

Supermarket Competition Policy Review: What will it mean?



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The ACT Government is set to overhaul its Supermarket Competition Policy following its acceptance of the recommendations of a Review conducted by Mr John Martin. In this article the former Commissioner of the Australian Competition and Consumer Commission (ACCC) explains to B2B the implications of the Review.

What were the main drivers of the Review?

In broad terms they were to increase supermarket capacity and competitive tension in the ACT through the introduction of a framework for planning/zoning reform and coordination of the planning, land allocation and development processes to better reflect market signals.

It was also a direct ACT response to the National 2008 ACCC Grocery Inquiry recommen-



dations to reduce planning and zoning barriers to entry of new retail supermarket competitors and recognise the advantages of a second major wholesaler to compete with Metcash.

frequent comment received during my Review was criticism of planning hierarchy rigidities. The planning and zoning restrictions had until very recently, effectively prevented no more than one supermarket establishing in the 17 group centres and constrained expansion of local centres.

Community and stakeholder input to the Review highlighted a deficiency in capacity and choice of full line supermarkets and support for an expanded supermarket format in some local centres.

Were other competition issues similar to those outside the ACT?

Yes, other than some of the localised planning issues, like the rest of Australia, Woolworths and Coles dominate the ACT scene. Woolworths is particularly dominant in the ACT with 51% of the market while Coles has 21%, ALDI 9%, Supabarn 8% and the 50 plus smaller independents have around 11%. There is virtually no competition at the independent wholesale level which is dominated by Metcash.

The smaller independent supermarkets have 25% of floor space in Canberra. However, these smaller independents compete on factors other than price with larger supermarkets. In Canberra the larger format supermarkets have traditionally been housed in the group and town centres.

The major new competitive dynamic has been the advent of the limited range, keenly priced ALDI stores. This has meant that competitive pressures have been increased around centres where ALDI has located.

Are you pleased with the response?

The Review undertook very extensive stake-

holder and community consultations. The feedback during and since the review, has been frank and generally positive.

What outcomes can we anticipate?

It is currently developing an implementation plan for its revised Supermarket Competition Policy and this is expected to be announced this month. The processes recommended to free up zoning restrictions, and where relevant government land allocation in shopping centres, will go a long way towards addressing the supermarket competition deficiencies in the ACT. They will complement the September announcement by the ACCC of an agreement it has struck with Coles and Woolworths to end existing restrictive provisions in supermarket leases with shopping centre owners throughout Australia.

In addition to freeing up site availability in the ACT, the Review recommended taking a pro-competitive approach to land allocation for some full line supermarket 'bottleneck' sites by applying competition based measures, and eligibility criteria to facilitate new entry of independent retailers.

Overall the policy should encourage ALDI, and other independent operators, to establish more stores in Canberra. There has already been a positive response to the Review from potential new entrants in the Canberra market.

As the policy is implemented it will necessarily involve regular review and assessment with stakeholders. It is my view that the new approach while maintaining the integrity of good planning processes can create a vibrant supermarket sector with increased opportunities for additional investment, promoting more competition and diversity for Canberra consumers. ■

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What were the barriers you found in the ACT?

The ACT's rigid planning system has for 30 to 40 years tended to impede allocation of sufficient supermarket retail space. An unintended consequence has been 'protection of existing competitors', rather than 'promotion of competition'.

For planning purposes the ACT is broken down into town, group and local centres. The most

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The Government is to be congratulated on being the first jurisdiction in Australia to develop – via commissioning, and now acceptance of my recommendations – a positive response to the ACCC's Inquiry.

