



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

**SELECT COMMITTEE ON ACT SUPERMARKET
COMPETITION POLICY**

(Reference: [ACT supermarket competition policy](#))

Members:

**MS C LE COUTEUR (The Chair)
MR J HARGREAVES (The Deputy Chair)
MR Z SESELJA**

TRANSCRIPT OF EVIDENCE

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**Secretary to the committee:
Mr A Snedden (Ph: 6205 0199)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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Amended 9 August 2011

The committee met at 2.00 pm.

KOUNDOURIS, MR JAMES, Development Manager, Supabarn Supermarkets Pty Ltd

KOUNDOURIS, MR THEO, Operations Manager, Supabarn Supermarkets Pty Ltd

THE CHAIR: We might start now, because we are quorate. Thank you very much for attending today the Select Committee on ACT Supermarket Competition Policy. Hopefully you have all seen this blue card. If you have not, there is one down there. I need you to say that you have had a read of it and that you are happy to agree to the conditions, because—

MR HARGREAVES: Or I will put you in jail if you do not.

THE CHAIR: I will not put you in jail. We will not take any evidence from you. We will just tell you to go home, basically, if you do not.

Mr J Koundouris: Yes, I am in agreement.

THE CHAIR: The only thing to note is that this is being recorded by Hansard. A copy will be sent to you after it is finished. I understand that you might like to make a statement before proceeding to questions. So it is over to you.

Mr J Koundouris: If I may, I would like to hand across this submission. You have seen it all before. There are most probably about 15, 16 pages at the front which will be new to you. I just want to walk you through those 15, 16 pages today, which will take about 15 minutes, and then there will be plenty of time left for questions or if you want to ask me any questions during the presentation, yes.

THE CHAIR: We are in your hands.

Mr J Koundouris: Firstly, Supabarn supports in principle—

MR HARGREAVES: I get these in my mailbox.

Mr J Koundouris: They are very interesting, though. Supabarn supports in principle the Martin report, the ACT supermarket policy and the supermarket competition policy implementation plan. We also support the retail hierarchy as it presents in the territory plan.

Before presenting our recommendations today, we feel it is important to fully understand how the ACT supermarket policy evolved. Most importantly, in 2008 the federal government, in response to the dominance of Coles, Woolworths and Metcash, commissioned an inquiry into the Australian grocery market. You can find a full summary in attachment B to the submission you have, but I would like to read out these particular snippets. It states that the inquiry found:

Coles and Woolworths clearly dominate large supermarket sites with around 87% of supermarkets of sales area above 2000² metres and around 96% of supermarkets of sales above 3000² metres.

From page 120 of the report:

ACCC found more vigorous competition between the major supermarket chains unlikely in the future.

And:

ACCC found that major supermarket chains do not seek market share through aggressive price discounting.

As a result of the endorsement of the ACCC report by COAG, the ACT government commissioned the Martin report. This was a review of the ACT supermarket policy. In summary, that report found the strongest competitive tension and diversity came from ALDI and Supabarn.

I would also like to draw your attention to page 23 of the Martin report, which, if you turn to page 2 of the submission that is in front of you—I have actually got a snippet of it there—shows the eligibility criteria for a direct sale. I also want to state for the record that Supabarn has not received direct sales at Kingston or Casey. We have received direct leases. There is a differentiation, and it is very important.

The ACT supermarket policy and supermarket competition policy implementation plan clearly stipulate support for new full-line independent supermarkets and an alternative source of wholesale grocery supply. It does not encourage the further expansion of the major supermarket chains.

If you turn to pages 6 and 7 of the submission, you will see a snippet of the supermarket competition policy implementation plan. I take you to the second dot point:

Encouragement for further full-line independent supermarket chains to expand in the ACT.

The third point was:

Entry of suitable independent full-line chains into new and redeveloped group centres.

The fourth point was:

Support for an alternative source of wholesale grocery supply.

So we had the grocery inquiry report, we had the Martin report, then we got the supermarket policy and the implementation plan. They all follow each other.

If I could ask you to go to page 8, since the Martin report there has been significant movement in the ACT grocery market. A further 65,000 square metres of supermarket retail space has either been approved or is in the pipeline for the ACT market. There is 113,000 square metres of supermarket space out there today. There is another 65,000 coming. That is more than 50 per cent. Of that space, 41,800 square metres is for

Coles and Woolworths. That is another 36 or 40 per cent for Coles and Woolworths. This is not what the ACCC grocery inquiry report supported. It is not what the Martin report supported. And I am sure it is not what the ACT supermarket policy envisages. In other words, what is happening out there is not what federal or local governments are supporting.

If you go again to page 8, yesterday Coles presented a table headed “ACT supermarket floor space provision”. It showed 311 square metres per thousand people as the current state of play in terms of retail space per capita. Listed below that are new supermarkets that have opened, been master-planned or DA approved that total that 65,000. When you plug that into Coles’ table, you end up at 505 square metres per 1,000 people. That is the highest in the country by over 100 square metres.

THE CHAIR: Surely you should increase the population a bit. It is going to take—

Mr J Koundouris: We went to 355,000.

THE CHAIR: Yes, but maybe by the time all of these are done—

Mr J Koundouris: Yes, look, the—

THE CHAIR: But I agree.

Mr J Koundouris: Even adopting, say, 365,000, we are still well above. And this table does not include new greenfield sites like Molonglo. It does not include new ALDI stores. It does not include the convenience stores that Coles and Woolworths run out of Caltex and Shell.

MR HARGREAVES: We will go down that track in a minute.

Mr J Koundouris: Yes.

Mr T Koundouris: To put that number in perspective, it is double the number per capita in Sydney. So we would have to double our population to get back to where Sydney would be, and I cannot see that happening in the next five years.

MR HARGREAVES: But there are other horrible things in Sydney that we would not want either that go with it.

Mr J Koundouris: No, definitely not. Yesterday from Coles you would have heard how Coles and Woolworths have less than 60 per cent of the marketplace. Coles and Woolworths have 92 per cent of the ACT full-line supermarket market. You also would have heard how ALDI, independents and Supabarn are not considered by Coles as direct competitors to Woolworths. You will see in our submission to the inquiry that Urbis and Dimasi—you would have a letter there from Dimasi, who presented on behalf of Coles yesterday—and the ACCC in their Karabar decision have all confirmed in writing that Supabarn is a direct competitor to the chains.

You also would have heard yesterday how Coles, in order to compete with Woolworths, need to be next to Woolworths in group centres. When Supabarn opened

at Wanniasa, the competing Woolworths stores at Erindale and Kambah substantially reduced their prices. You will see there—you have got a Woolworths brochure, if you open it up—they talk about these prices are only available at Erindale and Kambah.

Mr T Koundouris: We have never seen them run brochures against Coles or, vice versa, Coles against Woolworths in specific sites.

Mr J Koundouris: Not site specific. This is further evidence that group centres compete with each other. They are a few minutes apart in travel time. If you were at Erindale, Wanniasa, Kambah, you could drive to all three within a few minutes.

I would suggest to you that the Coles submission for further sites such as Kambah and Erindale is just a grab for market share. Coles are already at the town centre. They are already at Chisholm. Both are only a few minutes drive from both Erindale and Kambah. The last time Coles and Woolworths were next to each other in a group centre was at Manuka, and we all know what happened there.

Mr T Koundouris: Woolworths actually chose to close the store and not to compete because there was not market share in the area for two stores.

Mr J Koundouris: The same could be said about the city. You will recall Coles and Woolworths also closed their doors in the city and left back in the early 80s.

THE CHAIR: That was a long time ago.

Mr J Koundouris: Yes, a long time ago. When they felt there was not enough business there, they closed the doors. And that is how we actually got into supermarkets. That was our first store.

Going to page 10, you will see the expansion by operator. The only winners out of that are Coles and Woolworths.

THE CHAIR: Costco?

Mr J Koundouris: Increasing the market share of the two major supermarket chains results in several things. The first one is that the market share of new entrants such as Supabarn, Costco and ALDI decrease, which is the exact opposite to what the ACCC was saying in 2008. It is also the opposite to what the Martin report says.

It also decreases the market share of local independent supermarket operators and local independent suppliers. That is very important. The suppliers miss out as well, as well as small independent businesses such as bakers, delicatessens, liquor stores, fruit and veg retailers and butchers.

Mr T Koundouris: These local producers that supply IGA stores will never be big enough to supply a Coles or a Woolworths, and the innovation and the different types of products that they bring to the marketplace will disappear.

Mr J Koundouris: We also must remember that Big W, Kmart and Target all sell grocery lines, substantial grocery lines.

We would like to take you to page 15, if that is okay. It is headed “Independent Warehouse”.

THE CHAIR: We are just conscious of the fact we only have half an hour in total with you, and we would like to ask some questions.

Mr J Koundouris: We will be another two or three minutes. Can I rush through—

THE CHAIR: I suggest you rush through.

Mr J Koundouris: Okay.

MR HARGREAVES: Not too much of a rush.

Mr J Koundouris: As to the independent warehouse, very simple, and this is a very important point.

THE CHAIR: I was actually going to ask what is happening with warehousing.

Mr J Koundouris: If independent operators are vertically integrated—in other words, there is not a profit centre called Metcash in the middle of them—our cost of doing business and our prices get cheaper. That is very important to us. Do you want to talk about the independent warehouse now?

MR HARGREAVES: As a way of setting the scene, Woolies bought Cannons, did they not?

Mr J Koundouris: Yes, they did.

MR HARGREAVES: And Cannons had their own independent wholesale supply system and a transit system out at Hume feeding all of those stores, did they not?

Mr J Koundouris: Yes, they did.

MR HARGREAVES: When that disappeared, Metcash basically got the whole paddock?

Mr J Koundouris: Yes.

MR HARGREAVES: What you are talking about here is exactly that.

Mr J Koundouris: Absolutely, yes.

Mr T Koundouris: You have got a monopoly in the supply of wholesale groceries in Australia. The IGA brand is owned by Metcash, and it is virtually a franchise-style arrangement where they purchase X percentage of their goods from Metcash regardless of the cost of those goods.

THE CHAIR: Where is this warehouse located?

Mr J Koundouris: We currently have a warehouse in Queanbeyan of approximately 4,000 square metres. We are no longer supplied by Metcash. Metcash terminated our agreement on 1 November. We also understand that Metcash are also looking to get new agreements from all the IGA operators, and most of them have not re-signed.

Mr T Koundouris: Trying to tie up that—

Mr J Koundouris: They are trying to tie up that end of the market. We believe by the end of the year we will be in a position to supply the other independent supermarkets in Canberra.

THE CHAIR: By the end of the year, so that means a year for the IGAs. Will they be able to survive without signing on to Metcash in that time?

Mr J Koundouris: Our understanding is that there are IGA operators out there who have not re-signed their agreements and are just going along on a monthly agreement.

MR HARGREAVES: Can I ask James and Theo to tell us—it may be obvious, but not for the record—what is the impact if another food chain—no pun intended—actually emerges in competition with in Metcash? We had one before with Cannons. Woolies bought them out and killed that off, so now you can have as many supermarkets as you like, but if you have only got one supplier of the wholesale goods going into that retailer, that is where the price is governed. What impact will there be if you guys were able to create another wholesale supply chain?

Mr J Koundouris: You would be able to go down to your local centre and you would be able to buy groceries at prices similar to the major supermarket chains. That is the bottom line. That is how we see it.

MR HARGREAVES: So are you telling us that the reason why IGA stores—the smaller ones, even smaller than Supabarn—are higher is not only the volume of stuff that they have to move to get the same profit margin and also the locality but that they are stuck with the price they have to pay for the goods, which is considerably higher than what the major chains are? Is that what I am hearing?

Mr T Koundouris: Exactly. In our modelling of a full-blown warehouse, we believe our costs of goods fall by 10 per cent compared to Metcash. If suddenly those IGA or local stores dropped all their prices by 10 per cent—one of their advantages is that they are convenient to shop at—that will then put pressure and tension on the large supermarkets to have to drop their prices further to have people travel past that local IGA to go shop with them. That is where you get that competitive tension in the marketplace.

Perhaps I can just continue on what the Coles and Woolworths strategy is. The first thing Coles did when they had their new owners was drop the price of milk and bread, the two top selling convenience lines. The reason they did that was not because they were trying to have a go at Woolworths—they knew Woolworths would just match their prices, the same as Supabarn matched their prices—their goal was to drive business away from independent operators. What they did to follow up on that was

sell that milk and bread at those cheaper prices in the service stations as well. So when someone hopped in their car, instead of going to the IGA if they could not get to the large supermarket, they would go to a Shell service station to buy their milk and bread, and it has worked. Nationally, for the independent sector—and it is evidenced by Metcash's recent numbers that are public—sales are down, and that was their strategy.

Coles' strategy was "Let's reduce the price of the top two convenience lines to drive those convenience shoppers away from independent retailers." Woolworths' strategy, because they do not have the coverage of Shell service stations through their Woolworths service stations, is now to try and open larger stores in local centres.

MR SESELJA: So what has prompted this wholesale operation now? I am interested in the timing. Why now?

Mr T Koundouris: We have been looking at this wholesale operation for over five years. One of the keys to a successful wholesale operation is volume, and without having more stores and more volume, you need that critical mass to get your cost of doing business at the warehouse low enough for it to succeed, and we are close to getting there. However, we still need to open a few more stores to succeed. What we are doing is starting small and getting the operation right so then we can gear it up as we grow our volume.

MR SESELJA: So why would your wholesale distribution centre be able to offer cheaper prices than Metcash? Why will you be able to do that? You are telling us that you will be able to go to your local supermarket and it will be as cheap as any other supermarket because of this wholesale operation. But how are you going to get prices lower than Metcash?

Mr T Koundouris: It is really simple: Metcash is a profit centre and our distribution centre will operate as a cost centre. There is no profit attached to it. Profit is made at the retail—

Mr J Koundouris: A co-op, if you like, for the lack of a better word. It is going back to the G & L model of many, many years ago.

THE CHAIR: G & L model?

Mr J Koundouris: I am going back in time now. I am sure, John, you would remember G & L.

MR HARGREAVES: I am only a young fellow.

Mr J Koundouris: G & L was what Cannons actually grew out of. It was where ShopRite had a non-profit warehouse and they were all getting their goods out of a warehouse and it was not for profit, it was a co-op.

THE CHAIR: So you are actually going to set this up as a co-op with you and some other IGAs, presumably?

Mr J Koundouris: Yes. I will let Theo answer the warehouse questions.

Mr T Koundouris: What we do is put enough independent operators together so we have the volume for that operation to get its cost of doing business low enough to succeed, basically. We all benefit from combining our buying power.

MR SESELJA: But you were saying that Metcash terminated the arrangement with Supabarn rather than Supabarn terminating it. So is that what has prompted the warehouse?

Mr T Koundouris: No. The reason Metcash terminated its arrangement with Supabarn was that they have a monopoly and they did not want to see a competitor establish a new warehouse that may take IGA customers away from them.

Mr J Koundouris: So it was like coming with a gun to your head. That is what it was like.

Mr T Koundouris: So they were pre-empting where we were going and trying to shoot us down, if you like.

MR SESELJA: One of the criticisms of the supermarket policy—and we have heard it from some of the witnesses yesterday as well—has been the idea of picking winners. That was put to us yesterday by some who appeared. One of those winners has been identified obviously as Supabarn, and I am interested in your thoughts. It sounds to me like you are not feeling like a winner when it comes to this.

Mr J Koundouris: Not at all.

Mr T Koundouris: Not at all.

MR SESELJA: But particular sites that have been identified in Kingston, I think, and one other, I think, at Casey exclusively for Supabarn. So tell us: why is that not a win for Supabarn and why have you not got a leg up that maybe other IGAs and others have not had the opportunity to get?

Mr T Koundouris: Unfortunately, in Australia today, outside of Coles and Woolworths, there are not many—you can count them on one hand—full-line supermarket operators, because they have killed them off.

MR SESELJA: What about Supa IGA? What about others? Why should they not be able to bid for those sites?

Mr J Koundouris: They are still tied to Metcash.

MR SESELJA: Sorry?

Mr T Koundouris: They are tied to Metcash through their agreements.

MR SESELJA: But up until now, you have been tied to Metcash, have you not?

Mr T Koundouris: We had a different arrangement, because we have never taken the

IGA brand. We always ran our own brand. The other thing that is very different is, when you say “Supa IGA”, if you look in Canberra today I think there are approximately 10 Supa IGA stores, all 1,500 square metres or lower, where the Supabarn stores average about 28. Civic’s is 3,500 square metres. So they are different operations. And the Supa IGAs are located in local centres, so they are not full-line stores; they are top-up stores.

Mr J Koundouris: I will just add to that. When you go back to the 2008 grocery inquiry report, it clearly talks about new entrants. The Martin report followed on the same theme, and the ACT supermarket policy follows on the same theme. We are what would be considered a new entrant in that, like ALDI, we are competing with the chains. We are the biggest in that we have enough volume to be able to start a warehouse. If you went to any of those Supa IGAs and said, “Start a warehouse,” they would not be able to. We are actually doing it now. So I hope that answers some of your question.

MR SESELJA: Partly. What is happening with Kingston? Has that transaction taken place in terms of the direct sale and the like? Will there be a Kingston Supabarn built soon? What is the status of that project?

Mr J Koundouris: Again, we did not receive a direct sale. We received a lease, a direct lease, if you like. So we are waiting on that site to be sold to the marketplace. We will have a landlord and hopefully they will build some premises for Supabarn.

MR SESELJA: So just explain that to me. You have got a lease with the government which will then directly sell it through a process to some landlord—we do not know who at this stage—and then they will be obviously bound to that lease with Supabarn to build a supermarket. Is that your understanding?

Mr J Koundouris: Correct, yes. My understanding is that that site will be going to the open market, someone will buy it and there will be a lease to us.

MR SESELJA: Have you been given any indication by the government as to when that is going to happen?

Mr J Koundouris: No, not at this stage.

MR SESELJA: Okay.

MR HARGREAVES: Can I have a crack?

THE CHAIR: Yes.

MR HARGREAVES: We have not got a lot of time left but I wanted to go down this major concern that I have—two major concerns that I have. You have touched on one of them, and that is the lack of an alternative supply chain. It seems to me that we can talk about competition all we like if we are talking about competition between the retailers, but if they are tied to one supply chain, the competition is restricted. It is strangled.

Mr J Koundouris: That is correct.

Mr T Koundouris: Absolutely.

MR HARGREAVES: And what you are telling us is that we need to make sure that our regulatory regime and a competitive marketplace allows for more than one supply chain to exist.

Mr J Koundouris: That is exactly right.

MR HARGREAVES: At least two, maybe more would be even better if we had more.

Mr J Koundouris: Yes.

MR HARGREAVES: And we are now feeling the effects of the disappearance of Cannons as an alternative supply chain. We are feeling that right now.

Mr T Koundouris: Yes.

Mr J Koundouris: Yes, we are.

MR HARGREAVES: Yes, thank you. I am pleased to have that confirmed. There is another one that concerns me. Perhaps this is something the committee will think about. In fact, it will. I can assure you it will think about it. We are talking about supermarket competition policy. That is really what we are talking about, and in the context of the three-tier system.

Mr J Koundouris: Yes.

MR HARGREAVES: As I understand it, IGA are competing in the third tier, except for the Supas, and they are sort of straddling the line anyway. You guys are competing in the second tier and it would be nice if you could compete in the top tier. Whilst ever Coles and Woolies have got them at the power that they do, they are going to take out the town centres. You guys are talking about putting in significant competition in the group centres. That is where your marketplace is sitting. What is—

Mr J Koundouris: We—

MR HARGREAVES: Sorry, go on, James.

Mr J Koundouris: Sorry, John. We very much support the retail hierarchy and the three-tier system.

MR HARGREAVES: Yes, and you can see where you as competitors to Coles and Woolies sit in the group centres like your Erindales, your Calwells, your Chisholms and that kind of thing from my part of the world.

Mr J Koundouris: Yes.

MR HARGREAVES: What I am concerned about is the emergence of the 7-Eleven system. It seems to me that the 7-Eleven system, owned and funded by Woolies—and Coles if you take Coles Express, because they are just the same thing by another name—do not appear to be covered by supermarket policy. We are talking about the petrol station policy which is governing them. But they are actually able to trade in the marketplace. The worry that I have is the emergence of these things, as a positive, will keep the petrol stations in the local area. Good news. Bad news: the IGAs disappear. If the IGAs disappear, that means that you guys become the bottom tier if that happens. Are my fears founded or—

Mr J Koundouris: Your fears are founded. Really, after the supermarket policy was announced Woolworths decided that they would go and play in local centres, that they would try and open larger supermarkets in the local centres—as someone said yesterday, I think, redefine local centres. We would suggest the cap of 1,000 square metres on the size of supermarkets in local centres. If one local centre gets too big, the other local centres disappear. I think it is really important—I mean, consumers want their local centres. They want to be able to go to their local shops and get those convenience items. I think that to create a level playing field, if Woolworths wants to play in local centres, if Coles wants to play in local centres, if Supabarn wants to play in local centres, you know you have got 1,000 square metres to play with.

Mr T Koundouris: As it currently stands.

MR HARGREAVES: Let us just take a look at the—

THE CHAIR: Well, we do not currently have a—

MR HARGREAVES: Let us take a look at the Erindale centre as a guide example. Now, Erindale centre is a direct competitor to you guys at Wanniasa, right?

Mr T Koundouris: One hundred per cent.

MR HARGREAVES: I live in Wanniasa. I am not going to tell you where I shop but there is a great playground just near it which, as you all know, the old man owes me for that. The thing is, as I understand it, that what you guys are competing against is not only the large Woolies in Erindale but also they have got the Caltex service station just down the road and a 7-Eleven just up the road. So they have actually cornered an entire petroleum market, they control all of the third tier of the marketplace as well and the second tier. You guys are the only people competing against it except the little IGAs in Gowrie, Monash and places like that.

Mr T Koundouris: Exactly.

Mr J Koundouris: That is 100 per cent.

MR HARGREAVES: And we are talking about you blokes trying to get some decent competition against a monolith.

Mr J Koundouris: That is right. They have got 800 stores; we have got eight. If you actually turn to attachment D, you will see Coles' format for service stations. And—

MR HARGREAVES: Yes, I am interested—

THE CHAIR: Can I just—

MR SESELJA: Sorry, is there—

Mr J Koundouris: Sorry, just at Erindale and Kambah—just to answer—

THE CHAIR: We are going to run out of time but can I quickly ask a question? Given the figures you have got, which are presumably correct, about the likely expansion of supermarkets and the lack of additional retail opportunities, and you would think additional customers, why do you think they are doing this and what is going to be the outcome? I mean, we are not going to spend enough money to support them all, presumably.

Mr J Koundouris: That is right.

THE CHAIR: So why are they doing it?

Mr J Koundouris: Market share.

Mr T Koundouris: The outcome is to take the market share off the independent retailers. Simple.

Mr J Koundouris: Stop the warehouse.

Mr T Koundouris: Stop the warehouse. They do not want another competitor.

THE CHAIR: Are they doing this in other locations—I mean, are Coles and Woolies expanding at this sort of rate in other parts of Australia or is this a special for the warehouse?

Mr T Koundouris: I think it is certainly happening in pockets around Australia, absolutely. It all comes down to different planning laws in different states as to what they can get away with. But whatever they can get away with, they do.

Mr J Koundouris: And that is why we are saying the retail hierarchy needs to be reinforced, and the simplest way to do it would be to put the 1,000 square metre cap on the local centres, introduce—the only group centre that can sustain a second full line supermarket is Dickson. At any other of the group centres, there is not the market share—there is not the turnover or dollars per square metre for two full line supermarkets.

MR SESELJA: Just on the local—

THE CHAIR: This will probably have to be the last question.

MR SESELJA: Yes. Just on the local centres, you have said you support the Martin report. You said, though, that it should be capped for local centres at 1,000 square

metres.

Mr J Koundouris: Yes.

MR SESELJA: But John Martin said very clearly that he thought 1,500 in certain circumstances was reasonable. Why do you think he was wrong on that? Because he looked at this, I understand, for Giralang. Why was John Martin wrong in this respect?

Mr J Koundouris: He was not actually wrong, I do not believe. It was represented to him by Metcash that local centres be 1,500 square metres. The actual operators themselves who represented to Metcash, who was representing them in the consultancy with John Martin, actually said 1,000 metres and Metcash took the 1,000 metres and made it 1,500. That is my understanding. But that is most probably a question saved for the IGAs to confirm, because I was not at that meeting. But the other thing that is very apparent is that when John Martin consulted with Woolworths, my understanding is they stated to John that they were only interested in big boxes. They were not interested in playing in little boxes and in the end that philosophy changed after the Martin report.

MR SESELJA: But John Martin was consulted on the implementation of that, was not he, and he agreed, for instance, with the 1,500 metre Woolies at Giralang?

Mr J Koundouris: My understanding is that he was consulted. Again, he did agree to the 1,500 on the basis that that is what he thought the local supermarket operators wanted, which again was not the case. But I think that is most probably a question IGA should answer.

THE CHAIR: Unfortunately, we have run out of time. If this is acceptable to you, we might send you some more questions on notice because clearly we have more questions for you. Thank you very much for attending today. We will send you the transcript as soon as it is available. Unfortunately, we are out of time as we have another witness. Thank you very much.

Mr J Koundouris: Thank you all.

Mr T Koundouris: Thank you.

MR HARGREAVES: All the best to the old man.

Short adjournment.

SPIER, MR HANK, Director, Spier Consulting Pty Ltd.

THE CHAIR: Good afternoon and welcome, Mr Spier.

Mr Spier: Thank you, Madam Chair.

THE CHAIR: Have you seen and read the blue privileges card next to you?

Mr Spier: Yes, I have read it.

THE CHAIR: And are you happy to agree to what is in it?

Mr Spier: Yes, of course.

THE CHAIR: Lovely. Thank you very much. In that case, we are ready to keep on going. Have you an opening statement you would like to make?

Mr Spier: I will make it brief. My name is Hank Spier. I am a consultant in competition policy issues. I am the former CEO of the ACCC. I have to say that I from time to time represent Supabarn, but I am here in my own capacity. I just wanted to make some very brief points and maybe then go to questions. I can talk about Cannons, too, about what actually happened years ago.

The supermarket policy has been criticised by some as being against national competition policy. It simply is not. National competition policy is never about open slather of competition; it is about managing markets so that it fosters competition. If you have open competition, you will just have in every market one or two players. It is just not the way things go, but there is a lot of criticism about that.

THE CHAIR: Yes, yes, both of us are aware—

Mr Spier: I am sure both of you understand that.

THE CHAIR: Yes.

Mr Spier: The ACCC, of course, has a major role, but they will not be able to stop—and obviously have not—the expansion of the majors in Canberra or elsewhere. They did something in Karabar, but that is the only attrition they have stopped.

Madam Chair, you asked why should the supermarket majors expand and why are they buying more and more. In economic theory one of the classic anticompetitive strategies is overcapacity. I am not saying they are doing that deliberately, but you can take that for what it is worth. I think it is part of the strategy.

The next issue is the warehouse. I represented Supabarn in the Franklins litigation. That litigation by the ACCC was all about the warehouse. Of course, it failed, sadly, but it was all about someone else other than Metcash getting hold of a warehouse operation. The second bidder was a consortium involving Supabarn. They had in mind to get the Franklins warehouse and develop that as a warehouse and, of course, the Franklins stores, which give you more volume.

That warehouse seemed to me—and it obviously seemed to the ACCC—to be critical in developing competition in the grocery market, at least in eastern Australia. That is still the case. The ACCC grocery report said very bluntly that Metcash prices are high and anyone that is supplied by Metcash is in a very poor competitive situation, hence the independent warehouse is critical. Even now, the small IGAs, or anyone, cannot buy direct from so many factories because they simply do not have the volume. They cannot get the best prices from manufacturers. So the warehouse becomes critical.

I will talk about Cannons, because I was then at the ACCC and I dealt with the then vendor of Cannons. Cannons had been a major competitor in the Canberra market but they had sort of lost their competitive edge. They did have a wholesale operation, as Mr Hargreaves mentioned. But that wholesale operation was never going to succeed in the hands of Woolworths, because if you are an IGA, you do not buy from Woolworths. You just do not trust them. So it was never going to work. I also have to say that I admitted some years later to a Senate committee that the decision by the commission then on Cannons was wrong; it was a mistake.

MR HARGREAVES: Nice to see it acknowledged.

Mr Spier: The reason for saying that is that a lot of the decisions made by regulators from time to time in areas like this prove to be wrong later, but often with hindsight. Sadly, the way the Trade Practices Act works is that, if Woolworths want to buy Kingston, the commission looks all around Kingston. The commission does not look at all of Canberra, which I think it should, and see what is happening in the Canberra market, or at least north and south, which I think they are two separate markets. I should not just look at these small markets, which the commission feels that is what the law dictates. I think, frankly, it should look broader, especially in a market like Canberra which is so highly planned and regulated. It is not like somewhere else.

MR HARGREAVES: Do you think, though, that there might be some validity in looking at it region by region in the ACT? We have got about five of them.

Mr Spier: Yes.

MR HARGREAVES: They seem geographically separate. For example, the demographic in Belconnen is quite different than the demographic in Tuggeranong, and so the approach to competition in the same supermarket area ought to be regarded as a regional thing, given the propensity of people to travel to do whatever they do. I recall the day not too many decades ago when I think it was all but two petrol stations in Belconnen—and they had one in every suburb—were all Shell, the whole lot. And now there is none.

Mr Spier: Of course, they were all Shell because they all went onto the open market and Shell simply outbid everyone else.

MR HARGREAVES: And that is the difficulty, is it not, of what you said earlier on about open slather competition?

Mr Spier: Open slather sometimes work, but it often does not.

MR HARGREAVES: Yes.

THE CHAIR: Can I just ask you a bit about what the ACT can do from a competition regulation point of view? Clearly, the ACT has full planning powers, and the planning powers are very important at the beginning of the lifespan of a supermarket when it is being built, but after that they seem to me to be fairly irrelevant. Any changes then come under competition regulation. Is there anything the ACT can do, given its constitutional position? Or do we have to just rely on the ACCC to possibly decide to do something?

Mr Spier: You can, as you, of course, tried to do through this supermarket policy, limit the majors.

THE CHAIR: That was on planning; it was on sales of new sites.

Mr Spier: Sure.

THE CHAIR: We can certainly do sales of new sites, but my question is: is there anything apart from sales of new sites, which is only a limited lever, that we can do about it?

Mr Spier: I am sure you are all aware there are some real limitations, but it seems to me the best that can be done is to foster more competition.

THE CHAIR: How?

Mr Spier: The warehouse concept, if that makes the IGAs more competitive, is a huge change, because there are more IGAs than anyone else. If they are more competitive, that changes the whole dynamic, and that is a pretty substantial change. But it does mean the independent warehouse has to be up and running, and it need not be Supabarn; it may be someone else. It does not have to be Supabarn. But to try and wind back what is there is, I think, almost impossible. You cannot tell Coles and Woolies to sell current sites, but you can perhaps not allow them to expand to many more, unless there is real demand in a total greenfields area like, say, Molonglo.

But there are limitations. The federal government can slightly change the Trade Practices Act to broaden some of the market concepts. At the moment, to take Kingston as an example, the ACCC said the market was just the market around Kingston, and Woolworths could buy it. I argued at the time on behalf of Supabarn that you had to take into account Woden, but the commission did not accept that. But in a place like Canberra where the traffic flows are quite easy compared to, say, Sydney and Melbourne, we took the view that at least Woden, with its Woolworths and Southlands, should be taken into account. But the commission said, "No, Woolworths can have Kingston."

MR HARGREAVES: Did they take into account the presence of the fresh food markets in Griffith, which is not in Kingston?

Mr Spier: They did, but that was not a full-line competitor.

MR HARGREAVES: Agreed. Were they aware at the time that there has been a push to create a full-line competitor roughly on the site where KFC is, I think. There is a set of blocks there. There is an intention of trying to get a full-line supermarket sitting up on that space where their fresh food and veggies, of course, will compete with the marketplace. Was that in their mind at the time, do you think?

Mr Spier: No. It was raised, but it was too uncertain.

MR HARGREAVES: All right.

THE CHAIR: Mr Seselja.

MR SESELJA: Thank you, chair. Part of your submission talks about some suggested options for action and you say that the ACT government needs to enforce its planned hierarchy and the recommendations and spirit of the Martin inquiry. Then you go on just after that to say it should limit local centres to 1,000 square metres GFA. I have got an open mind on this and I think most committee members do. It is one of the key things we would be looking at—what is the right size for local centres. But one of the things that Martin did was to say—he actually ticked off on a 1,500 square metre one. So I am interested in your thoughts on why the 1,000 square metres. What does that mean? Do you want to comment on why you think John Martin did allow or did agree to 1,500 square metre sites in some local centres?

Mr Spier: Obviously, I do not know what was in John's mind, but I know initially he was looking at a smaller figure than he finally put in his report. You can debate it either way. It is a bit like debating the market share of Coles and Woolies.

I suppose what I am saying is that I think there needs to be—there is a danger that as you get bigger sized, you get the creep into the majors saying, “We can go into this, we can go into that and we can play.” I was trying to keep it to fairly small supermarkets, but it is debatable as to what the—

MR SESELJA: Yes. So you think 1,000 square metres is the tipping point? Maybe you might just outline for the committee why you believe around that number, not being a perfect number, but around that 1,000 square metre. What changes between a supermarket that is 700 or 800 square metres and one that is, say, 1,200 or 1,300 square metres?

Mr Spier: My thoughts were basically that I was fearful that at around the 15 you start to get the majors being interested. And I have no doubt that the majors are going to start to enter the small centres.

MR HARGREAVES: Have they not started with—

Mr Spier: They have started already, but they will—there will be more, and that was my view, but it is not a strong view. It can go either way.

MR SESELJA: I have a question on that, because it is an interesting point. I understand that in Dunlop—is it Dunlop where Woolies has opened as a local centre?

Mr Spier: Yes.

MR SESELJA: I have not been there, but I think that is less than 1,500 metres. I think that might be more like 800 metres.

Mr Spier: I gather so. I would be guided more by others there.

MR SESELJA: Yes, so I am interested in your thoughts on that. If the idea of 1,500 or less than 1,500 is to keep the majors out, Woolworths seem to be showing that that may not be the case. So I guess the question—

Mr Spier: I have to fully agree with that, and if any of you have walked around the streets of London, just have a look at what is around. Small Tescos, small Sainsbury's, small Marks and Spencers, and we have to assume that that will probably happen here.

MR HARGREAVES: A 7-Eleven on Northbourne Avenue.

THE CHAIR: Yes, that is happening in Australia. They call it 7-Eleven.

Mr Spier: Yes, and it is going to happen. Although, as the Supabarn people said, the Martin committee report said that he was told by Woolworths that they would not enter into small format stores. But things change.

MR SESELJA: If it is about keeping the majors out of the local centres, would you advocate a policy which specifically ruled out the majors in local centres?

Mr Spier: That is a hard one. I think if you want locals to survive, if you want some local small businesses, you almost have to. Having said that, I am sure that a small IGA would love to sell to Woolworths or Coles if the price is right. Whether or not you should stop that is a really hard issue. That is one of the debates in the federal parliament every year about creeping acquisitions, where it is argued that Coles and Woolies cannot buy up all the IGAs. But of course you are saying to the IGA, "You cannot sell." So it is not an easy issue.

THE CHAIR: We just talked about 7-Eleven and Coles Express et cetera. Are they effectively a fourth tier in the supermarket tier of local centres, group centres, town centres.

Mr Spier: I do not think that they are a huge force yet, but they may be.

MR HARGREAVES: I am particularly interested in the petrol station experience, not so much a 7-Eleven setting up as a convenience store on Northbourne Avenue. That is fine, because they are looking at the residential in the city and there is a marketplace for that there. That is fine; no problem with that.

What is concerning me, though, is the emergence of petrol stations which are in fact part of the Woolworths-Coles system, and then putting a convenience store in them knowing that they have got a captive audience when people are coming to fill up their cars. I guess I would like your views on whether that poses the death knell for the

convenience store in the suburbs. Depending on what you say to that, secondly, should we be making sure that there is a regulatory regime around the supermarket aspect of those petrol stations in the same way we have one around the rest of it?

Mr Spier: Can I answer the first bit first about the death knell to the convenience stores? The answer is probably yes, unless they can become more competitive, and that comes back to the warehouse—if they can buy elsewhere. A lot of the convenience stores buy from Metcash and we have probably said enough about that.

To limit—I mean, it is a very difficult issue. To give you a comparison, in Queensland you cannot own a liquor store unless you are a pub, but you can be off premise. As a result, Coles and Woolies are buying up all the pubs so they can have liquor stores. Here if you start to limit people's—I do not know if there is any solution. To me it seems that if the convenience stores become more competitive, they will survive.

THE CHAIR: For sure.

Mr Spier: If they—

THE CHAIR: I hark back to my earlier question about competition. I refer to your submission where you state:

It is suggested that the ties should not be more than 50% and the ACT Government as part of NCP either pass its own legislation along those lines or ask the Commonwealth to do so.

So my question is really twofold. One, could we definitely do our own legislation about tied supplies? Secondly in relation to 50 per cent, we have heard a couple of minutes ago that Supabarn has opened a wholesale operation, but would that not potentially also be anti-competitive, because there is Metcash and there is one fledgling alternative? You are effectively saying that you have got to do 50 per cent at Supabarn and 50 per cent at Metcash.

Mr Spier: Not necessarily. It might be 50 per cent you buy direct. The 50 per cent rule actually comes out of the petrol industry, where under the oil code, which is federal law, oil franchisees can only be tied to their supplier up to 50 per cent. Now, they can buy 100 per cent but—

THE CHAIR: So they can buy 100 per cent from whoever—

Mr Spier: Yes.

THE CHAIR: but they could only be contractually tied—

Mr Spier: Tied.

THE CHAIR: Would the ACT constitutionally be able to do that?

Mr Spier: The issue would be: does it conflict with federal law? It probably does not.

THE CHAIR: Sorry, it probably does not—

Mr Spier: It would be rather odd for the ACT to go alone on that sort of issue.

THE CHAIR: The ACT could be alone. As long as we are right, it does not matter.

Mr Spier: There is no obvious conflict. There is no federal law that says that it is something else. In fact, there is no federal law in the supermarket industry on the tie. There is sort of law that says ties cannot be anti-competitive. Maybe the Metcash tie at the moment is anti-competitive. That is a matter for the ACCC, because 90 per cent is a pretty tough tie, although it is not totally enforced, to be fair to Metcash.

MR HARGREAVES: But if the ACCC's attitude is that such a small regionality like Kingston, as opposed to south Canberra—if what happens in Deakin has no impact on what happens in Manuka, then Metcash can do what they like.

Mr Spier: Sure.

THE CHAIR: Thank you very much. Yes, it is certainly a very interesting submission. We will send you a copy of the transcripts and conceivably some questions on notice, if that is okay.

Mr Spier: I realise that.

THE CHAIR: Thank you very much.

MR HARGREAVES: You have taught me a couple of things there, thank you.

Short adjournment.

HARIDEMOS, MR CHRIS, Proprietor, IGA Kaleen
SENTI, MR ANTHONY, Chairman, Combined Residents Action Association

THE CHAIR: Thank you very much for attending.

Mr Haridemos: Thank you.

THE CHAIR: I first must point out to you the blue document there, the privilege statement. Can you please confirm that you have read it and agree with it?

Mr Haridemos: Yes. I have been here before.

THE CHAIR: In that case, we are basically ready to start. Do you wish to make an opening statement?

Mr Haridemos: Thank you. I appear today because I believe I represent all of the local independent retailers in Canberra—independent supermarket retailers, I should say, of course; not the shoe shops and things.

MR HARGREAVES: Not yet, anyway.

Mr Haridemos: Yes. Anything can happen. I am very thankful to be here today so that I can try to get a couple of arguments across. I particularly want to focus today, in the limited time that I will be here, on the size of independent supermarkets in local centres and how they could work. Anthony Senti will also chime in, as chairman of our residents action group. He has been very vocal in supporting us with respect to the Giralang proposal, which is currently in the hands of the Supreme Court. We have had our hearing.

That is the thorn in my side right now, because Giralang is 1½ kilometres away from my store and what is proposed there is a very large store. I am only about 700 square metres. The proposal there—this is what I am concerned about—is that if it gets up at Giralang I think it will be open season on local centres. The chains will then be able to strategically eye any local centres in Canberra to open their full-line supermarkets, and that is a grave concern.

So I have got some points here, unless you have some questions that you would like to ask me first.

THE CHAIR: Given the time, we should probably start with questions. Mr Hargreaves goes first, given his enthusiasm.

MR HARGREAVES: I have got this obsession, as you may have heard, about the emergence of the 7-Elevens and Coles Express in petrol stations. I would like your perspective as an IGA owner. I take the point you make. I would imagine that most of our IGAs, not supers, would be around the same size as your store, about 600 or 700.

Mr Haridemos: Correct.

MR HARGREAVES: And it concerns me that if we allow petrol stations to have a

400 or 500 square metre operation—and I mention Gowrie, Monash, and the same thing happens in Gungahlin and in Belconnen—this is a sneaky way for the majors to put competition in and squeeze you blokes out of the game.

Mr Haridemos: That is it, 100 per cent. A very good example is the 7-Eleven that has just opened up at the Melba local shopping centre. There is a little IGA right there. Most of the IGA retailers in Canberra stay in contact with each other. We talk about business et cetera. We have a very good rapport. We do talk to each other and we talk business. The owner there is not happy because that 7-Eleven that has opened up there at the servo has got an extensive range of groceries. That service station has probably got a better location because it can be seen from the major road which I think is Kingsford Smith Drive, and the little IGA is just tucked in at the back corner of the local shopping centre.

MR HARGREAVES: Next to the best fish and chip shop in Canberra.

Mr Haridemos: Fantastic, yes.

MR HARGREAVES: Best burgers in the whole of the southern hemisphere.

Mr Haridemos: Unbelievable. That is right. This guy is struggling. He is a local shopping centre. I am a local shopping centre, with a little IGA. Our customer base is most people that are travelling to and from work for top-up and buying the staple products, milk, bread, X.

We heard the Supabarn people earlier talk about this problem that we have with the chains dropping the price of staple products down to \$1.09 for bread and \$1 per litre of milk. That has had a massive effect on my business. I used to be able to sell quite a substantial amount of milk. But since it happened—I think it was on Australia Day last year that Coles announced \$1 a litre—I know pretty much the flow-on effect. Only a few days afterwards my milk sales crashed. And that is really sad because we are relying on our local customer base to come and get milk and bread. If that is now taken away from us, I have got to try to find other ways to make ends meet.

MR HARGREAVES: In the turnover that you have with your customer base, what proportion would be cash transactions versus credit card and direct debit?

Mr Haridemos: These days it is hard to say. Technology is advancing so fast. EFTPOS, tap and go et cetera are the way to go. Some days people like to come in and flash their \$50 bills around and other times it is really all about EFTPOS and credit. We have an ATM in the store. That is a good thing. We installed it, hoping that customers would come in, grab \$20 out of the ATM and hopefully buy, while they are there, milk and bread.

MR HARGREAVES: Would it therefore be too much of a stretch to think it would be really convenient for me to go and fill my tank up with petrol and then fill my boot up with groceries and pay it in the one transaction by direct debit?

Mr Haridemos: I do not want that to happen.

MR HARGREAVES: I would suggest to you that is what is happening on Kingsford Smith Drive.

Mr Haridemos: Possibly. I would like to actually make a quick comment about the Martin report. I was one of the retailers that were invited by Dr John Martin to be on the panel when we were brainstorming about where we are heading here in the ACT with regard to the supermarket competition policy. That was for the report that he was assembling. There were about 20 other retailers there and we all agreed, in a roundtable discussion, that 1,000 square metres was a very appropriate size for a local shopping centre supermarket. It was signed off. We said thank you very much for having us, thank you for including us in your exercise.

When I received the copy of the report, it was 1,500 square metres, which I found very disturbing. Metcash were also invited to this process. We came to the conclusion that Metcash had decided to possibly twist—and these are my words—Dr Martin’s arm to increase the GFA to 1,500 square metres and that was so that they could try to encourage their IGA retailers to buy more boxes out of their warehouse. We heard, through the Supabarn submission before, that Metcash is a for-profit warehouse. The end game is that, if they sell more boxes they get more money. But the problem is that I cannot buy the groceries at the prices that Woolies and Coles can.

I just want to say that, with the IGAs, there is this black cloud or stigma about us being very expensive by comparison to the chains. That is because we cannot buy our groceries at the prices that the chains can, and it is unfortunate. For us to try to remain viable, we need to sell them a little more expensively to try to maintain margin.

THE CHAIR: On that note, we have just heard about Supabarn’s warehouse proposal. It is more than a proposal. How is that going to impact your and other IGA businesses?

Mr Haridemos: I am actually excited about it and I hope that I can participate in it. I am not getting any love from Metcash. Metcash have become a me-too. I like to call them a me-too warehouse, where whatever Woolies and Coles are doing they want to try to do the same. Unfortunately, all these retailers are independently owned. They are family run businesses. They are mums and dads.

The problem here is that we have got Metcash coming into our stores and telling us: “Chris, I do not like where your Coca Cola display is. You need to put it over here.” They are dictating terms, how to display the goods, what prices to run on their knocked-down, low-pricing program as well, which is starting to become very concerning for us because we are not making any money. This goes back to the fact that we have got no-one else to turn to. I pay my own superannuation, insurances, compensation, wages, whatever. It has got nothing to do with anybody else. I am a small business owner. They are dictating terms to me, how I should run my store.

If I do not run my store according to their plan, how an IGA should appear and how it should perform, there is the threat of being de-bannered. In other words, it means: “You cannot run our promotional program. We will supply you but you cannot run our promotional program. You will just be this little grocery retail outlet in a local shopping centre with no support from a brand banner,” if you like. That is a really

horrible sort of scenario, isn't it?

THE CHAIR: I have no doubt some people go to the local shop because it is an IGA. The shop at Kaleen has always been in the shops at Kaleen.

Mr Haridemos: Sure.

THE CHAIR: It would probably take me a year before I noticed the sign at the shop that says that IGA is not there anymore. I just assumed that it fell down and no-one had replaced it or something. I am just not sure how it is different.

Mr Haridemos: To answer your question—

THE CHAIR: But you would know better than I.

Mr Haridemos: I have been doing it for 11 years, with my brother. I come from a long line of supermarket retailing. All my uncles and my father were in there from 1955. There is a bit of a history in my bloodlines with regard to supermarket retailing.

But to answer your question with regard to the independent warehouse, I think that is the only way I can try to remain viable. By that I mean I can purchase goods cheaper than what Metcash are selling them to me right now, to sell them at a more attractive point-of-sale price and try to make some margin and remain viable.

THE CHAIR: From a government policy point of view, given that is what we are talking about, what can be done to make a warehouse that is going to achieve all these wonderful things?

Mr Haridemos: We need volume. We have heard about volume before from the Koundouris people—the supermarket I should say. For that to happen we need as many independent retailers to jump on board this independent warehouse as possible so we get the volume we need so we can get the costs of goods down. I think that is the only way forward. I also have a problem with Coles and Woolworths—the poor souls—carrying on about being unfairly treated and this thing about stopping direct land sales to them. They have got 92 per cent of the market share in Canberra. Hello—92 per cent! How much more do they want?

THE CHAIR: Only eight per cent.

Mr Haridemos: They want the other eight per cent, that is right. What is going to happen to all these local shops, the mum-and-dad businesses? I think what also needs to be focused on is that the anchor is usually the supermarket, and when the anchor tenant has gone, you have lost your butcher, you have lost your hairdresser, you have lost your takeaway, you have lost all these small mum-and-dad businesses. This is what Anthony wants to talk about as well.

MR SESELJA: Just before he does, earlier you said that 1,000 square metres had basically been agreed to as appropriate and then that changed to 1,500.

Mr Haridemos: Yes.

MR SESELJA: And you suggested that in some way Metcash had had something to do with that, they might have pressured John Martin.

Mr Haridemos: They had their property legal guy as part of the roundtable discussions, just to bounce ideas off, and he was there. He kept pushing that barrow: “Why don’t we try to get a little bit more square meterage so that you guys can build your shops a little bit bigger and have more range. More range, we sell more boxes, everyone’s is happy.” But the only people that are happy are Metcash. They are not happy right now, but you get my point.

MR SESELJA: He was pushing that barrow, but you said that what was agreed was actually a thousand square metres, notwithstanding that there was someone from Metcash so—

Mr Haridemos: There was that influence, I think, behind closed doors where they were saying 1,000 square metres, but, “Hey, why don’t we try to get these guys to expand their stores.” This is my opinion, and I reckon that is the way it went. And I am happy to stand by it.

MR SESELJA: So you think in the end John Martin was influenced outside of that process to change his view.

Mr Haridemos: I believe so, yes.

Mr Senti: I will just make a comment on that. There is a report we received some time ago—the local centre supermarket GFA by square metre. This is for the 13 stores in the area that Chris is operating under. Of the 13 stores—I have got the graph here—most of them are under 500 square metres. There are only two that are actually just above 500 square metres. So even 1,000 square metres I feel is quite excessive, because once you start disrupting that balance, you are really going to disrupt everything else, unless they have the ability to expand. But most of them are landlocked anyway. In your case, Chris, you cannot expand your—

Mr Haridemos: I do not think I can expand too much more.

Mr Senti: And that is the problem.

MR HARGREAVES: Is there a possibility that, having 11 or 12 out of all those businesses running at 500, 600, 700 square metres, or under 500, they will not have a critical mass that suits Metcash and that the volume going through them individually does not make their businesses all that viable anyway? Would they rather see 13 Supa IGAs running at 1,500 metres so they are using more volume through each individual place?

Mr Haridemos: I think Metcash wants to have their cake and eat it, too. They will take anything. They are not happy right now with what is going on. There is a lot of innuendo in the marketplace with regards to this independent warehouse. They are not happy. I believe they were here yesterday and talking to retailers to make sure that the retailers do not try to rock the boat and that sort of thing. At the end of the day, I think

Metcash will take whatever they can get knowing that, right now as we speak, there is no alternative. There are a lot of heavy-handed tactics going on right now. They always claim to be supporting the independent, but the independent really has not got anywhere else to go.

MR HARGREAVES: We heard not long ago that one of the issues is that if you have got a bigger store you are going to buy more boxes off Metcash.

Mr Haridemos: Right.

MR HARGREAVES: Is it too much of a stretch to say that if your place was able to go to 1,500 and you were prepared to do it, then you are going to buy more boxes out of Metcash, are you not?

Mr Haridemos: To a degree. Not every shopping centre can support a 1,500 square metre facility. This is the problem. Just because you are on good terms with your landlord and may have the money to develop the actual box you are in and give you another 500 square metres, for example, that does not mean it will actually work. What about the next local centre down the road? How are they travelling? How are you travelling? What is your cost of goods? All these variables come into play. We have got this problem now where Woollies is trying to get into Giralang. That is going to destroy me. What about Bonner?

MR HARGREAVES: If you have got a whole stack of suburbs and each one of them has got a little IGA in it of about, say, 600, if you put a couple of 1,500s in there, a couple of those 600s are going to close to accommodate those.

Mr Haridemos: One hundred per cent. It is the flow-on.

Mr Senti: With Kaleen and Giralang, Kaleen has only got about 7,000 people and Giralang has got just over 3,000, but it is an ageing population. I think the growth that has been projected in the next five or 10 years is very minimal—in fact, it will go backwards. The other thing you have to consider is that if you have an ageing population, they are going to spend less as they get older. They do not spend more. They have not got kids. If Chris was to put in a 1,500 square metre place—even if he could and if he had the physical space—I think he would go out backwards because it would not have the support. He would have to depend on something else.

Mr Haridemos: You have to remember, too, when these tenants, the retailers, are perhaps forced to accept a little bit more square meterage by their landlords because perhaps they can, they have to pay more rent. Can you justify the turnover to pay rent? There are a lot of issues here. I just do not think it is going to work. I really think the government needs to look at capping square meters, total GFA, to local shopping centres.

MR HARGREAVES: At what figure, Chris?

Mr Haridemos: I think 1,000 square metres. I would be absolutely rapt if it was 1,000 square metres. I think it could work. Once you go past 1,000 square metres it starts to get very grey. I am a guy by myself, but Coles and Woollies have these big,

expensive legal teams that know how to look at planning laws. We saw what happened at Giralang. It got called in at 1,500 square metres and we ended up in the Supreme Court, because we know for a fact it is not 1,500 square metres. They have the ability to try and manipulate the planning laws, and this is where we have got these problems.

THE CHAIR: Thank you very much, gentlemen. Your evidence has been very interesting, but we have to let you go at this point of time. It is possible we might send you a question or two, and we certainly will send you a copy of the transcript.

Mr Senti: I have prepared something that I think outlines the general concept of what the Combined Residents Action Association is all about.

THE CHAIR: Yes, you put a submission in, I recall.

Mr Senti: We identified overall about three issues. There is the local supermarket issue, which obviously is the heart of this whole inquiry, and others. But another thing is the impact of the duopoly not only here in Canberra but also Australia wide. Then, of course, you have the lack of action by the regulatory bodies, such as ACCC, that really are not making an impact, as the comment was made before. There needs to be a capping. America, Great Britain et cetera have got caps, and they dismantle businesses when they get too big. IBM is a case in point, except for many years ago when they entered trust laws.

Unless those things are addressed—I am suggesting that what you people are doing is literally taking the place of the ACCC. I think what you are trying to do is regulate competition here in Canberra so that there is a level playing field. The comment was made before that if the duopoly is allowed to continue, even on a restricted basis, they will still continue to grow. The only time you are ever going to address this is when those duopolies are not so much dismantled but cut back to size, because you are never going to change it.

THE CHAIR: Thank you very much, gentlemen.

Meeting adjourned from to 3.19 to 3.39 pm.

TZANETOS, MR PETER, Tzanetos Family Group

THE CHAIR: I think we are ready to resume this public hearing of the Select Committee on ACT Supermarket Competition Policy. I welcome today Mr Tzanetos. First, I need to check that you have seen that blue privileges card. I believe it may have been emailed to you as you. Are you happy to agree to its contents?

Mr Tzanetos: Yes.

THE CHAIR: Thank you very much. This hearing will be transcribed. It is also webstreamed live. So whatever you say will become public. Are you happy with all of that?

Mr Tzanetos: Yes.

THE CHAIR: Great. In that case, we may as well begin. Have you got an opening statement?

Mr Tzanetos: Firstly, I thought I would give a bit of background on who I am, being a property owner of the Canberra group centre supermarket site, currently tenanted by Woolworths and, along with my father, the previous Chisholm Supabarn operator before it became a Coles.

My experience in dealing with the government planners has seen the supermarket competition policy distract them from good planning outcomes. I have seen limited land resources within group centres, such as surface carparks, wasted on doubling up on existing goods or services all in the name of the supermarket competition policy. I saw it as a wasted opportunity to use these pieces of land for other uses that may not already exist in group centres—ie, recreational health services or other complementary forms of retail.

The Erindale master plan is such a case in point. It showed how planners were forced by policy to shoehorn a second supermarket over an existing surface carpark. The end result, as witnessed during the community consultation meetings that I attended, was that small business retailers cried out how they would miss out on foot traffic if a second supermarket was outside the core shopping corridor, which the Erindale master plan showed was the case.

Traffic and parking was another concern I heard—how it would distract shoppers from the group centre altogether. I think Kambah group centre, which is where my interest lies, has even more to worry about. Instead of aiding the expansion of the existing 1,600 square metre Woolworths, which everybody wants to see occur, from the local retailers, to the landlord and the shoppers, who want more variety and grocery lines, let alone lower prices, the Kambah draft master plan shows two 2,500 square metre supermarkets, neither of which will be full line, have much storage area or have much hope of competing against other full line supermarkets in neighbouring group centres. I believe that when it comes to food prices, the size of the supermarket will help keep them down. Large storage areas, for example, can help the supermarket negotiate lower purchase prices with food suppliers by doing bulk orders and storing them on site.

Another concern of mine is the policy of allowing local centres to double in size, which is fine and in line with what I have been saying earlier that size does matter, but only as long as it does not impact on neighbouring group centres that potentially could end up being smaller in size than the local centres themselves, therefore distorting a bit of the retail hierarchy.

At the end of the day, the policy really is about helping put downward pressure on food prices and ultimately the margins achieved by the food retailers. I would just like to make the point that Costco single-handedly dropped the price of olive oil in other supermarkets such as Coles in Manuka by half. That is a good example of one way that prices did drastically become affected by another player in this situation.

MR HARGREAVES: How many litres of olive oil did you have to buy to match Costco? I am not a member of that cooperative, but I understand you have to go with a five gallon drum to get the price at a certain level whereas you can buy it by the bottle at Kambah.

Mr Tzanetos: Are you referring to the per litre price?

MR HARGREAVES: My understanding is that to get a certain cheaper price for a particular line item, you have got to buy a stack of it. You cannot just go and buy one bottle of something or other at that price. Am I wrong?

Mr Tzanetos: When you refer to Costco, they only have one certain size to begin with in actual case.

MR HARGREAVES: Yes, huge.

Mr Tzanetos: Yes, huge.

MR HARGREAVES: I cleared it up because you mentioned olive oil. The example given to me was actually toilet paper. They were buying by the kilogram.

THE CHAIR: Maybe we should let Mr Tzanetos—

MR HARGREAVES: We can go on with that.

THE CHAIR: Yes, we—

MR HARGREAVES: The reason for the question was whether or not that price reduction was a long-term one or whether it was just an incursion as a loss leader while they were getting the market established.

Mr Tzanetos: I could not answer that. That is something only Costco themselves could answer.

MR HARGREAVES: Do you find that the Woolies, the Coles at the group centre level actually engage in those sorts of practices?

Mr Tzanetos: In price matching or loss—

MR HARGREAVES: Loss leaders like reducing the price of milk to bring the loyalty of the customer in.

Mr Tzanetos: Yes, always.

MR HARGREAVES: Does that work to the detriment of the small centre, the local centre people and does it work to the detriment perhaps of the betterment of the other traders in the area? I am thinking, for example, about Kambah, which I know quite well. For example, the meat products that are sold in Woolies do not affect Cameron's sales at all. In fact, he is going to get more foot traffic because of the convenience of having a large supermarket sitting up in the group centre. Same with the bakery. Am I right there?

Mr Tzanetos: The bakery is talking to the landlord. Brumbies Bakery is next door to the Canberra Woolies. When I met with him and discussed plans to expand—have a larger Woolworths in Kambah, his opinion was that that would obviously generate more foot traffic and help his tenant with their overall gross sales. Even though a larger supermarket would eventually have its own bakery and larger bakery goods, they felt that the additional foot traffic would outweigh any disadvantage.

MR HARGREAVES: Yes, I am aware that the emergence of that bakery system in the Woolies at Erindale almost sent the local baker to the wall and the emergence of Michel's Patisserie just further down the corridor, really sent them to the wall. They had to completely change the whole focus and thrust in that particular store if they wanted to survive. Do you think the same thing will happen at the bakery in Kambah?

Mr Tzanetos: Generally, Brumbies like to—I cannot speak for Brumbies directly, but from what I have heard from Brumbies' representatives themselves, they have said that they like to situate themselves next door to key anchor tenants such as Woolworths. Even though they provide the same product, they do find it complementary.

MR HARGREAVES: Thank you for that.

THE CHAIR: I am not a Tuggeranong resident, so I do not sort of understand Kambah the way that some of the other members of the committee do. But it seems to me, looking at your submission, that basically the issue you are talking about is one big versus two small supermarkets. I am wondering whether, given two small or one large, both significantly would be increasing the retail floor area in Kambah. From someone who is outside the actual operations of Kambah, why would we want to have one rather than the other?

Mr Tzanetos: One rather than two?

THE CHAIR: One option rather than the other option. I am not specifying a preference.

Mr Tzanetos: What is the other option?

THE CHAIR: I thought you were talking about the two options being expanding the size of the existing supermarket or having two small supermarkets.

Mr Tzanetos: Yes, two small supermarkets is applicable as an end result after their planning, master plan process, resulted in the option of two medium sized, 2,500 square metre supermarkets, whereas my argument with them was that one larger supermarket of 3,500 square metres would serve the community better.

THE CHAIR: And it would serve the community better because—

Mr Tzanetos: There would be more choice. By having one large supermarket, you have more lines of grocery items. So choice is one benefit. The second benefit would potentially be prices. By being a larger supermarket, as witnessed with something like a Costco, the larger you are, the greater chance you have of bulk buying and reducing your cost base.

THE CHAIR: It sounds like you are thinking that it would be an IGA or someone. If either of these supermarkets were part of Woolies or Coles, they would clearly have adequate buying capacity. So you are imagining that the supermarket in Kambah is an IGA, from what you are saying? I believe that is not the case but—

Mr Tzanetos: At the moment it is a Woolworths but there is always the potential for it to be something other than a Woolworths. In fact, the lease is coming up in 2014 and there is no pre-commitment from me to give that to a Woolworths.

THE CHAIR: Mr Seselja, I interrupted you.

MR SESELJA: I am interested in whether there is a third option. We have heard a lot of evidence against this option but I will put it out there. The third option would obviously be two large supermarkets at a group centre, competing with one another. Is that something you see as not being viable at Kambah? I would not have thought space would be a particular issue there, but is that something you see as viable or unviable?

Mr Tzanetos: Kambah is one of the biggest suburbs, if not the biggest suburb, in Canberra.

MR SESELJA: It is easily the biggest.

THE CHAIR: It is easily the biggest.

MR SESELJA: It is like four suburbs.

THE CHAIR: It is huge, yes.

Mr Tzanetos: Yes, and it is on a main arterial road. I can see how two full-line supermarkets, large supermarkets, could potentially survive there and could compete and thrive. Obviously the centre would benefit from that greatly. From what ACTPLA's master plan had shown, there did not seem to be the space to fit two

supermarkets of that size.

MR SESELJA: But is that really the case? I am fairly familiar with the Kambah group centre and I would have thought it was one of the ones that had more space than most. There is a reasonable amount of space in all the surrounds there. Is it your opinion that it is space limited to the extent that you could not fit two large supermarkets?

Mr Tzanetos: What would your definition of a large supermarket be?

MR SESELJA: I suppose 3,000 plus.

Mr Tzanetos: A full-line supermarket generally is 3,000 plus and I have yet to see a master plan that showed any supermarket of more than 3,000 plus square metres there.

MR SESELJA: But I am asking you your opinion, not what the government may or may not be doing. As the owner of that facility, is that something that you see as feasible in the space that you have to work with?

Mr Tzanetos: Feasible from a landowner's point of view, if it did fit two supermarkets of that size there, you would obviously be taking up more surface car park spacing and those car park spaces would have to be provided elsewhere, which most realistically would be a basement. And to fit in that many car spaces, I think from some calculations I have done based on surface area, it required two or three levels of basement car park spacing. From a construction point of view, it becomes very expensive to build those sorts of basement car spaces and obviously that has to be passed on to the tenant, being the supermarket, in which case their cost base goes up and they will not be able to compete as well. Their margins will have to make up for that extra cost in paying for that basement car space.

MR SESELJA: One of the arguments that we have been hearing, and we heard it quite forcefully yesterday from groups like Tuggeranong Hyperdome, is that they believe that there was not much scope for additional supermarket space in Tuggeranong, that they believe that because Tuggeranong has not been growing there is not space for significant additional supermarket space. What is your response to that? Obviously you believe that it could happen in Kambah, but would that simply see the closure of some of those smaller centres there in Kambah and the surrounds?

Mr Tzanetos: The territory plan does promote and see that competition does exist between group centres, local centres and the town centres as well. That is just a matter of fact. So this competition is inherent. Your question is: will that affect local centres by having more larger, full-line supermarkets?

MR SESELJA: How many local centres are left in Kambah—three?

Mr Tzanetos: More than that.

MR SESELJA: How many—five?

Mr Tzanetos: I think there are six.

MR SESELJA: I can think of three off the top of my head.

MR HARGREAVES: Mannhiem, Carleton and Barritt, there are three.

MR SESELJA: I am interested in your views on those local centres, whether or not you believe they would be adversely impacted if you were, say, to go to a 3,500 square metre Woolworths there at the Kambah group centre.

Mr Tzanetos: I am not sure, because the Kambah Woolworths there is already a key anchor and a group centre supermarket. It already has its market share of the Kambah population, but obviously anything that would increase foot traffic—ie, extra supermarkets, extra space for existing supermarkets—would generate more foot traffic. That foot traffic has to come from somewhere, and I would imagine some of it would come from the local centres, some from the other group centres, be it Erindale or Supabarn and even the town centre. But that whole dynamic is what is competition.

MR SESELJA: I guess the flipside of that is the consumer's point of view. Is it your view that the people of Kambah are being well served by the current arrangements there with Woolies? It is quite a small Woolies. The last time I was there, I think I did not end up making my purchase, because the lines were too long. It does seem well beyond capacity. What is your view of the appropriateness of that current supermarket?

Mr Tzanetos: Speaking from a consumer's point of view, I would want to see, whatever happens, more supermarket space, whether it is more square metres somehow, in any form. I think that would help the local community in their shopping endeavours.

MR HARGREAVES: The petrol station across the road—

Mr Tzanetos: The Caltex?

MR HARGREAVES: Yes.

MR SESELJA: I think it is closed at the moment.

MR HARGREAVES: No. It has been refurbished.

Mr Tzanetos: It is refurbished, yes.

MR HARGREAVES: Has that got a small-scale supermarket in it?

Mr Tzanetos: I am not sure, but I would imagine it had some sort of convenience.

MR HARGREAVES: I have got a funny feeling it is a bigger convenience store now and less of a mechanical—

Mr Tzanetos: I have not been there since the renovations they did.

MR HARGREAVES: Even before that, it started to go that way. I was just wondering—I have got an idea—what the impact of having 7-Elevens, Coles Express, things like that is on the local centres. I am not quite sure what impact having this innovation of allowing petrol stations to have what is essentially a local centre sitting next to it would have on the group centres, which is what Kambah sits in. I know you are not allowed to sell petrol or allow your tenants to sell petrol. Should we be allowing the petrol stations to sell other things to the degree that they are? Do you think it is any competition at all to the group centre?

Mr Tzanetos: I think it is complementary, just like a 7-Eleven that you would see in any city, a convenience store around the corner, around Civic, complementing the Supabarn there. It provides a convenience. I think a lot of people like the idea of driving up to and parking quite conveniently and grabbing a few things in the middle of the night, as opposed to driving through an underground basement car park. So it is a convenience. It provides an additional service of, let us say, convenience but at a price which consumers are more than happy to pay.

MR HARGREAVES: Let us say that that is okay, it is not really a threat to the group centre. In fact, you reckon it is complementary.

Mr Tzanetos: Yes, just like an ALDI is complementary to a supermarket.

MR HARGREAVES: Just go with it. This will be my last question. I am interested in this. What happens if in fact that becomes a really good convenience thing for the consumers, and Vick and Rick's disappears and the one at Carleton disappears, because they cannot compete with the convenience of it? That would only benefit the group centre, would it not?

Mr Tzanetos: I did not catch that.

MR HARGREAVES: If, for example, the emergence of this convenience store in the petrol station actually ends up in the business death of some of those smaller ones—and there are six of them around the place—that is only going to benefit the group centre, is it not, because the customers do not have anywhere else to shop? Not all of them are going to go to that petrol station. Some of them will say: “Wow, the petrol station is pretty close to the Kambah Village. I will go there.”

Mr Tzanetos: The key competitive advantage that the local centres have is convenience. They charge for it in their margins and I would imagine a consumer would use the closest local centre he can find, rather than the one being with the petrol station attached to it. When it comes to convenience, you go to the closest one. So I cannot see how one extra local centre would have an effect on all the other local centres.

THE CHAIR: We have run out of time. Thank you very much for attending today. We will send you a transcript of what you said as soon as it is available. Thank you very much.

BARR, MR ANDREW, Deputy Chief Minister, Treasurer, Minister for Economic Development and Minister for Tourism, Sport and Recreation.

DAWES, MR DAVID, Director-General, Economic Development Directorate.

ELLIS, MR GREG, Director, Sustainable Land Strategy, Economic Development Directorate.

THE CHAIR: Thank you, Mr Barr and officials, for attending this afternoon. Can you please confirm you have read the blue privileges card and you are happy to agree to it all.

Mr Barr: Yes.

THE CHAIR: Wonderful. Would you like to start with an opening statement?

Mr Barr: No, Madam Chair.

THE CHAIR: Thank you. There are a lot of areas the committee would like to explore. The first one I might start with is the boring but interesting one of statistics. I assume the ACT government officials, unlike other submitters, have probably read a fair quantity of the submissions so you are basically aware there are two different views on statistics as to whether or not the duopoly is really 90 per cent or 65 per cent?

MR SESELJA: As there is in the government submission—you add those two numbers, do you not?

Mr Barr: Between floor space and volume of sales.

MR SESELJA: Indeed, and in terms of what is included. I think you specifically addressed that in your submission in those two. Sorry to interrupt you, chair.

THE CHAIR: No, that is fine. You know what the question is.

MR SESELJA: I do know what the question is, yes.

THE CHAIR: Basically, can you give us some commentary on the differences and what we should believe?

Mr Dawes: We may seek a little bit more input from people that were intimately involved in putting the submission in. I think it stems right back to who is telling the story at the end of the day. In some of the work that was done right back when John Martin embarked on this particular process, he looked right across the broad spectrum and at what the footprint of the major supermarkets were. In effect, it amounted to the numbers being around 70 per cent that were Coles and Woolworths, around 10 per cent that was ALDI and then the make up from the others. Sorry, it was 80 per cent—

MR SESELJA: This is turnover, Mr Dawes?

Mr Dawes: No, this is to do with floor space as well. Obviously turnover was difficult to ascertain, but, from anecdotal evidence, he was able to work some of that out. But

Greg is probably the one to answer that question.

MR SESELJA: There is no dispute that there are different ways of looking at the figures. The floor space figures suggest that the majors seem to have somewhere between 60 and 70 per cent, I think, depending on exactly how you read them. But what I am interested in—and I am sure the chair and other members are as well—is what is actually included in some of the definitions when it comes to market share. Are you including the local butcher? Is it all food retailers? These definitional things are important.

THE CHAIR: Yes.

Mr Ellis: The answer to the first question is that the higher figure related to work that John Martin did in relation to floor—

THE CHAIR: You said the “higher figure”. Can you just say which of the many millions of figures you are talking about?

Mr Ellis: Sorry, of the two that you mentioned, chair. The 90 per cent figure—in fact 87 per cent was more like the figure John used—was floor space but only in terms of the full-line supermarkets. Because he was looking at the amount of full-line competition, John just looked at how much of the full-line market the majors had. That is why, in a sense, the figure is so high. The figure of around 60 per cent relates to turnover right across grocery retail.

THE CHAIR: So what would you define in that as “grocery retailing”?

Mr Ellis: It is not so much my definition, but John included everything that the full-line supermarket operators would have in their stores. That was really a basket of up to 30,000 different items. That would include, if my memory serves me correctly of how he defined these things, the fresh food that supermarket operators had, for instance. It would include the butchers inside their stores. So everything that could be encompassed within the GFA of the full-line supermarket would be something he included in his definition.

MR SESELJA: That is one thing. I am interested in what is included outside of those majors. There have been various versions put to the committee. In determining what portion the majors have of the whole, are things like the small butcher at the local shops considered as part of that whole or is it only other supermarkets such as IGAs and others? This is a critical definitional question for the committee.

THE CHAIR: Is the takeaway included? We have heard different versions of whether even that would be included. What about the 7-Elevens?

Mr Ellis: Essentially the answer is no, those things are not included. When these things are separated out from supermarkets, they are no longer considered in terms of floor space definitions.

THE CHAIR: So you are saying that 60 per cent of all supermarket sales is Woolies and Coles?

Mr Ellis: Yes.

THE CHAIR: Sixty per cent?

Mr Ellis: Yes, roughly. I would have to go and check exactly, but I seem to recall that that was essentially the figure.

THE CHAIR: And you do not take into account, then, any butchers, bakers or candlestick makers in that?

Mr Ellis: Not if they are within the supermarket floor plan.

MR HARGREAVES: Does a 7-Eleven at a petrol station that sells a limited line of supermarket items fall into that template?

Mr Ellis: Yes. We always worked off John's basic template, though there were some variations, and he included a lot of quite small shops in the back of his report. So they were all tallied up in terms of the total.

MR HARGREAVES: I am just wondering whether they were counted in. For example, 7-Eleven is Woolworths by another name. Coles Express is at least putting their own name in front of it. I wonder if they were included in the figures for Coles and Woolworths to determine what percentage share of the footprint they had. I would doubt it probably.

Mr Dawes: Obviously in his report Mr Martin actually referred to all of the centres that figured in that report. But I think what we are seeing as well is new things emerge in recent times with some of the Mobil service stations being converted by Metcash into stores. That will have a different bearing on things as we move forward.

THE CHAIR: We have a huge quantity of figures before us. It is incredibly complex, and I am a bit lost. I have just been looking at the Supabarn submission, which is not necessarily the best source. I am assuming that someone in the ACT government has read all the submissions. I am looking at page 5, which has a graph of the proportion of existing floor space by majors at local group and town centres in 2007. Admittedly it is retail inventory. It has basically Woolies on half of it and Coles on at least 30 per cent. The point I am trying to make is that it is definitely not Coles and Woolies at 60 per cent. There is undoubtedly a table here which has numbers rather than a graph, but my quick flick did not find the right table. You must have had someone doing some work on reconciling. I hope you have someone who is at least looking at these figures and asking what does not make sense.

Mr Barr: An observation to make clearly is that it is a dynamic marketplace and at any given point in time, if you take a snapshot before, say, Majura Park and after, you will get a significantly different set of figures for particular operators. Of course, from time to time, some stores will expand and there have been some approvals. If you are wanting to draw back to John Martin's research and then—

THE CHAIR: No, not really. I think what is more interesting is what is now. It is not

really relevant trying to work out what John did a few years ago. That is interesting, but what is more relevant is we have a bunch of conflicting figures in front of us as to what is happening now, and we are seeking guidance as to what is actually the truth.

Mr Barr: Yes, well, there may not ever be an agreed definition, because there are a variety of different views as to exactly what you include and what you exclude. If the committee would like further information and would like to provide some guidance as to what the committee would like included and excluded, then we can do that.

THE CHAIR: Okay.

Mr Barr: That is certainly possible. We can certainly undertake an interrogation of the various alternate views, but just in your first few questions you have hit on an interesting line of do you or do you not include space within petrol stations, noting that, in the space of a few months, that can and has changed.

MR SESELJA: If it is something different for you, you might say that, but, from my perspective, it seems that the two significantly different figures we are getting are around a proportion of full-line supermarkets—which puts them much closer to the 90 per cent—and then as a proportion of the overall supermarket market—which puts them closer to the 60 or 70 per cent, depending on exactly how you read it. I would be interested—and I imagine other committee members would also be—in a reconciliation or the government’s best estimate of those two numbers, both turnover and floor space.

THE CHAIR: Yes.

Mr Barr: As at today?

MR SESELJA: Pick a reasonable figure—

THE CHAIR: Pick a reasonable date, yes.

MR SESELJA: Probably post-Majura Park would be useful.

THE CHAIR: But as recent as you can. We are not interested in working out what John did or did not do. As current as you can do it.

Mr Barr: Yes.

MR HARGREAVES: As you said, the emergence of these extra animals in the marketplace, like the petrol station system, are different animals in the marketplace to when Martin was looking at it in terms of size and impact on local level supermarkets in the third of three tiers. I would be interested in your view on how you see the tiered system working, particularly perhaps referencing the emergence of this other one, given that they are a local-centre size in a group centre, which is a second tier. So how do you think the tier system is working?

Mr Barr: The retail hierarchy?

MR HARGREAVES: Yes.

Mr Barr: It has its strengths and its weaknesses, as any planning system does. If you want to go to the first principles, you could have no planning regulations at all and not seek to have a hierarchy, or you could go for the strictest of controls or you could be somewhere in between, which I think is probably how we would categorise the circumstances we are in. The problem is, of course, whether a planning system can evolve fast enough to keep pace with what is clearly a dynamic retail environment. I assume you they may not have even discussed the context of online and how that is going to impact on the grocery market. The capacity to order and have stuff delivered to your home is certainly another factor that presumably over time will impact on business in the sector.

The retail hierarchy principles are fairly firmly established in Canberra's planning methodology. If you were starting from scratch with a blank canvas, would you design it again that way? That is an interesting debate. But it is what it is. There is certainly a worthwhile discussion to be had in relation to the future of local centres, but it is in many ways intrinsically linked to planning policy around those centres.

From most perspectives, Mr Hargreaves, people are fairly comfortable with what is occurring in town centres. But there is a highly contested debate around group centres and then the question of when does local stop being local and start scaling up beyond that. That undoubtedly is a highly contested space.

MR HARGREAVES: I think it is fairly easy to recognise the two if you take the Gowrie IGA and compare it with the Erindale Woolworths. I think blind Freddy can work that one out.

Mr Barr: Yes, but at whatever point the Assembly determines in terms of a figure or a GFA or cap, the market will adjust to that and then presumably seek to relitigate matters. I imagine this will be an ongoing debate. As circumstances change, you will see these matters relitigated. I think there is another live question—that is, the different stages of the lifecycle, if you like, that some suburbs are in. Local centres are not homogenous and there are differing needs in different communities around that sort of convenience retailing. Suburbs go through different lifecycles as their populations age and then renew.

MR HARGREAVES: We have seen some die a death of a thousand cuts—the Fadden IGA, for example, the Aranda shops. There are a couple of examples that went down the gurgler.

Mr Barr: Yes, and we have not really at all touched on the extent to which consumer behaviour will change. People will make decisions about price, about service, about range of product and about the quality of it.

MR SESELJA: Chair, if I could, on this point. You talked about the live debate in terms of the different hierarchies. One of the things that have taken up a fair bit of our time in hearings so far has been the issue around competition and group centres. So I would like to discuss that, if that is okay.

THE CHAIR: Yes, that is fine.

MR SESELJA: There is the broader question but I also have some specifics. We might focus on Tuggeranong for a minute, because we had the Tuggeranong town centre representatives here yesterday. They expressed a very strong view that they thought any competition amongst majors at group centres would be detrimental and they believed that there is not the scope in Tuggeranong at the moment for that major growth in floor space of supermarkets. I am interested in what kind of analysis the government has done in considering whether or not to allow competition amongst the majors in group centres. Let us take Tuggeranong for a moment in terms of—

Mr Barr: Sure. There are some specific planning studies underway in relation to those group centres. I do not believe all of them have concluded their work at this point. That will obviously inform further decisions in relation to—

MR SESELJA: But in terms of potential new sites—

THE CHAIR: How far do those planning studies look at impact on other businesses? The one I know best, of course, is Dickson, living on the other side of the world. I cannot remember any discussions there about the impacts of changes on Watson or Hackett, for instance.

MR HARGREAVES: Or Downer.

THE CHAIR: Downer was already dead.

Mr Barr: I appreciate that. It is a legitimate point but I think we have got to accept the limitations of any modelling, because it will have to make some assumptions about consumer behaviour. But again, there is a live debate about whether there is an adequate provision of supermarket space or in fact there is too much. I have not heard too many people argue of late that we need to dramatically increase the supply. There are a few people who would like to dramatically increase their share of the market but they are not necessarily advocating that what the city needs is thousands and thousands of additional square metres of GFA. In many regards, this is something for the market to determine. The government cannot, through a planning policy or through a supermarket competition policy, absolutely regulate and determine every outcome.

MR SESELJA: But these questions are being regulated and decisions are being made by the government in the space. I am interested in that space.

Mr Barr: Up to a point, yes. And I am saying that there are processes underway that will impact on that decision-making process.

MR SESELJA: I understand the master planning processes that are going on but I am interested in what economic analysis the government has done in terms of demand. You have been out there publicly saying that, for Dickson, the analysis has been done, there is demand and therefore extra supermarkets can go ahead.

Mr Barr: We have not got many people contesting that Dickson Woolworths is the—

MR SESELJA: I am certainly not contesting it. So the question then is: has a similar analysis been conducted in Tuggeranong in terms of the potential for competition in group centres?

Mr Dawes: If I can just say, that work is in the process of being undertaken and completed, which will then inform the master plan at both Erindale and Kambah, if that is what you are referring to. So that analysis is being done.

MR SESELJA: Who is doing that economic analysis? Is that in-house or is that a consultancy?

Mr Dawes: It is in-house to a large extent and with a bit of input from outside consultants. The name just escapes me.

MR SESELJA: And when did that process commence?

Mr Dawes: I might have to brief you.

Mr Ellis: The discussions between ESDD and EDD have taken place over the last several months. In fact, preliminary work started with ESDD and they provided models and what they thought was appropriate. It is really an ESDD-led planning process, which we have input into. When their planning has developed to a certain stage, we look at it and it will be appropriate, for instance, not just for EDD but also for the SCCC to look at that work and consider it in light of the government's policy.

MR SESELJA: When is that likely to be completed? Is the economic analysis that has been done in terms of—

Mr Barr: Yes, it will be ultimately part of the master plan and will be presented as a final piece of work.

MR SESELJA: Is it being done, though, as part of the individual master plans, is it being done on an ACT-wide basis, is it being done on a regional basis for Tuggeranong, for instance?

Mr Ellis: It is true to say that when we look at supermarket competition, it is usually via catchments but that does not mean we do not take into account a wider context of regions and subregions. But certainly the SCCC's deliberations on these issues will start with the detailed analysis of the impact of any expansion or new development on the surrounding catchment. It would be fair to say that it does have a catchment-by-catchment focus, while recognising there is a total ACT picture to take into account.

MR SESELJA: If you can then clarify for me, the SCCC is the Supermarket Competition—I do not know what the other Cs are for. I forget.

Mr Ellis: Competition Coordination Committee.

MR SESELJA: The Supermarket Competition Coordination Committee is overseeing this work on behalf of the government, as a sort of cross-directorate

committee, but are you doing specific work for Tuggeranong or not? I am interested in Tuggeranong at the moment before we move onto—

Mr Ellis: The ESDD are doing the planning work. We get professional economic analyses done on that. As a directorate, EDD have regular discussions with ESDD on that work and we discuss various opinions about how to interpret such analyses. When the work achieves a significant degree of advancement, the SCCC will also have a look at it, consider it and determine whether or not they see plans for the different centres to be congruent with what is proposed.

MR SESELJA: What is the current expected time frame for the completion of the Tuggeranong, Erindale and Kambah master plans in terms of the analysis that goes with that?

Mr Barr: I will have to take some advice from ESDD on that. It is their project but we will get that back to the committee.

MR SESELJA: To clarify, I may have missed it, the economic analysis part of that is still being done by ESDD?

Mr Barr: Yes.

MR SESELJA: And your directorate is assisting with that?

Mr Ellis: We are in regular discussions with them about that.

THE CHAIR: A few minutes ago, Mr Barr, you said there was no big demand, to your knowledge, for an increased retail space.

Mr Barr: I have not had people make representations to me to release massive amounts of additional floor space.

THE CHAIR: The submission that we just got from Supabarn this afternoon—and I have seen the figures in other places; so I am sure you have seen them as well—says that, as far as they can see, in the pipeline there is newly opened or approved or proposed supermarket developments such that it would move the floor square metres per thousand people in the ACT from 311, if this all happens, to 505, which seems—

Mr Barr: That would explain why no-one is asking for any more on top of that.

THE CHAIR: Have you got any reason to believe that the ACT is going to be buying enough to support this significant addition to square metres per person?

Mr Barr: Have I?

THE CHAIR: Have the government? You have something to do with quite a bit of this. We are not talking about a different owner of the existing supermarket.

Mr Barr: Ultimately, though, those are decisions for the marketplace.

THE CHAIR: They are decisions for the marketplace but they are also decisions for government insofar as you—

Mr Barr: What, we should refuse to sell any more land for supermarkets ever?

THE CHAIR: That is not what I said. I do not want to end up in a situation where we open a new supermarket there leading to, I would have thought, massive closures in existing town centres or group centres or local centres. I think the government does acknowledge—and this is presumably why you have the Supermarket Competition Coordination Committee—that potentially open slather is not going to produce the impact you want. Presumably you have thought about this and are happy with the idea that an extra 200 square metres per thousand people in the ACT is viable. What sort of analysis have you done on both the incremental and the total impact of at least what would appear to be a huge increase?

Mr Barr: I think you asked me this question in the Assembly a few weeks back.

THE CHAIR: I could well have, yes.

Mr Barr: And I gave you some information in relation to the current circumstance in terms of square meterage per person in fact being lower than some comparable—

THE CHAIR: It is lower than some, yes.

Mr Barr: Yes, and then—

THE CHAIR: But it is higher than others.

Mr Barr: But again, ultimately there will be new provision in growth areas where there are new houses being built and new populations. So there is population growth. That is clearly a factor. In the last 12 months that was two per cent. There were 7,000 additional Canberrans.

THE CHAIR: The population in Tuggeranong has not grown as far as—

Mr Barr: No, but we are not talking about Tuggeranong. We are talking about ACT wide. Those figures you have quoted are ACT wide, not about Tuggeranong.

THE CHAIR: We just talked about Tuggeranong's potential expansion. It is not growing and the ACT population is not growing at the rate of the—

Mr Barr: But you are assuming that the level currently is sufficient. You have made an implicit assumption that there is already enough and you are assuming then that there should be no further growth, in the direction of your questions. My point is that ultimately the market will determine it. It is up to the private sector. If someone wants to invest capital in a new facility in a growth area or otherwise, they should be able to do that.

MR SESELJA: But that is not the government's policy.

THE CHAIR: And you are not concerned if they do that at the cost of—

Mr Barr: No, what I am thinking is that they can see—

THE CHAIR: This is a new policy we—

Mr Barr: No. Let me finish.

THE CHAIR: Because that is what you just said.

Mr Barr: No. If you let me finish, we have made land available and identified that and you have referred to that in the context of your question. And I am saying the reason for that is that there is certainly investor interest in investing in this and people would not be making those decisions without having some interest and without their assessments being that there would be demand. Your question is: is it up to the government to then come in and second-guess every investment decision in the supermarket sector? No, it is not.

THE CHAIR: That is not in any way where I am going. The investors have made the decision that they believe that this new supermarket A, B or C would be viable. Fine, that is their job. Your job as the ACT government, particularly given that you are the vendor for this, the ACT government owns the land in general—

Mr Barr: Not all of it.

THE CHAIR: I did say in general; not all of it. I am not talking here about changing from supermarket A to B. The ACT government has something to do with this. So has the ACT government satisfied itself that, firstly, it knows what is going to happen to the existing people in the market, many of whom, particularly in the local centres, have complained to me before this inquiry. It was one of the reasons I was pushing for it. Sales of the additional space can only have one conclusion: it is going to be the death of their business.

I agree that it is not the ACT government's role to protect an individual business but it is, I would have thought, the ACT government's role, firstly, to consider it. Secondly, in particular, I understand that we are still convinced the retail hierarchy is a good idea. If you kill the supermarket in a local centre, you will not have a local centre. We have also heard evidence that potentially the growth of the group centres and town centres could be impacting. Possibly the local centres will be the survivors and some of the group centres will not. I think it is the job of the ACT government to actually, in terms of its sales, consider what is the impact going to be of—

Mr Barr: Let us break down your statements. Governments do not kill local centres. If local centres do not receive the support of consumers and they choose to shop elsewhere, then that is a decision for the consumer. So governments—I do not as the minister direct where you shop or where you shop or where anyone else shops. Ultimately, the market determines that. So let us be very clear about that. So this—

MR SESELJA: But you are right in this market. That is the issue.

Mr Barr: No.

MR SESELJA: Do not pretend that it is a free market. It is not a free market.

Mr Barr: No, it is not a free market. I am not suggesting it is. But I think the point is that the direction and the imputation of Ms Le Couteur's questions are that the government has a greater level of control than we do or that we are seeking to exercise a greater level of control than we are. I am contesting those elements of the question. But in terms of what I think is the substance of what you are asking—is there a model, is there a basis for which we make allocations and provisions in new estates for—

THE CHAIR: I am not—

Mr Barr: Because it is new estates that are accounting for—

THE CHAIR: No, they are not.

Mr Barr: a good part of that growth in Gungahlin.

THE CHAIR: Not if you look at—I am looking at the list on page 8 in Supabarn's submission. Most of it is not new. Bonner is new, but then on that page—

Mr Barr: What about Amaroo and Casey?

THE CHAIR: Amaroo is new and Kingston is new.

Mr Barr: Crace.

THE CHAIR: And Crace, but the majority of it is not. I mean—

Mr Barr: What about the other ones? Read out the other ones.

THE CHAIR: Okay. You started with Bonner, which is new. Giralang is not new. The airport, I agree; you cannot control the airport. Dunlop is not new. It was—

Mr Barr: Yes, but it is a new suburb.

THE CHAIR: It is a new centre, but it has been sitting—

Mr Barr: It is, actually. It is a new suburb.

THE CHAIR: Newish. It has been sitting around undeveloped for a very long time. Kambah, not new. Charnwood, not very new.

Mr Barr: No decision has been taken on Kambah at this point; so we cannot—

THE CHAIR: According to this, there is a direct sale in there.

Mr Dawes: No, actually the direct sale—there has not been a direct sale at Kambah.

If I could just add, one of the things that triggered the master planning work being done at Kambah Village, there was a direct sale application that came in and it was a very, very poor outcome for that particular centre. Because we actually do the direct sales, I spoke to ESDD and said that this is potentially not a good outcome. That is the reason why Kambah was then included in the broader study. One, we had to do some more economic analysis, but also look at master planning the Kambah centre, because it was quite an awkward spot for the expansion of that store into some contiguous land.

MR SESELJA: Sorry, the direct sale application you are talking about is for Woolworths to expand—

Mr Dawes: Yes, or the owners of the town centre on behalf of Woolworths.

MR SESELJA: And that was rejected. Why?

Mr Dawes: When I say rejected, it was a poor outcome and it was a strange piece of land, the way they wanted to do it. We felt that we needed to do a little bit of master planning. It was not a straightforward contiguous bit of land. If you compare it to say a direct sale—

MR SESELJA: It is really master planning because Brendan Smyth moved a motion.

Mr Barr: No, he got onto this a little later than all of this. Things were occurring. Brendan heard about it and thought, “I will bring a motion into the Assembly,” which I agreed with because we were already undertaking work in this area.

MR SESELJA: Yes, but there was no master plan. There was no master plan in process.

Mr Dawes: But that is actually what we asked—this was all happening before it came to the attention of the Assembly. The outcome of that direct sale application triggered an inappropriate expansion into the car parks at Kambah. I said to ACTPLA, or ESDD at the time, “Could we include this in your broader study of Tuggeranong and Erindale?” That is actually what happened there—unlike, for example, the direct sale application that occurred at Charnwood. We have actually granted that one, because it was a bit of contiguous land at the back of the store where they actually wanted to expand. So it had no significant impact on the group centre or the shopping centre.

THE CHAIR: Okay. Charnwood was the next, then Jamison, then Canberra city.

Mr Dawes: This could take a long time.

THE CHAIR: It could take a while. Erindale, Kambah—

Mr Barr: Again, none of these have been approved that you have listed. So you are making certain assumptions in your questions about—

THE CHAIR: These are recently proposed—

Mr Barr: They are approvals that have not been granted.

THE CHAIR: So you are likely to—in looking at these, I mean, the point of my question is really how you pay attention to the existing town centres, group centres, local centres.

Mr Barr: Indeed, and so—

THE CHAIR: Remember that when—

Mr Barr: So there has to be a series of assessments. Many of these—I have seen some of these lists. They have been put forward. I have had some of the proponents wanting to come in and argue their case in favour of some of these. But not all of them have been lodged. The vast majority of them have not been approved. So it is speculation to a certain extent. That is why I go to the heart of your original question, why I just would not accept the pretext of your question. I think that in unpicking it, we may have come to a point where we might even be in agreement that there is a model for new urban developments. Presumably, this will be something that everyone would agree on: if you are going to be establishing new suburbs—a series of new suburbs—there will be provision of shopping facilities.

So there is a policy question there about whether you should from the start in the design of these new centres have competition. Certainly, that has been the approach—to want to have more than one player. Then in some of the decisions made by the previous minister in relation to commitments for particular sites in these growth areas, there was a view, backed up by John Martin's recommendations, to have competition and to seek to offer some of these sites to other players other than those who already have significant market share.

From what I understand, I think the committee has certainly heard from a number of players in this space who have indicated the rationale and the arguments behind their interest in these sites. The alternative policy position is simply to auction them all off and we know what is likely to happen in that context.

THE CHAIR: With respect, that is not really what I was talking about. That was a whole other issue as to who the players are. My issue was more about how much retail space there is and what impact that has on the current retail hierarchy. In particular, one of the things that has been said is that local shops traditionally have only had 300, 400 or 500 square metre supermarkets. If some of them have significantly bigger space, and that seems to be the case with Girilang, what impact is this going to have on the other local shops? Certainly, some shopping centre owners have expressed the view that they made their investment under what they believed was one set of rules. The government has now, it appears, changed the rules, and is that reasonable?

Mr Barr: To a certain extent, there's the risks you take, because rules can change.

THE CHAIR: Yes, I think, though, we at least need to be clear—the government needs to be clear on whether the rules have changed.

Mr Barr: Look, we can certainly argue about what extent the legal disclaimers need to be, but anyone who undertakes any investment in any climate would need to be

aware of risks of policy change. Politicians change, governments change, the market changes, circumstances change. To a certain extent, that's life, but obviously in the context of considering policy change, you need to pay due respect to previous decisions and previous policy frameworks. To take what you say to a logical extreme, you could never change, because you might impact on someone's previous investment decision.

THE CHAIR: Yes, and I am not arguing that.

Mr Barr: And I do not suggest you are, but that is the logical extreme of that position. I think people have to factor in a certain level of risk that some policy decisions might change. In the end, there is no perfect answer in this space and we certainly should not let the good become the enemy of the perfect in terms of our policy settings. Again, we can opt out completely from having any engagement in this space and it would probably be a lot easier for everyone simply to say, "Let the market rip." But the government has taken the view that that is not going to be the best outcome, that there are clear points of market failure and that there is a requirement for some level of government intervention—noting, of course, that within the constructs of our planning system we already have a degree of intervention.

So what would be useful to litigate in this context is the degree to which there should be flexibility within policy settings. I return to the original point I made: in the context of local centres, you cannot make a broad statement about all local centres. My local centre in Ainslie has a supermarket much bigger than 300 to 400 square metres. So under one set of rules, it could never have established the way that it is.

MR SESELJA: I wanted to explore the issue around local centres and the right size under the planning framework. There has obviously been a lot of controversy within government and within the community particularly centred around Giralang but also around what is the right amount. We have heard many operators coming to us and saying that 1,000 is the right amount. We have had operators today saying that they believe that is what John Martin agreed to and that that was then changed. They are not clear why.

I am interested in the government's view of what is the right amount at local centres. You could go no limit or you could go some sort of limit. It seems that the limit at the moment is around 1,500 square metres, which is what is occurring at Giralang. What is the government's view? Is that the right amount or is the government looking at a case-by-case basis when it comes to local centres?

Mr Barr: That is the current policy setting. The committee may wish to express a view on that and the government will consider it.

MR SESELJA: We may well. I am interested in the internal controversy and the back and forth on this issue within government. John Martin delivered a report. I understand, when it came to Giralang, the SCCC were asked to comment on that. They were given advice by John Martin in relation to that specific development at Giralang, a Woolworths of 1,500 square metres. And I understand the SCCC, with John Martin's advice, said that that was okay, that that was a reasonable development. I am not clear what happened after that.

The former Chief Minister seemed to take great exception to that decision. Mr Dawes, I know that he wrote to you on that matter and in not very elegant language, in fact in pretty concerning language when writing to you on that particular decision, he said, in light of the decision: “I would therefore be grateful if you would establish whether, noting that Mr Martin is tragically dead and no longer a member of the Supermarket Competition Coordination Committee, the committee stands by its decision in relation to Giralang.”

Putting aside the disgraceful nature of that letter and that correspondence to you, Mr Dawes, I am interested in what your response to that was. You were asked by the Chief Minister at the time, having given advice on the basis of Mr Martin’s recommendations, that now that Mr Martin was no longer with us, whether or not the advice had actually changed. I am interested in your response to that and how you responded to that.

Mr Dawes: The advice did not change. It went back to the SCCC. What we have got to remember is this: the SCCC is made up of people across government, and the independent commissioner is on that particular committee, and they chose to stand by their decision allowing that supermarket at 1,500 square metres, because actually the original, if you looked at that, was slightly larger than the 1,500 square metres. It was 1,660 square metres but they felt that that was within the realms of it.

Going back to your original point, John Martin did talk to a number of people around that 1,000 to 1,500 square metres and that is something that is a work in progress as well, as we work through that. As the minister indicated, there may be a view that comes back from the committee that recommends that 1,000 is more appropriate than 1,500, and we would consider that. But going back to your question, it was referred back to the committee, and the committee stood by that decision that they made.

MR SESELJA: And so you wrote back to the Chief Minister in those terms, did you?

Mr Dawes: I would have to double-check whether I wrote back or gave him a report.

MR SESELJA: I am interested in the operations of the SCCC. In this case it was asked about one particular development in Giralang. Is that the ordinary case? Would individual development applications or applications for direct sales all come through the SCCC?

Mr Dawes: Correct, yes.

MR SESELJA: So the SCCC advises on every individual supermarket?

Mr Dawes: Yes.

MR SESELJA: How does that work with development applications? I know that that was where there was a lot of the controversy, some of which has been made public, in relation to the potential blurring of the lines between ACTPLA making a decision and other arms of government having input or giving some direction, particularly through the SCCC. How does that work currently when individual development applications

for supermarkets occur? What is the process?

Mr Dawes: All of the applications are progressed to the SCCC for comment and a view. As well, there are a number of other things. I am not on that particular committee. It is independent of me. It would then review all of the applications that come through.

Mr Barr: There are a number of referral agencies in the context of a development application. ACTPLA, which is now in ESDD, will seek comment from a number of different referral agencies, TAMS and Roads ACT in the context of traffic and parking, for example. There will be Actew potentially. There are a number of different referral agencies where advice is sought on development applications by the planning authority.

MR SESELJA: And presumably those are referrals only for policy matters? Those referrals are ordinarily for technical matters, are they not?

Mr Barr: No, policy interpretation will, in terms of traffic generation or number of car parking spaces—

MR SESELJA: But that is a technical response presumably if you are asking—

Mr Barr: Not always, because proponents will often put forward proposals to address particular traffic issues. So it is not just a black and white, tick the box exercise. There needs to be a degree of flexibility, and referral agencies will often then ask a series of questions back to the developer, “If you propose to do X, then how do you respond to these other circumstances?” That is part of it and sometimes this occurs in a pre-application context as well. Regularly there are proponents who seek either to have an overall policy change in relation to a technical matter or seek to have special dispensation in a certain circumstance. Typically that is around car parking and traffic movement generation and they will argue that there are different circumstances in relation to particular developments. So there is a need to be able to respond to that. To not do that certainly involves the government agency being told that they are bureaucratic and inflexible and unable to respond to certain circumstances that might confront the particular development.

MR SESELJA: Is ACTPLA still part of the SCCC?

Mr Barr: Yes.

MR SESELJA: At one point they were not attending meetings.

Mr Dawes: They are part of that. Just to provide some clarity as well, the terms of reference for the SCCC, you would be aware—and it is publicly available; the implementation plan document is on the website and we can get copies of that to the committee if they so desire—were to establish and implement the supermarket competition policy framework; report to government any and all progress; provide advice to government on supermarket competition policy issues, including assessing direct sale proposals against supermarket competition factors as agreed by the government and provide the advice to the direct sales eligibility assessment panel;

advise the direct sales eligibility assessment panel that direct sale is assessed as the most appropriate land release method to achieve the government's supermarket policy objective; advise the government on a development and market-related proposal initiated by the supermarket operators or the development industry; develop key indicators and appropriate metrics to measure the progress and efficacy of the policy; and facilitate the presentation of these for government through the ICRC as well. That then informs the land release strategies as well when we are developing new estates and new suburbs.

MR SESELJA: In answer to my previous question, you said that now ACTPLA is part of it. At one point they were not attending meetings, were they, during the time Neil Savery raised concerns? How was that resolved in terms of their attendance and contribution to the SCCC?

Mr Dawes: They were always part of it. There were a couple of meetings they did not attend, as some of the other directorates from time to time did not attend.

MR SESELJA: I think Mr Savery made it clear that he was becoming concerned about his ability to do his job independently and that the SCCC seemed to be part of his concerns. How were those concerns resolved?

Mr Dawes: I do not think there was anything to resolve. We called for a meeting and they have a nominated person that attends the meeting.

MR SESELJA: But there was plenty to resolve, because Neil Savery raised serious concerns about interference in the process. You have got the chief planner saying that the process is being compromised. I would have thought there would be plenty for a government to resolve to make sure that the relationship between ACTPLA and the government remained a good one.

Mr Barr: The distinction between the development assessment by ACTPLA and those who might be involved in more strategic planning and who are not assessing development applications is an important one to draw here.

MR SESELJA: Sorry, in what sense?

Mr Barr: It would be entirely inappropriate for the officer within the then ACTPLA who was assessing a development application to be sitting on the SCCC, providing policy advice, but it is entirely appropriate for another officer within ACTPLA, who is not in the development assessment section but is in fact involved in other parts of the planning directorate, to be engaged in a policy-level discussion. That distinction is very important.

MR SESELJA: Neil Savery did make these concerns clear. He said: "I am troubled that at a stage in the process when we are all still meant to be independently assessing the application, I am forced into a position of having to defend how we might interpret the Territory Plan against how another department or indeed a committee of officers from other agencies is interpreting it. Who is the planning authority in this jurisdiction?"

He was raising that very concern about how this committee was operating and how it was potentially compromising what he was doing. How was that resolved? Were those concerns just dismissed in relation to what Mr Savery had to say, or did you change the way that things actually operated in response to those concerns?

Mr Dawes: Quite simply, as I think the minister just outlined, we made sure that the appropriate person from ACTPLA attended the meetings. It was from the policy part of ESDD.

MR SESELJA: So that was done in response to Mr Savery's concerns, was it?

Mr Dawes: Yes. He nominated the appropriate representative.

MR SESELJA: He made it very clear that he was copping interference across the board. He said: "I find this level of interference, which in the case of DLAPS is occurring on an ever more frequent basis, though not always as obviously as in this case, has the potential to make the role of ACTPLA as a statutory authority for a range of tasks increasingly difficult."

And he went on that they would not be able to keep the politics out of planning. Why was DLAPS interfering in that way to the extent that Neil Savery felt that he needed to actually put these concerns in writing?

Mr Dawes: You would have to ask him.

MR SESELJA: But you were brought together, I understand, to broker some sort of peace because things were so tense. When you sat in that room with Mr Savery, did you resolve anything or did you just walk away and assume that you were coming at it from a completely different place?

Mr Dawes: I think it is fair to say that a lot of the issues, and a lot of the issues that Mr Savery had, were always actually resolved and we moved forward. Quite often you can agree to disagree. It is the way you go about it at the end of the day, and we actually had quite a collaborative relationship, Mr Savery and I.

MR SESELJA: Why was there so much tension then over Giralang? What was it about Giralang that caused so much—

Mr Dawes: I would like to refer you back to your terms of reference.

MR SESELJA: Yes, and we are looking at the implementation of this policy.

Mr Dawes: No, I am talking about the committee's terms of reference.

MR SESELJA: Yes, that is right.

Mr Dawes: I think it excludes discussion on Giralang.

MR SESELJA: No, it does not. The Assembly specifically rejected that amendment, only the decision to call it in. I know you guys are sensitive about this but we voted on

this and specifically rejected the government's attempts to shut this down. We will move through questioning and perhaps you could answer for me why there was so much tension on Giralang between ACTPLA, through Neil Savery, and other arms of government, including yourself. Why was it that Mr Barr's chief of staff had to broker meetings between you to try to get you to sit down and resolve it?

Mr Dawes: I think it was simply that there might have been a discussion around the size of Giralang. If you look at what was submitted the first time, it was a completely different proposal to what was submitted the last time. If you recall, the supermarket that was originally proposed was something in the order of 3,300 square metres, which was made up of about 2,500 square metres, plus their thing. Obviously the application that went in the second time around was an appropriate size of 1,500, which is what the SCCC agreed to. It was actually larger than that—it was 1,660.

MR SESELJA: But why on this particular supermarket was DLAPS interfering so much that Neil Savery had to raise these concerns?

Mr Dawes: I think the issue comes back to the local centre and the hierarchy as well. The initial proposal was a 3,500 square metre supermarket in a local centre. The largest supermarket in a local centre is Ainslie, which is 1,200 square metres, and that is roughly 800 square metres of floor space plus 400 square metres, and that was probably the essence of that discussion as well. We were concerned that the initial proposal for Giralang was something in the order of 3,500—3,360 square metres.

Mr Ellis: I need to correct that. It was a full-line supermarket, but it was about 2,750, which was well within the full-line operator limit. That was the figure.

MR SESELJA: So at what point was the 2,750 version abandoned and the 1,670 or so pursued?

Mr Dawes: Well, I think—

Mr Barr: We would have to check the lodgement dates with ESDD. It will be publicly available as to when those applications were lodged.

MR SESELJA: None of that answers my question as to why there was so much internal controversy for the government. It goes to the implementation of this policy, because you seem to have different arms of government pushing in very different directions on how this policy should be. You have got the government through the Economic Development Directorate, or its predecessor, effectively having one view—that is, there should be a severe restriction in terms of what can occur—and then the planning authority having a different view—that is, they should be able to independently assess it. I still do not quite understand why at the top level of government it was felt there needed to be interference in one supermarket in Giralang. What was so special about this supermarket in Giralang that caused this controversy?

Mr Dawes: There was nothing special about Giralang. I think it came back to the hierarchy. In the discussions, as we have already pointed out, it goes back to the Martin report that was around 1,000 to 1,500 square metres for the local centre supermarkets. We have actually been working with a number of the smaller operators

in those local centres to see if, for example, they can actually expand their stores. We have a direct sale application for one of the inner north IGAs to expand into contiguous land. So we are actually in the process of allowing that sale to go through. That is what the essence of the argument was. In fact, I should not say “argument”—that was the essence of the disagreement.

MR SESELJA: Mr Savery went on and said that he was concerned that officers in the Department of Land and Property Services in particular appear to repeatedly overstep the mark when it comes to their interference, perceived or otherwise, in statutory processes which have served the government well. Why was the Department of Land and Property Services overstepping the mark in their interference in these statutory processes?

Mr Barr: Mr Savery put that view. That is Mr Savery’s view. It is not necessarily one—

MR SESELJA: It is the view of the chief planner. It is not one to be dismissed. It was not a junior officer raising this.

Mr Barr: No, but Mr Savery put that view, as he is entitled to do, in a brief to me—which is what I think you are probably reading from there—from memory. Those issues undoubtedly needed to be resolved, and they were.

MR SESELJA: Resolved how?

Mr Barr: Through the process that Mr Dawes has just outlined.

MR SESELJA: Sorry, it is not clear how any of that resolved the issues of repeated overstepping of the mark by DLAPS which Mr Savery had raised. How was that process resolved?

Mr Barr: A discussion was had about what were the appropriate roles of officials in relation to the process. As I indicated about 10 minutes ago, it is very important to have a distinction between the development assessment of ACTPLA and the policy arm. I would anticipate—and we always expect there to be—robust debate in relation to the application of policy. That is important. I would not want a culture where public servants would not feel that they could express a view in relation to the application of a policy. Those issues need to be resolved where there are concerns.

Sometimes it is appropriate that those issues are resolved at a senior level between a chief executive and another chief executive. At other times it may be that it requires a policy determination of the cabinet in relation to a particular matter. In this instance, clearly there were—and I think this is still the subject of some legal discussion—questions in relation to what is the gross floor area of particular development applications. I think this issue has come up and been discussed previously, and those issues needed to be resolved. They were resolved to the satisfaction of the supermarket competition committee and ACTPLA, because they approved the development application.

MR SESELJA: So when Mr Savery raised these concerns, you were his minister. Did

you share any of those concerns or did you dismiss them?

Mr Barr: No, I discussed them with him and sought to have a means with which to resolve the policy at issue.

MR SESELJA: And your way of resolving them was what? To get your chief of staff to sit the two heads down and—

Mr Barr: Work through the issues, yes.

Mr Dawes: I think actually it was a very constructive way with which we worked through the issues. As far as I was concerned, that was the end of the matter and we moved on. I think it is fair to say that both organisations then ensured that the agreements that we had come to were implemented right down the line.

MR SESELJA: So you talked about how it was all very amicable, but after the meeting your chief of staff said, “I’m glad that we can now resume having a collegiate approach,” suggesting, of course, that before that it was not the case. Why were relations allowed to break down to such a significant extent? I am interested from the committee’s point of view in particular in how this has impacted on the implementation of this policy when you have got government fighting itself over how it should be done.

Mr Barr: You can seek to characterise a disagreement over policy as a fight.

MR SESELJA: It is pretty strong language used by public servants. It is stronger than, “I disagree with you.”

Mr Barr: Well, look, those—

MR SESELJA: Words like “the process has been compromised”.

Mr Barr: The choice of language is up to individuals. I am not going to be drawn into a debate over which words individuals use. I think the important thing is that the issues were raised—as is appropriate—and were resolved. Then the process was completed in the context of the particular development that you are talking about.

MR SESELJA: But Mr Savery stood aside from consideration of that particular development, did he not?

Mr Barr: He would not have been the development assessment officer. It would be highly unusual for the chief planning executive to be making decisions on DAs at that level.

THE CHAIR: But it could it have gone up to what is called the major review program within ACTPLA?

Mr Barr: Indeed, yes.

THE CHAIR: That is presumably where he—

MR SESELJA: He stood aside from that process, did he not?

Mr Barr: I would have to check the record on that. It may be the case, but from time to time he would do that, yes.

MR SESELJA: But do you not think it is a little bit more than just a disagreement when the chief planner has to absent himself from assessment of a development because he feels it has been so badly compromised?

Mr Barr: No, I think you are putting an interpretation on his position.

MR SESELJA: But that is what he said.

Mr Barr: I cannot comment on Mr Savery.

MR SESELJA: He did say that, so the question is: why was it allowed to get to that point? Why were you, as his minister, not concerned about the fact that your chief planner had to stand aside from the process because he believed it was so compromised?

Mr Barr: You are making an assertion, and it is not true.

MR SESELJA: Which bit is not true?

Mr Barr: About my position in relation to the matter. You have just said I was not concerned, and yet you have also then read out a series of actions that I took to resolve the matter.

MR SESELJA: He still stood aside though, did he not?

Mr Barr: Yes, but that was appropriate in the context of the history of the matter.

MR SESELJA: Because he felt it had been compromised, so he just had to be pushed aside?

Mr Barr: He was not pushed aside. He felt and he made the decision in the statutory role he had that, given the circumstances, he would not participate in that particular assessment.

MR SESELJA: When he asked the question in writing whether his position was now untenable, what was your response?

Mr Barr: No.

MR SESELJA: And then how much later was Mr Savery gone?

Mr Barr: Sorry?

MR SESELJA: How long was it from that point until Mr Savery was no longer with

the ACT government?

Mr Barr: It would be many months. This would be possibly even a year.

THE CHAIR: More than a year, I would have thought.

Mr Barr: If you can give me a date on that particular document, we can look at when he left and that will tell you. But I think it would be at least a year—

MR SESELJA: And Mr Savery went of his own accord? He was not in any way pushed by the government?

THE CHAIR: I might move on to another line of questioning totally unrelated to planning. You can agree or disagree, but with planning you can only do something when you are actually building the box that the supermarket lives in. That is very relevant to new areas but it is not as relevant to existing areas. Clearly, most of Canberra comprises already existing areas. Clearly, the ACCC exists and the commonwealth government has powers that constitutionally we do not.

Have you looked at what, if any, powers the ACT can have over ownership movements within existing supermarkets? I am concerned here about the duopoly situation. Planning can do whatever it feels like about whatever gets established, but we can still have a situation that one of the majors goes out and buys everything, in effect. Have you looked at—

Mr Barr: What we can do?

THE CHAIR: Yes. I have more specific things I will ask about that, because I have got—

Mr Barr: I suppose the easy answer to that is we can determine who we sell land to.

THE CHAIR: Only in the first case. My point is that you can sell it today, but tomorrow—

Mr Barr: You can certainly write any conditions of the sale in relation to pre-commitments around the operators of particular supermarkets—

THE CHAIR: Which is what you are planning to do in Kingston?

Mr Barr: Yes, and you would then have forfeiture clauses if that changes. So you can seek to then reclaim the lease.

THE CHAIR: Would you look at doing that sort of thing more generally? My understanding is that there are only one or two sites where you have done something along more competition lines rather than saying that this will be leased to a specific operator. It could be something along the lines that this could not—I mean, I am making it up here. You would have more ideas than me. It could be that if this is sold, it should not be in a way that increases the market concentration in the area by more than something per cent. Have you looked at ways you could actually address the

competition issues via the planning system—you, being EDD?

Mr Dawes: I seek clarification. There has been some discussion from different operators. It is something that I think may be being considered as well. Obviously, we are waiting for some of the outcomes that might come from the committee hearing as well. Are you talking about a floor dominated test at all?

THE CHAIR: That would be the sort of thing.

Mr Dawes: That is where you are sort of probably getting—

THE CHAIR: That would be the sort of thing. I understand there is the ACCC and the constitutional issues. The only thing I have been able to think of where the ACT could—one way would be because we lease the land, you can obviously write whatever you feel like in the lease. Have you looked at this issue and do you have any thoughts about it?

Mr Dawes: It has been looked at—the floor dominated test—and we are actually reviewing that. It is something that is an outstanding item. Obviously, it comes back to what we talked earlier, about what is appropriate in a local centre of 1,000 square metres. We thought the hearing might make some recommendations which we would then be able to consider and that may actually assist in some of the thinking that the directorate is doing around some of the policy changes that may be recommended.

THE CHAIR: Have you looked at all at how, given the ACT's position, these could actually be implemented?

Mr Dawes: Yes.

THE CHAIR: I mean apart from the first sale where clearly we have got power, but once that has happened?

Mr Ellis: Work has been done, but my concern was—the work has been done by the SCCC quite comprehensively. The government wanted to consider the deliberations of this committee, however, before that work was finalised.

THE CHAIR: So you think you do have power to do something like the floor space dominance test that would impact after the initial sale?

Mr Dawes: Yes, that is currently—we are actually seeking some legal advice just to clarify that particular position as well. So we are actually doing some work on that and that is something that will be reviewed once we have received that advice.

THE CHAIR: If the time frame is right, would it be possible for you to give the committee some idea about knowing whether or not this is something that even constitutionally can be addressed or encourages you to think or not think about these issues?

Mr Dawes: We will take that on notice and get back to you with a time frame on that. I will see whether that legal advice will be made available.

THE CHAIR: Great. As you may be aware, one of our submissions was from Hank Spier, who used to be the CEO of the ACCC. Apart from obviously the things that he figures the ACCC should be doing, he does actually suggest that the ACT government might wish to lobby federally in the ACCC around implementation of some of these issues. Specifically, he thought that the ACT could have legislation that puts a 50 per cent cap on ties by monopoly wholesalers. He believed that that could be done in the ACT. Have you thought along those lines? I presume the answer is no, given the response.

Mr Barr: Certainly nothing has been brought to cabinet.

THE CHAIR: No, I assumed it would not have reached cabinet yet. But assuming, as I do, that someone in your department has read the submissions—

Mr Barr: Yes, and I have met with the gentleman concerned. I think he came in to see me either late last year or early this year. We are always getting policy proposals being put forward. In large part, in terms of the future development of policy in this area, given the timing of the Assembly resolution in relation to the establishment of this committee and anticipation of some policy recommendations emerging out of this process that might—I am being an optimist here—have support across all parties in the chamber, this potentially perhaps goes to answer one of the earlier questions that you raised in terms of investor confidence. If there are areas that the committee can agree on and make recommendations to government on, this is certainly an area that if there is that consensus, it would be very logical for that to form the basis of future policy.

As I am sure you are now aware, having heard from a number of different viewpoints in this particular debate, it is not an easy policy area. It is not one where all of the policy leaders are at the disposal of the territory government, nor one where we can confidently say that we can determine every outcome. We cannot. If I can leave one impression with the committee and with the broader public who would be interested in this, it is that there are limitations to what government can do in this area. But because there are limitations, that does not mean that there should not be any involvement at all, but getting the policy settings absolutely right is something that will take time, will evolve and, I imagine, will need to be revisited from time to time as market dynamics change.

Whilst we may through this process get very close to a good answer for 2012, it may well be that some time in the future you would again need to revisit some of the principles. One would presume that if you do get your policy settings right and the objectives that you are seeking to achieve in terms of enhancing competition and enabling other players to participate in this market in a way that is not impacted by the power of the two large and vertically integrated major players, in fact you will have had some success and therefore you will be able to adjust your policy settings in the future to reflect that. But it is a work in progress. I genuinely say this to the committee: if there are areas that you can find consensus and make recommendations to government, then we will adopt those recommendations.

THE CHAIR: Thank you, Mr Barr. The other thing that Mr Spier suggested that the

ACT actually could do was laws about fair dealing. He suggested that the ACT could press the federal government to revive the earlier proposals or even pass its own such laws. This obviously would be broader than just supermarkets.

Mr Barr: Yes.

THE CHAIR: Is that something that you are considering?

Mr Barr: The Attorney-General would have policy carriage for this, as it is broader than just this area, but it is certainly something that should the committee wish to make a recommendation on, I am sure it will be positively received.

MR SESELJA: You have made much of the market having a significant say in this and you said that you are not—

Mr Barr: I thought you might agree with me on that.

MR SESELJA: I do. I just do not agree that that has necessarily been your policy and so now we have to try and get one that does. But you said you are not—

Mr Barr: I am always interested in hearing your policy thoughts. They are not often forthcoming, but when they are—

MR SESELJA: You tend to copy them. Remember last election—

Mr Barr: if you have a good idea, I am happy to work with you.

MR SESELJA: I know. You need some policies for the next election; so I had better get them out for you so that you can copy them a month later.

Mr Barr: If you have a good idea, I am happy to work with you. They are few and far between, I might add.

MR SESELJA: I look forward to that process. I want to look at the issue around the direct market interference. You said you are not responsible for killing a local centre and that that is market, but you are very much looking to prop up one particular operator and help them grow their business, it seems—that is, Supabarn—through this policy. Comment has been made to us about picking winners. Given your commitment to a free market, I am interested to know why it is reasonable to—I understand the arguments in favour of excluding, say, Woolies and Coles in certain circumstances, say to Franklins, to IGA and to any other supermarket operator, “You need not bid for this site because we have chosen a particular operator—

Mr Barr: We have not done that.

MR SESELJA: That is as stated in the policy—that you would do that for both Kingston and Casey. Is that no longer going to be the case?

Mr Barr: No, I have said—and have been very clear—that the commitments that have been made will be adhered to.

MR SESELJA: So in those cases you are doing that?

Mr Barr: But not in all cases, so you cannot—

MR SESELJA: I am not suggesting it is in all cases.

Mr Barr: So you cannot characterise the—

MR SESELJA: That is not what I am seeking to do. You have chosen in certain circumstances to say not only to Woolies, not only to Coles, but to everyone other than Supabarn, “You should not bid.” I am interested in the rationale for excluding particularly those other operators who do not have a significant market share in Canberra and who may wish to make a bid.

Mr Barr: Because there is a market failure, so there is a requirement for a level of government intervention. There is also, I think, a sound economic development case for pursuing the policy objectives we are pursuing. I think you have heard from Supabarn representatives around their intentions. In the context of addressing the market failure, they are making a worthy contribution.

MR SESELJA: Why could not a Supa IGA or a Franklins help to address that market failure and compete with Woolworths and Coles?

Mr Barr: They can and will in many contexts. There is no reason for them not to undertake—

MR SESELJA: But why not in these cases? Why is that you would be so restrictive—

Mr Barr: Mr Martin made a series of recommendations that we are pursuing. Those commitments have been made, so I am not undoing them. I am following through on those commitments. But in relation to the future and the opportunities for those players that you have named—there may be others—it is open to them to make those investments and to bid for other sites as they become available.

MR SESELJA: It sounds like from what you are saying, that that is not a decision you would have made. If you were making the decision, you would not have—

Mr Barr: There is not much point speculating on what I might have done in certain circumstances if I was in this position at some point in the past. What I am dealing with is what is the case now, and those commitments have been made. I have indicated that the government policy is not changing in relation to those commitments. What happens in the future is, of course, a different question.

MR SESELJA: So you would say then that, in the future, you will no longer be pursuing those kinds of policies where not only do you exclude Woolworths and Coles but you, in fact, choose one supermarket operator exclusively?

Mr Barr: No, I am not saying that.

MR SESELJA: That is something that still may happen in the future?

Mr Barr: It may, but whether particular decisions around particular sites are for one operator over another will be determined on a case-by-case basis with the question of whether the policy decision will address the market failure at the core of the decision-making process.

MR SESELJA: So in your opinion, what is it about those particular decisions to choose Supabarn that address the market failure?

Mr Barr: It goes to the wholesale component of this equation. It goes to an operator having sufficient size to be able to compete effectively.

Mr Dawes: I will just add to that. When we went through the Martin submissions, one of the key ones that was made was by Supabarn. I want to reiterate that the supermarket policy was never anti Coles or Woolworths, the two majors; it was about full-line supermarkets and providing more competition. The other important thing was around warehousing and providing that opportunity.

As the minister alluded to, I believe you have heard from Supabarn or the Koundouris family today. They would have talked to you a bit about their future expansion into warehousing, which is now being supported by the local IGAs and the independents here in the territory. One of the key things we were keen to encourage was alternative warehousing operations, and that is actually where you potentially get cheaper pricing. I understand that they are forming a co-op-type arrangement in their warehousing model. That is actually one of the key things that came out of it. If you go back and have a look at the essence of the ACCC report, you will see they were quite critical about a dominant player and around warehousing.

THE CHAIR: We have only got about a minute left, Mr Seselja.

MR SESELJA: Okay; so were we going to have discussions about further questions or further—

THE CHAIR: That would be the most logical thing to spend the minute on, probably.

MR SESELJA: I do have many more questions, as you know.

THE CHAIR: Yes. Mr Barr, we are about to run out of time.

Mr Barr: I am prepared to take any further questions on notice after this one from Mr Seselja.

THE CHAIR: Is there any possibility of actually having some more face-to-face time?

Mr Barr: With me or with officials? It depends when you need the report.

THE CHAIR: It would be in the second half of May. We are going to have to have

another half day hearing at least. We still have people that we have not spoken to, ACTPLA being number one of those probably.

Mr Barr: Sure; I appreciate that. We are also in the middle of budget time and I am also on, would you believe, a committee myself. So it limits my capacity to sit on this side of the table for extended periods of time. I am happy to stay a few more minutes now if you would like to ask a couple of other questions, but then—

THE CHAIR: The problem is that—

Mr Barr: I am sure Mr Seselja can put some things on notice.

THE CHAIR: Yes, I actually do need to go and, if I depart, we will lose quorum, because we have already lost Mr Hargreaves.

Mr Barr: Yes.

MR SESELJA: We have got the main driving department. I think we all agree that an hour and a half is not really enough to go through all of these issues and there have been a lot of issues to go through. So I think we would only be seeking another hour of your time at some point in May.

Mr Barr: We will see what we can organise, bearing in mind that we are sitting for a fortnight and we are in the middle of the budget period.

MR SESELJA: I understand.

Mr Barr: And I am on another committee.

MR SESELJA: We argued that you should not be on that committee. Are there any further questions that I can ask now?

THE CHAIR: We have really run out of time basically, Mr Seselja, I am afraid. I actually have to go.

Mr Barr: If you can put some things on notice, that would certainly be useful.

THE CHAIR: Thank you all for attending and you in particular, Mr Barr. As per usual, you will be sent the transcript. This hearing is now concluded.

The committee adjourned at 5.29 pm.