



23rd June 2020

Committee Secretary
Economics and Governance Committee
Parliament House
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AACS SUBMISSION: Inquiry into the Queensland Government's economic response to COVID-19

To whom it may concern,

On behalf of members of the Australasian Association of Convenience Stores (AACS), the peak body for the convenience industry in Australia, we make the following submission to the Economics and Governance Committee as part of the *Inquiry into the Queensland Government's economic response to COVID-19*.

The past few months have been challenging for everyone, including the businesses, owners and employees of the convenience industry.

As the leading voice and key representative Association for the industry, the AACS commends the efforts of everyone who has worked to keep the doors of convenience stores open to local communities, ensuring people can buy the items they need in a clean, safe and convenient manner.

In the early days of lockdown, the AACS worked closely with the Federal Government to ensure convenience stores were deemed an 'essential service', able to remain open to serve their communities, emphasising the important roles these stores play at the local level.

With this came enormous responsibilities to our staff and customers, whether retailers or suppliers, from a health and wellbeing perspective.

They will need support now more than ever.

Over the following pages, we have included a detailed summary of The Road to Recovery for our industry as we see it.

This is a 10-point plan which identifies the key issues and areas of potential reform which will support the convenience industry in Queensland and Australia as we continue to navigate the pandemic challenges, and as we seek to establish a strong platform for the future.

It encompasses the views of, and aims to support, the retailers, suppliers, business owners, employees and customers of an \$8.8 billion industry¹ which employs more than 40,000 Australians.

We acknowledge that some of the critical reforms required are national issues for the Federal Government to consider.

However, there are also critical state-specific reforms which represent an opportunity for the Queensland Government to take a national leadership position in support of small businesses and jobs.

Finally, we note that in the Terms of Reference that this inquiry is about forming a view on the Queensland Government's economic response to COVID-19. The AACS commends the Government's efforts to date to manage this health emergency and minimise transmissions.

Our submission seeks not to dwell on the past but drive action for the future. The potential reforms we detail over the following pages are within the power of Government, both Queensland and Federal, to action now.

We would be glad to assist the Queensland Government in this regard.

Thank you for your consideration of our submission. Don't hesitate to contact me should you require further information.

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¹ Total merchandise 2019 sales excluding petrol, *AACS State of the Industry Report 2019*

About the AACS

Established in 1990, the Australasian Association of Convenience Stores (AACS) is the peak body for the convenience industry in Australia.

Nationally, our industry employs over 40,000 people in approximately 7,000 stores. The majority of these stores operate as family run businesses, often under licence or franchise agreement, or independent ownership. They regularly employ family members and people from the local communities in which they operate.

The AACS represents the interests of these small businesses; their owners, staff, suppliers and customers.

The convenience industry in Australia was valued at approximately \$8.8 billion in merchandise sales in 2019 excluding petrol, according to companies contributing to the 2019 AACS Annual State of the Industry Report. Petrol accounted for approximately \$35 billion in sales in 2019.

The AACS State of the Industry Report contains the most comprehensive information available on the convenience industry in Australia. We have also recently commissioned research on how consumers have used the convenience channel over the course of the COVID-19 pandemic and we would be pleased to provide copies of both the AACS State of the Industry Report and the research, should these assist any decisions or actions be taken.

Finally, as an Association we enjoy strong ties with our international counterparts including the convenience stores associations in the US, Canada, the UK and New Zealand. We also visit similar stores in South East Asia to keep abreast of changing and emerging trends.

The AACS 10-point plan: The Road to Recovery

In collaboration with our members, the AACS has identified the following 10 areas as being critical to the future health of the industry. Others, like reform in penalty rates and the potential for Government to subsidise training initiatives for our industry, are important too.

But these 10 are, in our view, the most critical to support the more than 40,000 people who work in the convenience industry now and in the future. In some of these areas, the Queensland Government has the opportunity to take a national leadership position in support of small businesses and jobs.

1. **Temporary suspension of non-essential regulatory reviews.**

We believe that time consuming reviews that add nothing to productivity, business growth or public benefit should be held over until the economy improves or even reconsidered entirely for relevance. This is not the time for additional layers of unnecessary red tape, including additional taxation with the potential to negatively impact retailers, to be applied to businesses working hard to secure their future.

2. **A moratorium on further legal tobacco excise increases and greater law enforcement at street level on the illicit tobacco trade.**

The steady growth of illicit tobacco sales in our country is well established and this crime has reached crisis point. While criminal gangs and smugglers profit, sales of legal tobacco by responsible retailers and suppliers are lost, while the Australian Government is robbed of excise.

Certainly, the excellent work that Border Force is doing in making seizures of large quantities of illegal tobacco products is commendable. However, illegal products are still making it to street level in droves, to be sold at prices far cheaper than legitimate products, given there is no excise payable by the criminals who supply these products.

As counterproductive Government excise hikes raises the cost of legal tobacco, consumers increasingly shift to the illicit market and products which are sold to people of all ages. It's time to recognise this real problem, and to bring some reality back to the pricing of legal tobacco.

3. **Tax reform, including an extension to tax relief which reduces the corporate tax rate, and the removal or significant reduction in payroll tax.**

Tax reform is a topic that has been discussed in countless forums over the years. These discussions consistently fail to deliver real outcomes. But now, the opportunity and necessity of genuine tax reform takes on a new, elevated importance.

As Governments look to kick start the economy in the wake of COVID-19, tax reform has the potential to spur investment, incentivise businesses and provide employment opportunities. The days of penalising businesses, particularly small businesses, for giving people

meaningful employment must be left behind. Many operators are committing huge amounts of time and energy to maintain their businesses, putting strain on their health, wellbeing and families, so being able to maintain a team is important to them as well.

4. Clarity and consistency in the guidance provided to business and individuals.

Bureaucracy leads to a loss of productivity, red and green tape, confused messages and inertia. This is the time for consistent messages across various levels of Government - federal, state and local - to allow businesses to get on with what they do best – serving their customers in the most efficient manner.

We need clear, unambiguous guidance on operational procedures related to areas like social distancing and hygiene that our industry can easily follow and implement while ensuring our ability to conveniently serve our customers remains the priority. Similarly, consumers need clear guidance on what is expected of them in their interactions with other people and businesses, so they can contribute to the economy again in a confident, safe way.

5. Re-open our internal borders as soon as it's safe to do so.

Governments, Federal and state, have done an excellent job in containing the spread of COVID -19. However there will be a time when a relaxation of restrictions is required to boost tourism, regional businesses and movement across our country. This needs to happen as soon as is safely possible.

We note that the Queensland Government is working towards the possible re-opening of the state's borders from 10 July. Whether restrictions are relaxed in a staged manner or in full, businesses will require maximum notice to prepare their resources accordingly, and this includes the confirmation of a specific date for businesses to work towards.

6. Bring Australia into line with the rest of the world and permit the convenience industry to sell packaged alcohol.

Convenience store operators are proven responsible retailers. We sell age-restricted products such as tobacco and lottery tickets and, with the appropriate training in place, we can safely and responsibly sell packaged alcohol too, as convenience stores around the world do.

In our discussions with politicians, we've made our proposed framework very clear. We do not propose to sell alcohol 24 hours a day, and would instead observe the trading hours that other retailers in local areas follow. Our staff would be fully trained in accordance with the responsible service of alcohol. We have offered to make separate areas in our stores available for alcohol purchases.

The fact is, alcohol regulations are archaic and inconsistent in many states and current liquor laws unfairly favour the major supermarkets. Many of the major liquor store chains are directly owned by the two majors and stores like ALDI sell liquor off the shelf. Home delivered alcohol is a growing sector for new players. There is a shift occurring in the alcohol

market yet still, small businesses in the convenience industry are prevented from competing in this space.

This is a category with real potential for our industry and as we navigate and then emerge from the pandemic, this is the ideal time to de-regulate the market and open new revenue opportunities up to our operators, as well as those suppliers of alcohol products squeezed out by the major chains.

7. Regulate the legal sale of e-cigarettes from retail outlets including convenience stores.

Public Health England has stated that e-cigarettes are 95% safer for users than traditional tobacco products. Over 50 progressive countries have regulated the legal sale of these products to assist in lowering traditional smoking rates. Many Australian experts agree that e-cigarettes are a safer alternative to smoking tobacco and should be widely available.

Internationally, these products have assisted many people quit smoking, but Australians are being denied these potential health benefits. Likewise, Australian retailers are being denied the opportunity to offer adult consumers a safer alternative at the source.

Like illicit tobacco, which is sold indiscriminately to anyone including minors, so too is there a black market for e-cigarettes and nicotine-based liquids. The latter is illegal in Australia yet widely used, purchased by Australians either from overseas or through illegal sources, with unknown ingredients and from unknown sources of manufacture.

The Select Committee on Personal Choice and Community Safety, in its Final Report, has urged the Government to require the Therapeutic Goods Administration to review the scheduling of liquid nicotine.

But the wheels are turning too slowly. Australians are being denied safer alternatives, small businesses are missing out on economic opportunities, criminals are profiting and products of unknown origin and ingredients are being widely used. A legal framework regulating the sale of e-cigarettes is urgently required.

8. Define a safe trading convenience environment through COVID-19 and beyond.

AACS has developed a detailed plan for industry operators to refer to as a minimum standard to operate through the pandemic and beyond. We will continue to be guided by Australian health experts on any changes required and new developments, in recognition that this is a fluid situation. To this end, we have recommended our members and their teams download the COVIDSafe app and receive flu vaccinations.

We are doing what we can to ensure Government guidance and health advice is practically implemented at an industry level to create a safe place for our people to work and our customers to visit. To continue to do this, we require detailed, clear guidance when it comes to new measures, changes and other advice. AACS is developing separate health and safety plans for members to assist them in this regard.

9. Remove the authorisation that has allowed supermarkets to collaborate on supply.

Note: As of June 2020, the ACCC has revoked the interim authorisation.

The major supermarkets were temporarily allowed to collaborate to ensure their supply of critical items like food staples, household essentials like toilet paper, cleaning products like sanitisers, and more.

The authorisation appeared to have disadvantaged small businesses like convenience stores and other independent retailers. Supplies of these critical items were in many cases simply not available to convenience stores in the quantity ordered, or at all. Even as a sense of normality returns and purchasing limits on some items are removed, convenience stores are in many cases still only receiving only a fraction of what they order from their distributors.

The authorisation helped the operation of the major supermarkets. It was never our intention to stifle this help. But the authorisation has disadvantaged our operators, and this is unacceptable.

10. Least cost routing for electronic payments to be implemented and available to convenience stores.

The move away from cash transactions has intensified during the pandemic. Tap-and-go is far more frequently used in convenience store transactions and operators are providing this option, but at an unfair cost.

That's because stores are currently prevented from routing tap-and-go transactions through the least costly payments network. Instead of using Australia's own eftpos network, which is significantly cheaper, our members are forced to use more expensive international networks such as Visa and Mastercard to route these transactions. The difference amounts to thousands of dollars each year.

It's an issue that has not gone unnoticed. The Reserve Bank has made clear that merchants should have access to the lowest transaction cost route for tap-and-go payments, however the big banks have still not offered this choice.

The Reserve Bank's Review of Retail Payments Regulation is meant to address this issue but has been postponed in the wake of COVID-19. The delay means convenience stores continue to pay higher transaction costs. We need an immediate solution.

Requiring the big banks to offer convenience stores and other merchants the lowest cost route for processing tap-and-go transactions is an immediate and practical way for Government to reduce costs, support businesses and underpin jobs at this time. If needed, the Reserve Bank should step in to regulate to make this a requirement.