

SUBMISSION TO AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

RE: GEOGRAPHIC MARKET DOMINANCE

Introduction

This submission seeks to draw the Commission's attention to the issue of geographic location of supermarket stores as a significant factor in the competitiveness of supermarket pricing. The submission is based on practical experience of a redevelopment presently underway in inner Sydney.

Background

The East Redfern and North Waterloo area in the inner southern suburbs of Sydney is presently serviced by one supermarket, located in the Surry Hills Shopping Village on the corner of Baptist and Cleveland Streets, Redfern. The surrounding community is exceptionally varied, with a combination of single dwelling houses, medium density townhouses and very high density apartment complexes. Significant redevelopment of industrial sites has taken place in the area over the past 10 to 15 years in line with a strategic State Government policy of urban consolidation.

The exceptional diversity in dwellings is matched by the varied nature of those residents of the community. Residents include low income and social welfare recipients, many in government assisted housing; students attending both government and private colleges; and middle and high income earners.

Supermarket Competition

The newly elected Federal Government has expressed concern at grocery pricing and established the review by the Australian Competition and Consumer Commission (ACCC) to "...examine whether Australian families are paying more than they need to at the checkout." (1). A key aspect of the Review by the ACCC is stated to be the role of competition in the supermarket arena. This includes competition at the retail level of the industry (2). Clearly a key aspect of competitiveness relates to market dominance in particular geographic locations.

The Redfern/Waterloo Experience

At the present time, one supermarket, operated by the Coles Group, is the local supermarket for a very large inner city community in a small shopping centre on the corner of Baptist and Cleveland Streets, Redfern. This store is exceptionally busy and seems from anecdotal observation, to be operating at maximum capacity especially at peak periods of weekends and weekday evenings.

The redevelopment of a former industrial site in the area into a high density apartment complex by Meriton Apartments, has provided an opportunity for another supermarket to meet local area demand. This location is a mere 800 metres walking distance from the existing Coles Group supermarket, providing excellent potential for a healthy competitive environment in a rapidly expanding community.

Unfortunately, Sydney City Council has advised local residents that the Coles Group has applied for approval to develop the new supermarket site at 782 Bourke St Waterloo.

The nearest competitor supermarket for Coles is the Woolworths supermarket located in the St Margaret's Development, 437 Bourke St., Surry Hills. This is some two kilometres from the existing Coles supermarket and nearly three kilometres from the proposed development. Realistically, the distance of the Woolworths store does not make it an active competitor for either the existing or proposed Coles stores.

The requirement for additional access by the local community to the shopping resources of a supermarket is undisputed. The fact that Coles is seeking to provide this added resource in the immediate proximity to one of their own existing outlets, raises clear cut concerns about the competitiveness of grocery pricing at both stores as a consequence of this redevelopment. Coles will have market dominance in the local community and this can be imputed to be to the community's definite disadvantage.

Tendering Process for Site Development

It is not known if other supermarket chains tendered for access to Meriton's proposed shopping complex at 782 Bourke Street. It is interesting to note, however, that the Coles Group has stores located in both Meriton's redevelopments at World Square and at Eastgate Bondi Junction. Woolworths, Aldi or other competitor supermarket chains are not represented at these sites.

Conclusion

It is fully appreciated that this submission is not comprehensive in its scope. However, it is a genuine effort by local residents to point out a significant concern to the ACCC about the impact that allowing geographic dominance by any one supermarket chain can have on competitive pricing of groceries.

It is clear that grounds exist to consider introducing some form of constraint to one supermarket proprietor having more than one store within a geographic zone, determined either by distance or by population intensity. This would have the effect of maintaining competitive opportunities for retailers to the ultimate benefit of consumers.

References

(1) p.11 'First 100 Days: Achievements of the Rudd Government' . Australian Government. Feb. 2008. Available at:
www.pm.gov.au/docs/first_100_days.doc

(2) Australian Competition and Consumer Commission. Available at:
<http://www.accc.gov.au/content/index.phtml/itemId/809228>