade made on Sundays, especially those around large retailers.

Given the **employment growth, growth in shop fronts, reduced shop vacancies, increased retail spending and broad community support**, we argue that there is **net community benefit** in deregulating shop trading hours.

### **National Competition Policy**

Coles supports the continuing review of regulations that help improve the cost structure of regional economies and which facilitate an improved living standard for **all** Australians.

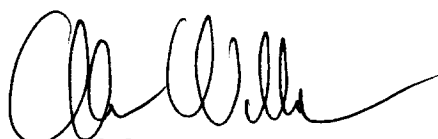
As the Commission notes in Chapter 10 of the draft report, many of the costs associated with implementing competition policy reforms are limited in duration while the benefits are often on going.

It is in this context we have endeavoured to provide the Commission with evidence of the net community benefit of deregulating shop trading hours.

Coles continues to contribute and support regional communities by providing a wide range of products and services at competitive prices. Coles also provides employment for many people and opportunities for suppliers in regional Australia and retains a long-term commitment to regional Australia. Indeed, Coles has not closed one regional store in Australia (although some have been replaced by more modern stores or re-badged as a Bi-Lo stores – also part of the Coles Myer Group).

Should the Commission require additional information please contact Kerrina Watson, General Manager Government Affairs, on 03 98293610.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Williams', with a long, sweeping tail extending to the right.

**Alan Williams**  
**Managing Director**



**Submission to the  
Joint Select Committee  
on the  
Retailing Sector**

**By Coles Supermarkets**

**25 March 1999**

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