SUPERMARKET PRICING SELECT COMMITTEE

Members present:
Mr TJ Smith MP—Chair
Ms A Leahy MP
Mr SJ Minnikin MP
Ms JE Pease MP
Mr TJ Perrett MP
Ms JC Pugh MP

Counsel assisting:
Mr Angus Scott KC
Mr Harold Rafter

Staff present:
Mr T Horne—Committee Secretary
Ms K Guthrie—Inquiry Secretary

PUBLIC HEARING—INQUIRY INTO SUPERMARKET PRICING

TRANSCRIPT OF PROCEEDINGS

Tuesday, 14 May 2024

Brisbane

TUESDAY, 14 MAY 2024

The committee met at 9.00 am.

CHAIR: I declare open this public hearing held as part of the committee's inquiry into supermarket pricing and the impacts on Queensland's communities. My name is Tom Smith. I am the member for Bundaberg and chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past, present and emerging. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people, whose lands, winds and waters we all now share. With me here today are: Ms Ann Leahy MP, member for Warrego and deputy chair; Mr Steve Minnikin MP, member for Chatsworth; Mr Tony Perrett MP, member for Gympie; Ms Jessica Pugh MP, member for Mount Ommaney; and Ms Joan Pease MP, member for Lytton.

This committee was established on 7 March 2024 by a motion of the Legislative Assembly to examine the causes and effects of increased supermarket prices and identify opportunities to increase transparency in the supermarket sector for consumers and producers. Today the committee will hear from Aldi, Metcash and Australian United Retailers, otherwise known as FoodWorks, which collectively account for a substantial portion of the market share in Queensland.

This hearing is a proceeding of the Queensland parliament and is subject to the parliament's standing rules and orders. The proceedings are covered by parliamentary privilege, which means witnesses are protected from legal action in respect of the evidence that they give the committee. If witnesses give evidence today which reflects adversely on an individual or organisation, it should not be taken as proof of the allegations being made. The committee may choose to receive but not publish that evidence.

Only the committee and invited witnesses may participate in the proceedings. Witnesses will be giving evidence under oath or affirmation. I remind witnesses that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the hearing at the discretion of the committee. These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's discretion at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages.

The committee is being assisted in this inquiry by Mr Angus Scott KC and Mr Harold Rafter, barrister-at-law of counsel. Witnesses are likely to be asked questions both by counsel assisting and committee members.

LACK, Mr Jordan, Managing Director, National Buying, Aldi

Witness was affirmed—

CHAIR: Thank you, Mr Lack. Counsel assisting and members of the committee will have questions for you; however, at this time I invite you to make a brief opening statement.

Mr Lack: Good morning, Chair, Deputy Chair and other members of the Supermarket Pricing Select Committee. My name is Jordan Lack. I am the managing director of national buying for Aldi Australia. Firstly, I too would like to acknowledge the traditional custodians of the land where we meet today. I would also like to pay my respects to the elders past, present and emerging of all of Australia's Indigenous peoples.

On behalf of Aldi, I thank the committee for the invitation to appear today. We welcome the opportunity to provide our insights into the causes and effects of supermarket pricing in Queensland. It is my aim today to provide you with insight into our business and explain how Aldi can provide the lowest prices in the market. For those not familiar with Aldi, we entered the Australian market in 2001 and Queensland in 2004 with a new business model for selling groceries. Our mission was then and remains still to deliver the highest quality groceries at the lowest possible prices to Australian households. We now have over 16,000 employees, with more than 3,000 people employed in Queensland. We have grown to 590 stores, with 115 in Queensland. Our market share is around 10½ per cent and just under 10 per cent in Queensland. We are continuing to invest in Queensland to provide families and supply partners with more of a choice. Last year we opened our most northern store, in Townsville. I am really excited to be sitting here today with our new store opening in Mackay tomorrow.

Aldi is Australia's most affordable supermarket. In 2023 Aldi shoppers saved $3.4 billion on their grocery bills, and the price gap between Aldi and our competitors was between 15 and 20 per cent cheaper on average. This saves a family shopping at Aldi around $2½ thousand a year. Aldi's national pricing strategy means that Queenslanders, whether located in Bundaberg or Burleigh Heads, all have access to the same high-quality groceries at the same low prices as customers based in other states. However, the value we offer customers does not come at the expense of our supply partners or our employees. Aldi has a reputation with our supply partners as a fair and respectful partner. We are proud of the relationships we have built with hundreds of Queensland businesses over our 23 years.

We offer such low prices by being a significantly less complex business than our competitors. Everything from our small stores to our limited product range makes our business simpler to operate. These efficiencies reduce our operating costs, affording us the ability to maintain our low-price position. We are acutely aware of what a trying time this is for many Queenslanders and we acknowledge that Aldi has a role to play in this discussion, so thank you for having us.

CHAIR: Thank you, Mr Lack.

Mr SCOTT: Mr Lack, in your opening statement you mentioned a number of stores that Aldi has outside of Brisbane—Townsville, Mackay, Bundaberg, Burleigh Heads. Are there any other stores outside of Brisbane that Aldi has?

Mr Lack: Outside of Brisbane?

Mr SCOTT: Yes.

Mr Lack: We operate in South-East Queensland—Gold Coast through Brisbane and Sunshine Coast—and into Central Queensland as well. As I mentioned in the opening statement, we opened a store in Townsville last year and excitedly open our first store in Mackay tomorrow. That is our first store in that region.

Mr SCOTT: What about Western Queensland?

Mr Lack: No, we do not operate in Western Queensland.

Mr SCOTT: Is there any intention to move out in that direction?

Mr Lack: Not at this point in time.

Mr SCOTT: Is there any reason Aldi would not be minded to operate that far west?

Mr Lack: Yes. When we look at where we place our store network we consider a range of things, one of them being the population that we have to service. We are proud to say that, whilst we do not have as many stores in Queensland as our competitors, around 85 per cent of the population, particularly in the south-east, has access to an Aldi store within a 20-minute drive. We would love to be in more sites, but we are also very conscious of the cost implications of moving into particular geographies. We need to be considerate of basing our stores within a certain proximity of our distribution centres. In addition, we consider the population and the cost to serve those stores. Being a limited line discount retailer—I mentioned it in the opening statement—it is really important for us to consider not only what we do but also what we do not do. Unfortunately, that means we cannot be the same as our competitors. We are different to our competitors. That means that we will not be in all communities. That is a deliberate decision we do have to make to keep our costs as low as we possibly can.

Mr SCOTT: I think you mentioned three factors—I am not suggesting that they are the only factors—in terms of site selection: proximity to distribution centres, population and cost. Aldi has two distribution centres in Queensland; correct?

Mr Lack: Correct.

Mr SCOTT: Whereabouts are the distribution centres?

Mr Lack: Brendale and Staplyton.

Mr SCOTT: That is in South-East Queensland?

Mr Lack: Correct.

Mr SCOTT: In terms of population, would this be right: in order for the Aldi business model to be viable in a particular location there needs to be a particular level of population in the location?

Mr Lack: Correct.

Mr SCOTT: What sort of population are we talking about?

Mr Lack: I should disclose that I do come here as managing director of national buying; therefore, real estate is not necessarily my forte. Therefore, I would take that question on notice with regard to the specific population that we do require, if I may.

Mr SCOTT: Acknowledging that you will take that question on notice, in broad terms if we are talking about regional centres we are talking about regional centres like Mackay and Townsville as opposed to centres like, say, Roma?

Mr Lack: Given the fact that we have established stores in those two locations you reference and not in the other, that would be correct.

Mr SCOTT: You mentioned cost. There are a number of inputs that go into cost. Is transport one of those costs?

Mr Lack: Absolutely.

Mr SCOTT: Those are factors that influence Aldi's decisions as to the locations that it services?

Mr Lack: Correct.

Mr SCOTT: That is a limitation on the reach that Aldi has in Queensland; correct?

Mr Lack: Correct.

Mr SCOTT: Are there any other factors in areas that Aldi might otherwise service that are influencing Aldi's decision whether to enter those areas such as, for example, availability of land, planning laws or anything like that?

Mr Lack: Availability of land is always something that can be a challenge. I think when we first established our operations in Australia in 2001 and in Queensland in 2004, one of the challenges we faced was the ability to enter particular shopping centres. We do have a number of freehold sites and leasehold sites that we operate through. Initially we did have challenges entering supermarkets where our competitors were also located. In around 2010 the legislation changed in that regard—it moved to the federal legislation—to allow additional supermarkets to enter those sites. Consequently, we did acquire or obtain more sites as a result. The ability to access appropriate sites is definitely something that is a challenge in Queensland and is also a challenge in other markets.

If I may, there was a second part of the question with regard to planning laws. I again acknowledge that this is not my area of expertise, but I do understand that Queensland does have some unique challenges for us from a planning perspective. Given the fact that we operate in over 21 local government areas and that each of those can have different planning requirements, it does prove a little bit more complex and difficult for both us and our partners in consultants and developers to navigate those local government restrictions. That is something which is a difference between Queensland and other states in which we operate and does provide additional complexity for us to navigate through.

Mr SCOTT: Noting what you said about not being a planning law expert—it is not hugely surprising; there is no criticism of you there—given what you have said about that, is there further detail on notice that Aldi could supply this committee to assist it for the purpose of its inquiries?

Mr Lack: I will take that on notice. I believe that my colleague did have a meeting with members of the Premier's office, but I need to check that. After we met with the Premier earlier this year to discuss some of the challenges of the supermarket industry, we did take a subsequent meeting and did raise this as an issue. We would be more than happy to provide further information as to the challenges that we face and some of the opportunities we would identify in that space. I will take that on notice.

Mr SCOTT: You mentioned a law change at the federal level in 2010. Do you know off the top of your head what that law was that was changed?

Mr Lack: I could not tell you off the top of my head, but it pertained to the competition within shopping centres.

Mr SCOTT: Was the effect that it enabled competitors to the two majors, Coles and Woolies, to enter shopping centres to compete more readily?

Mr Lack: It rendered anticompetitive the exclusivity clauses which existed within supermarket leasehold contracts which prevented competitors like Aldi or other supermarkets entering shopping centres that the other supermarkets were in.

Mr SCOTT: Notwithstanding those law changes in 2010, are there any other features of how shopping centres are developed that result in anticompetitive drivers?

Mr Lack: That is not something I would have any information on, sorry.

Mr SCOTT: The other issue that I understood you were alluding to is the availability of land as a barrier of entry to various markets; would that be right?

Mr Lack: I do not have the specifics, but the availability of suitable sites is always a challenge for our real estate teams to overcome.

Mr SCOTT: Is there anything that you can assist this committee with that might provide better opportunities for availability of land, for example, in terms of planning law changes?

Mr Lack: I think my earlier reference to the planning laws and the fact that we operate across 21 local government areas answers that question. I do not have the specifics but, again, I offer our cooperation with the committee, or either side of the parliament in Queensland, to discuss how we could alleviate some of those challenges. We can take that away and meet with whoever would like to meet with us to discuss it further.

Mr SCOTT: We have heard that a practice employed by Coles and Woolies is to buy land in a growth corridor or greenfield site before the population has reached a level where they are willing to develop a supermarket in that location, at a time when the value of that land is lower than it is when they ultimately develop that land. Is that something that Aldi does as well?

Mr Lack: No.

Mr SCOTT: Can you tell us whether that has any impact on competition and availability of land?

Mr Lack: Again, it is not my area of expertise and I do not have any examples I can provide to that effect.

Mr SCOTT: Is that something you could take on notice?

Mr Lack: We can take that on notice.

Mr SCOTT: I have reached the end of this particular topic, if members of the committee want to ask this witness about this topic.

Ms PEASE: Thank you for coming in today. I am fortunate to have an Aldi in my electorate, at Tingalpa. It is very well utilised by my constituents. I am not sure if you were following the hearings from yesterday, but we spoke at length with the witnesses who were here around their profit margins. I am wondering if Aldi has disclosed its profit margin for the most recent financial year.

Mr Lack: No. We are structured a little bit differently. I think the competitor supermarkets whose representatives you talked to yesterday are publicly listed companies. We are a privately listed company and consequently do not have the same disclosure as our competitors in that respect. No, we have not published that in the same way.

Ms PEASE: Are you likely to be able to provide that information so that your consumers can understand whether they are getting value for money, compared with the profit that Aldi is making?

Mr Lack: Yes, we can look into how we could provide that. One thing I would say is: our customers should be reassured that they are getting value for money by the fact that we do offer such a large discount against our competitors. If that is the assurance we are trying to provide to our customers, we do know—it is independently audited—that we have between a 15 and 20 per cent gap to our competitors on the cheapest equivalent product that they have on show—

Ms PEASE: Thank you. I guess my question is: are you able to provide the committee with the profit margin for the most recent financial year?

Mr Lack: I would need to specifically understand what you are asking for, whether it be profit margin or EBIT.

Ms PEASE: The EBIT and also your profit margin. We are trying to gain an understanding so that constituents across Queensland can understand that they are getting a good market price and that they are being treated fairly, compared with what your profit is.

Ms LEAHY: Point of order, Chair. This is a private company. I think the committee should afford them the opportunity if they wish to disclose, because they have no obligation to disclose publicly, to do that in camera.

CHAIR: If Mr Lack believes that there are commercial sensitivities around that information, it is within the standing orders that the committee would have to compel him to take on that question and to answer.

Ms PEASE: I can move on from that point.

CHAIR: You are happy to move on? Okay, thank you.

Ms PEASE: I acknowledge that you said in your opening statement that you are different from your competitors. One of the things I have noticed is that Aldi have refused to negotiate a supply chain safety charter to ensure all supermarket transport workers that you engage have safe and fair working conditions. Are you aware of that?

Mr Lack: I am aware of the general topic you are talking about. Where I would probably see this quite differently from you, in the way you have put that question, is that we are not unwilling to negotiate. In fact, we have an intent to be very cooperative with the TWU with regard to these topics. We also have a genuine commitment to ensure that all of the employees, customers and stakeholders we deal with are treated in accordance with legislation and that we uphold the highest levels of safety. I would agree that we have not reached an agreement with the TWU with regard to the signing of the specific agreement that you mention; however, I respectfully disagree that we do not have appropriate safety measures in place for our transport operators.

Ms PEASE: What are those appropriate safety options that you have in place for those workers?

Mr Lack: We have a range of policies and terms. I will take the question on notice to provide the specifics to you, but they pertain to fatigue management and to operating within our DCs. We obviously have our own transport operators as well as third-party operators that deal with us. As for the specifics, I can take that on notice and provide that to the committee.

Ms PEASE: Thank you. You did mention that you are—

CHAIR: Sorry, member for Lytton. For the sake of time, we will need to move to questions from the deputy chair. We may come back if there is time.

Ms LEAHY: Thank you, Mr Chair. I notice in your submission that you talk about long-term supply agreements with your suppliers. What is 'long-term' from an Aldi point of view?

Mr Lack: Long-term could constitute anything over a year. The reason I give that general answer is that we do have some agreements which are 12 months in nature; we do have agreements in the produce space which may be seasonal agreements; and we do have agreements which can extend for seven-odd years. Generally, we do those longer term agreements when we are working in cooperation with a particular supplier to facilitate investment. A long-term agreement provides them with security to obtain finance or to have the commitment from their board to invest in particular areas of automation or further equipment and packaging which is beneficial to their product and the relationship that we have. It can vary from one year upwards to in the vicinity of around seven years.

Ms LEAHY: Aldi's submission states—

… ALDI performed the strongest across the board compared to other signatories.

And—

Independent Reviewer … commented that "ALDI ranked the best across the board against other Signatories, particularly outperforming in questions of 'supplier experience'."

Would you be able to provide the committee with what those questions were on supplier experience? Are you aware of what the questions were about supplier experience?

Mr Lack: We definitely would be able to provide that. That was the independent review conducted by Mr Chris Leptos. As per the comments that we have made in our submission, we did come out as No. 1. That is consistent with previous surveys which were conducted and obviously is independent from us. We are proud of those results and think they are a testament to the way we engage with our suppliers. As for the specifics of the supplier experience, we can take that question away and provide those details to you.

Ms LEAHY: Following on from the questions from Mr Scott, you have stores mainly in South-East Queensland?

Mr Lack: Correct.

Ms LEAHY: Your stores in South-East Queensland have access to competition when it comes to electricity providers. I am wondering if the lack of competition inhibits your ability to expand to regional areas.

Mr Lack: That would not be an area I could speak to with authority. I apologise.

CHAIR: We will return to Mr Scott to continue his questioning.

Mr SCOTT: A short while ago, you were asked about some long-term agreements that Aldi has and you described a long-term agreement for Aldi as an agreement of about a year.

Mr Lack: To clarify, I said agreements upwards of a year. A normal agreement would generally be for a 12-month period; a longer term agreement would extend beyond a year and could range up to seven years.

Mr SCOTT: In terms of an agreement up to a year, would that include, for example, an agreement with a horticulture producer?

Mr Lack: It could, yes.

Mr SCOTT: Would that agreement with a horticulture producer specify price and volume?

Mr Lack: It depends on the particular agreement. Horticulture is significantly different to the packaged grocery business given the volatility of growing conditions, specifically. The fact that Australia is such a sparse, large land mass with different climates and temperatures throughout the year does mean that the growing regions move throughout the course of the year.

What that means for produce and horticulture contracts is that we generally contract them in consultation with what works for both us and the suppliers. That has been a significant learning for us over our history. Historically—10-odd years ago now—we did week-to-week trading, which led to us buying a lot of product off the market. That probably speaks to the size that we were at that point in time and the number of stores we were servicing. As we have matured, we have gained a strong supplier base where we actually understand the requirement from the suppliers as to how we best construct that contract. What that could mean with a stable crop such as onions, potatoes or carrots is that we would look at that as a longer term fixed contract. With potatoes there are cold-store and fresh potatoes and, consequently, we could have two different prices for those periods, but they do not have the same fluctuations as something like Queensland strawberries, which are obviously very susceptible to weather and, consequently, we would have a more agile cost mechanism within the contract. They can be seasonal or they can be yearly contracts, but the price mechanic attached to that contract is relevant to the particular crop we are talking about.

Mr SCOTT: Let’s take potatoes, for example. Would the price and volume be specified in a contract for the acquisition of potatoes?

Mr Lack: What we do for potatoes is we have two different prices attached within the contract, so we would negotiate that at the beginning of the season. Suppliers would therefore know their anticipated yield and know which regions they could service based on the anticipated volumes that we would expect. They would then provide their pricing to us for that and we would contract that for the particular period. I am trying to recall the specifics of potato contracts, but I do understand there to be two different periods within the potato contract: the cold-store period as well as the normal period. I think off the top of my head it is around nine months for the normal and three months for the cold-store period. We would agree both of those prices up-front and have that stipulated within the contract.

In addition, we would agree with the suppliers in advance the promotional cycle that we would anticipate putting into market. That is obviously more relevant to crops that you have flushes or excess stock within. What we do is agree with suppliers as to the frequency of promotion that we would want to have—suppliers nominate that frequency—and then we would have a particular price pre-negotiated for that, and contracted for that promotional period as well. The intent of the promotional period is for us to run at a lower retail on that product and move more volume through, which obviously is very important to both us and our growers.

Mr SCOTT: Am I right in understanding that, with the potato example, there is an agreement of two prices in the contract?

Mr Lack: Three prices, including the promotional price.

Mr SCOTT: I see. Putting to one side the promotional price, in what circumstances would each of the other two prices then be engaged?

Mr Lack: They are predefined on time. When we have to revert to cold-store or stored potatoes, that would commence.

Mr SCOTT: So, effectively, seasonally?

Mr Lack: Seasonally, yes. Again, this is a specific example with potatoes, and there may be some elements that are not entirely correct in there. I did not come with a potato example—my apologies—or the specifics here, but the contract will stipulate the time period for which that cost does occur.

Mr SCOTT: Will it stipulate volume?

Mr Lack: We work with suppliers to understand the anticipated volume, and that is both sides. I think from a supplier side, they understand the anticipated yields they are going to have and how much stock they are able to offer. We provide forecasts as to what we anticipate will be required. We do that at a region level because that is how we construct our suppliers—so what region a supplier will supply to. Then the suppliers will tender on the basis of the regions that they believe they can supply. We may in certain circumstances also have multiple suppliers for particular products. Again, this is more relevant to those that are particularly volatile on the basis of weather events. We may have multiple suppliers within regions. Again, what we would do there is stipulate in advance and contract the split to which each supplier would be responsible for within that region.

Mr SCOTT: When you say 'split', what do you mean?

Mr Lack: The percentage of the volume they would provide. In a particular instance of strawberries going to our Stapylton region, we may split supply across three suppliers. Again, that would be contracted so each supplier would know that they have a particular contract for a particular period of time. We may split that 60 per cent with one supplier, 20 per cent with another supplier and 20 per cent with another supplier. There are a range of factors which would come into how we determine those splits, one of them being the supplier's ability to supply—what volume they anticipate they will have for that period. We do that to ensure availability. In some products we have sole supplier agreements; in other contracts we will have split supply and, as I said, that is particularly relevant in highly volatile commodities.

Mr SCOTT: Okay. Just so I have this correct, what will happen for a particular commodity is that Aldi will indicate to its suppliers an indicative volume for a particular region, the suppliers will tender for that region and then, depending on the circumstances, there might be a split that is agreed which sets out the proportion each supplier has to supply for that region to Aldi; correct?

Mr Lack: Correct.

Mr SCOTT: Is that volume that is being nominated by Aldi binding?

Mr Lack: No, it is not binding and there are a range of reasons that cannot be binding. We do that in consultation with the suppliers prior to the season. That is prior to the crop being pulled out of the ground or pulled off the plants. The yield that suppliers generate can be significantly different to what they anticipate, so that can significantly impact the ability to promote. The ability to promote is where we move the bulk of our volume. To put that in context, we have around 10 per cent of the produce range on special in any particular week, but it accounts for over 35 per cent of the sales. That speaks to the significance that we move through promotion, and we do that in consultation with suppliers on the basis of what they have available and their ability to service that.

Therefore, we will continue to work with suppliers throughout the course of the season to best deliver against those estimates, but that is a very collaborative process that we would have. I would say that our buying team is speaking with the suppliers on a weekly basis, if not more frequently, to determine what volume of stock they have and how we best move that through. I would say it is our intention, as it is the suppliers' I think, to move in excess of those forecasts. I would say that, whilst there are some factors which come into play which might not always see us achieve those full forecasts, over the course of the year or the course of the contract period we would be fairly accurate in delivering against those.

Mr SCOTT: To use the example of the very seasonal type of product that you discussed before, strawberries, how would that normally work?

Mr Lack: Obviously, Queensland strawberries are a fantastic product and very important to us. We have a range of growers that we use within the Queensland strawberry season. I am pleased to also say that Queensland does provide strawberries not only to our stores in Queensland but also to our other states. We take that to other states, which is obviously great to be able to do.

What we would do is work with the suppliers on indicative costs and then firm up the cost, or finalise the cost, as close to the delivery date as we possibly can. To provide the suppliers with surety that we are going to take their stock, we contract that with them. Suppliers will know that a particular supplier—supplier A—will be supplying the Stapylton region as they may be supplying the Derrimut region. However, what we would do is firm up the price closer.

In the potato example I talked about the fact that we would contract that for the yearly period with the two different prices. With strawberries, we would actually finalise the cost with the supplier on a Monday for delivery into our DCs that following week, so that is closer to the time period. The reason we do that is we call that agile tendering. That is a process that we established in consultation with our suppliers. It is something that they were very positive about when we introduced it, because with a highly perishable product such as strawberries—they can grow significantly with rain and also can be damaged quite significantly by rain or full moons—those kinds of things that play out can significantly increase or decrease the availability of stock and consequently fluctuate market price significantly. Doing that price setting in agreement with the supplier closer to the supply of that product is a practice which is highly favoured by our suppliers as well.

Mr SCOTT: You mentioned I think that, whilst prices might not be firmed up until the week of supply, at least there is some kind of agreement as to delivering to a particular region; is that correct?

Mr Lack: Correct.

Mr SCOTT: Is firming up the price effectively a process where the suppliers nominate a proposed price at the start of the week, say, a Monday, and then Aldi comes back and negotiates the price later in the week?

Mr Lack: Suppliers will provide an indicative price on the Wednesday before. It is important to note that our produce week does start for a Wednesday. They nominate that price, the indicative price, a week out for the following week of supply, but then we do not finalise that price until just a couple of days out. It is Monday, I believe, that we finalise that price. Less volatile crops—crops that we do not have on agile but still have on a weekly price mechanic—would be finalised that week prior.

Mr SCOTT: Did you say the less volatile crops would be finalised the week prior?

Mr Lack: Correct. There are three different types of agreements. The long-term agreements are the potato example that we talked to, where we do have a cost locked in. We have supply agreements, where it is understood which supplier will supply each region for a particular period. However, there are still price volatilities and market dynamics at play. I think it is important to acknowledge the extent to which supermarkets actually take produce versus the other avenues for produce, particularly the central markets. Market pricing in those central markets is a significant factor at play in some of these crops as well, so therefore certain products would be finalised a week out. Then those volatile—

Mr SCOTT: Could you give me an example of those types?

Mr Lack: Can I take that on notice?

Mr SCOTT: Sure. Then there is the other?

Mr Lack: Then there are the agile ones, where we would get an indicative price on the Wednesday and finalise the price closer to the period of supply which most accurately reflects the market dynamics at that point in time.

Mr SCOTT: Mr Chair, those are my questions on this topic.

CHAIR: Thank you. We will go to committee members.

Ms PUGH: I note that in your submission you say you deal directly with suppliers, but do you ever top up by shopping at a market if you do not have enough?

Mr Lack: We do not top up via markets ourselves, so we do not have a team that are actively walking the floors of the markets or topping up. We do have agreements with farmers, as you correctly reference, but we also use agents from time to time which would naturally top up via markets as they need and see fit.

Ms PUGH: That changes the nature of my second question. You do sometimes use agents. What impact does that have on your pricing, if any?

Mr Lack: Our preference is for direct to farmers. The reason that is our preference is: the agents are obviously a middleman, which does add costs, naturally, as they need to run their operation and generate a profit also. We have been progressively moving closer to direct-to-farm relationships. Where we do have agents, I would say that they play a specific role. Whilst they may add cost, the cost does also add benefits and therefore we would determine that beneficial for us to operate.

I can give some of the reasons as to why those benefits would exist. That would be things like it is just not possible, with our lean buying structure, to deal with all little farmers. In order to provide some farms with an avenue to still supply to Aldi, they need to go through a particular agent in order to get their product on our shelves as they just would not be able to meet the volumes that we have, but collectively, through an agent, with other farmers they can obviously provide to us.

Secondly, I have spoken to the volatility of the produce market before. That is somewhere an agent can definitely add value, in obtaining stock through the markets or through other channels in the event of short supply or particular weather events. Finally, I would also say that, whilst agents in the traditional sense just provide stock, some also provide a significant service, whether that be packing or logistics. Those kinds of things are quite important for us and I would say also very important for some suppliers to have access to supermarkets or particular distribution channels such as us.

Ms PUGH: A lot of people, especially in metro areas, would say that you are the only real competition to the big two in Coles and Woollies. You have roughly 10 per cent of the market share. Can I ask why you do not do click and collect or home delivery?

Mr Lack: Yes, you can. Click and collect and home delivery is something that we have definitely looked at over our time. I think the speed at which that grew and became commonplace was throughout COVID. As I said earlier, one of the things that we need to be very conscious of is not just what we do but what we do not do. Not doing click and collect, not doing loyalty and not doing online or home delivery are things that allow us the opportunity to keep our prices low. They add significant complexity to businesses, they add significant cost and they add significant resources to facilitate them. Whilst they do bring benefit to customers, they also bring benefit to the supermarket through the acquisition of data and those kinds of things. It is just something that we have looked at and ruled out because it would add costs and complexity, and that would have to be passed on to consumers; therefore, we choose not to do that to keep our prices low.

Mr PERRETT: Referring to your submission with regard to increasing competition opportunities in Queensland and the issues you touch on within that, could you please tell us more about your concerns regarding Queensland's regulatory landscape for liquor sale?

Mr Lack: Yes. Whilst we understand it is not the primary intent of this committee to look at liquor sales specifically, it is one area that we identify as being a significant difference to the other markets in which we operate, which means that we are not able to offer the same full range of goods that we offer in other markets. I grew up on the northern New South Wales-Queensland border, and one thing that we definitely observe is quite a few Queensland community members heading over the border to buy their liquor from our Tweed Heads store. I think that speaks to the offer that we have there and the value we can provide. The legislation in Queensland, as I understand it, does not permit to us operate or sell our beer, wine and spirits in the same way that we do in the other states because of the requirement for commercial hotel licences. Again, that is obviously an impediment for competitors to overcome as well, and they have chosen to do so in such a way as to acquire hotels. That is not something we would choose to do, but that does prohibit us from being able to offer that full suite of goods.

Mr PERRETT: Given that, how should Queensland liquor licensing laws be changed and what would be the benefit to consumers?

CHAIR: I might just note there is a bit of opinion, but I will allow the question. I will allow you some leniency to reflect on what avenues you think Aldi might find favourable without necessarily suggesting what the Queensland government should change in the legislation.

Mr PERRETT: If Queensland's law was to be changed.

Mr Lack: That, again, is not an area that I can speak to with huge authority. Again, I take this opportunity to welcome a conversation with any member of the committee or any member of parliament when we talk about the planning legislation that I took earlier as a question on notice. We would be happy to engage further on that topic. What we would look at is the legislation that exists in the other states that enables us to sell liquor from our stores, obviously with great focus on the responsible service of alcohol. The other states have a permissible model and, consequently, we would be looking at something similar to that.

Ms PEASE: I know that you have spoken at length with regard to the relationship you have with producers, particularly in the horticulture area. I know that you spoke about a contract arrangement that you have with them. Are the suppliers aware they are dealing directly with Aldi, or do you deal with an agent?

Mr Lack: We have both models, as I explained in answer to a previous question. I would say that they understand we require declaration of which farms the product comes from. It is printed on packaging and understood, so I am sure they can see their product in our stores. In terms of those relationships with small farmers providing through agents, I am not privy to the agreements they would have.

Ms PEASE: I am just trying to understand, for those who are not going through an agent, the smaller suppliers, the biggest supplier that you would deal directly with. What relationship do you have with them? If they have an issue or some concerns with regard to the relationship, what is actually happening? Where do they go for recourse?

Mr Lack: I think it probably depends on the relationship they have with the agent they use. What I can say is: we have had a number of calls over the years from growers who have said, 'We've previously supplied to you for many, many years through this particular agent. We would love to work directly with you.' They have also raised particular issues where they have been cut off by an agent and they bring that to our attention. I am not sure how formalised that would be in their agreement with their agent, but I do know that we have—and have had—several conversations with suppliers of that nature as they have made contact with us.

Ms PEASE: I am trying to understand the horticulturists who do not work through an agent, who deal directly with Aldi.

Mr Lack: I am sorry; I misinterpreted that question. Yes, absolutely. As I said, suppliers in the horticulture space deal with our buying team on a weekly basis so there is a very strong dialogue between them. Their general point of contact would be our buying assistants and buying managers. That is where they have the day-to-day contract talk about weather conditions, talk about what stock they have available and those kinds of things. The buying managers and buying directors are the ones that talk through that contract, and the buying director ultimately finalises that contract with the suppliers. They would have any of those levels as an avenue to raise any concerns they have. In addition, as per the grocery code of conduct, to which we are proud signatories, they also have the ability to escalate any issues they have with a senior buyer, which in our business is referred to as the group buying director. I would also welcome any calls and I do speak with suppliers, whether it be on visits or at industry events, to hear any concerns they have.

Ms PEASE: Given that you have a direct relationship with the grower, have there ever been any complaints made by a horticulturist about the way they have been treated by Aldi that you are aware of?

Mr Lack: Not that I am aware, no.

Mr MINNIKIN: Mr Lack, thank you so much for joining us this morning. You mentioned a couple of times that you are not specifically a planning property expert within Aldi, but you also mentioned a bit of frustration at having to deal with 21 different local authorities when it comes to property development and new site acquisition. You also said that in Queensland you have just under 10 per cent market share and competition is a good thing. My question specifically is: what sorts of things would you like to see changed in local government planning laws to make it more harmonised and consistent, say, from a business delivery model, that would make it smoother and easier to expand and hence increase competition?

Mr Lack: Thank you, firstly, for prefacing my lack of expertise in that space, because that will save me from doing it again. My understanding from my colleagues is that in other states, particularly New South Wales and Victoria, there is one instrument or one mechanic for planning development to be considered. In Queensland there are a range of different mechanics, and consequently that is the complexity that it adds to us. It adds it to the sites that we want to procure ourselves; it adds it to the complexity of our partners, whether it be our consultants or developers or architects. We would be looking to have one instrument or one mechanic to govern the entire state. Again, we would be very happy to participate in conversations with government or participate with either side of parliament on our suggestions as to how that could occur. We have commenced those conversations following a meeting with the Premier, and we would welcome further engagement in that regard.

CHAIR: We were talking about complaints. Under the horticulture code, being mandatory, if a farmer, agent or merchant has a dispute a farmer can go through the ACCC to put forward any grievances; is that correct?

Mr Lack: That is my understanding, yes.

CHAIR: If a farmer is a direct supplier to Aldi, they could go to the ACCC?

Mr Lack: That would be governed by the grocery code of conduct, yes.

CHAIR: Which is not mandatory.

Mr Lack: Which is not mandatory at this point in time. It is a voluntary code. We were the first supermarket to be signatory to that in 2015; therefore, whilst it is not mandatory, we would follow the dispute resolution or complaint mechanisms which exist within that code.

CHAIR: Would Aldi support the code becoming mandatory?

Mr Lack: Yes, we would. We have had great engagement with Dr Emerson throughout the review process, which was recently completed. There are obviously a number of recommendations, both firm and suggested, which have come through that at this point. We have reviewed them. We have had a subsequent meeting with Dr Emerson and provided our in-principle support of those recommendations.

CHAIR: One of the things we heard from both Coles and Woolworths yesterday is that they set up an independent arbiter which they actually select, and that is where there is mediation. If the Legislative Assembly was to appoint a role, maybe a commissioner of sorts, to be a liaison between farmers and the supermarkets or even a farmer and the agents and then have that commissioner, let's just say, represent primary producers through the ACCC, do you think that is likely to give more confidence to local producers to engage down a path of mediation?

Mr Lack: It may. One thing I would also call out is that in many circumstances informal dispute resolution is the best course of action. I think there are many examples out there where informal mechanisms can be employed as the first point in that, which avoids the significance of going through a role such as commissioner. Whilst I do think that may provide them with some greater assurance to use that mechanism, it does also elevate the significance of that and would no doubt elevate the cost associated with that. When I speak to the cost of that, I speak to the cost of that for the growers—the primary producers themselves—who would have a role in funding some of that, and also for the supermarkets. From our side, given the fact that we have only 10 per cent market share in comparison to the other majors, we would seek that any such costs or administrative burden be proportionate.

CHAIR: Would you state it is likely the case that smaller retailers such as yourself and those who are appearing today would be more likely to support the food and grocery code becoming mandatory as opposed to Coles and Woolworths?

Mr Lack: I would not speculate on Coles's or Woolworths's position on that; nor would I speculate on the minors. What I can speak to is our position on that; that is, we support the recommendations that are provided and will support those changes becoming mandatory.

CHAIR: Does Aldi charge shelf fees for favourable placement on their shelves?

Mr Lack: No, we do not.

Ms LEAHY: You mentioned that under a mandatory food and grocery code there would be cost increases on both supermarkets and growers. Can you give any idea to the committee what the quantum of those cost increases are likely to be?

Mr Lack: Just to clarify, my reference to additional costs and administrative burden pertained particularly to an external administrative or arbitrator of those. I do not have any understanding of the level of cost that would be incurred. I do not have that because also the mechanism by which that would be applied has not yet been determined.

Ms PUGH: My question is about ugly things. Obviously you are a discount retailer. What proportion of items that are sold through Aldi would potentially be rejected by the big two? Do you have growers who have their products rejected by the big two coming to Aldi through an agent or another mechanism asking you to buy their products?

Mr Lack: I will start out by saying that we have high quality expectations and, therefore, the produce that we endeavour to supply through our stores and supply our customers is of very high quality. I would also point out the fact that we have a market buy brand within our produce section which actually speaks to the fact that some of that fruit is not the fruit or vegetables that you would see come through the traditional supermarket. It might be more blemished, it might have a little bit of scarring or the size may be a little bit off. That accounts for around 10 per cent of our produce sales. We have introduced that in the last couple of years and we have an intention to grow that further.

I cannot speak to the specifics of whether or not we get produce that is rejected from the other two, but I do know that our rejection of produce that does not meet our specifications sits below two per cent—in the last two months it was 1.6 per cent and 1.7 per cent respectively—so it is only a small proportion of produce that is turned away at our doors. Where it is turned away, we seek alternative resupply from the same supplier as the first course of action.

CHAIR: Mr Lack, thank you very much for appearing today. We have quite a number of questions on notice. The secretariat will be in contact with you to communicate what all of those questions on notice are. Your responses will be required by Friday, 17 May 2024 so we can include them in our deliberations. Thank you for attending today.

LEISK, Mr Roy, General Manager, Queensland, Metcash

MACKENZIE, Mr Luke, Government Relations Manager, Metcash

WHITE, Ms Roz, Owner and Operator, White's Grocers

Witnesses sworn or affirmed—

CHAIR: I will note that the witnesses do not intend to have a lawyer providing any advice today. Thank you very much for appearing before the committee today. Soon we will go to questions from counsel and also from the committee; however, I invite you to provide a brief opening statement

Mr Leisk: Good morning, committee. I am the general manager for Metcash food and grocery in Queensland. Thank you for inviting us to appear before you today on the issue of supermarket pricing. Whilst we did not make a submission to this inquiry, I do want to make some opening remarks to provide some context around our business model and our pricing strategies. Firstly, it is important to note that Metcash is different to the major supermarket chains in the way we are the wholesaler through a network of independent supermarkets that are mostly family owned and run by locals for locals, such as the White's IGA group on the Sunshine Coast—and I will hand over to Roz White shortly.

When it comes to fresh produce, retailers have a choice to purchase from us as well as other sources, including direct from smaller producers and at farm gate. This creates a very good supply chain and competition. In Queensland, Metcash supplies two-thirds of the IGA retailers with fresh fruit and veg. Most of those retailers also source fresh produce from suppliers including local producers and other wholesalers in the market. The other third source their own produce for their stores, buying either direct from the markets themselves or via buying groups that source from the markets' provedores. Fifty per cent of our fruit and veg or produce is purchased via the market floor in Rocklea and 50 per cent from the farm gate.

We mainly source meat from processors across Australia. We supply meat to most IGA stores, but those retailers also source meat from processors in their local areas. Farmers and other wholesalers supply us direct as well. We do not have long-term, fixed-price contracts with farmers or processors. We buy meat on a market, so spot market prices, which puts us in a good position and susceptible to fluctuations in the pricing. We can act in a very agile way in the market when it comes to price and when it comes to fresh foods. Metcash does not own processing facilities. We are not a vertically integrated business.

We understand that many Australian families have been doing it tough in this environment and we have responded by focusing on our pricing programs, our everyday programs and our buys off the market floors when possible. The question this review asks is: what tools does the state have to influence the supermarket sector to address consumers' concerns about cost of living and farmers' concerns about the misuse of market power by the chains? The answer is town planning powers, which my colleague Luke Mackenzie will discuss in more detail shortly. Firstly, I will hand over to Roz White to discuss her experience as an independent retailer operating in this market today. Thank you.

Ms White: Thank you very much, Roy. My name is Roz White. I am owner/operator, with my husband, Michael, of White's IGA stores on the Sunshine Coast. By way of background, I am actually a farm girl. I grew up on the land. I am a beef producer's daughter, so I fully understand what it is like to be a farmer at a firsthand level. My husband, Michael, and I just over 30 years ago bought a tiny little convenience store in Maroochydore with just three staff. We were fortunate that we have been able to grow with the Sunshine Coast region and we now employ 500 staff across six IGA supermarkets. Metcash predominantly supply us with our dry goods and also we work with them, as the owners of the IGA brand, on promotional programs and branding to make sure we have a competitive, consistent standard group offer to our customers.

We source fresh produce from independent suppliers and agencies through the Rocklea markets but also predominantly source our supply of local produce through local farmers, grower suppliers and producers across the Sunshine Coast—something we are very proud of and is a significant part of our business that supports a lot of local families. It supports the local economy. It provides local jobs, adds diversity and vibrancy in our community and makes us very different in the market to our competitors. I believe the fundamental difference between how an independent supermarket operates and behaves and, say, a major competitor is all based on the relationships. We have direct relationships with our farmers and growers and suppliers as a business-to-business, family-to-family enterprise and direct relationships we build in our community, because it is our community. Our heart lies within that community and we create a heart space for our community. We are part of the social fabric of each and every one of our communities.

We are acutely aware of the pressure for Queensland families and the cost-of-living pressures, so we are very focused on delivering value. We deliver value through a multitude of platforms and channels, through promotional pricing, but also by being able to buy local produce in abundance. It is seasonal so we can deliver fresh produce that is quality, that lasts longer and that has travelled the least amount of miles at a great price because we are sourcing direct, local and seasonal. We are very proud to be able to provide support to grassroots organisations and charities. We have done that for over 30 years. My husband and I have been able to deliver back to our community over $2 million worth of support in the last 30 years.

As Roy alluded to in terms of the planning system, we believe that the Queensland government does have an opportunity to participate in making a fairer platform for true competition to exist. Even though the competition law is generally predominantly federal, access to sites and rental is critical. In terms of spot rezoning, there are four cases on the Sunshine Coast that are playing out where our major competitors are looking to grab a site outside of the town centre which requires rezoning and relates back to the Queensland planning laws. We believe there is an opportunity for the Queensland government to participate to make a fairer platform for independent suppliers, growers and businesses to exist.

Mr Mackenzie: My name is Luke Mackenzie. I work at Metcash as manager of government relations. I have a background in town planning law as well. As Roz stated, there are two things this committee can do. I will deal with one that arises out of the Milton story, which you questioned Coles on yesterday, and then I will turn to planning. In Milton, you may remember from yesterday's questions, Coles bought the Milton shopping centre. The Milton shopping centre had an IGA in it—a spectacularly good store which had a lease that ended towards the end of last year, and the store closed in January this year. The shoppers and residents of Milton Village were outraged and expressed that in strong terms on social media platforms, because they wanted their independent to stay. Coles, of course, has two stores within four minutes drive of Milton centre, either to the left or to the right. Only in this country does Coles go three times in the same community. This committee can demand that the ACCC take action now to unwind that acquisition by Coles. The ACCC has the power and the ACCC should act, in our view, to unwind that because it is ridiculous. The community is outraged that they are losing choice—the only independent left in that market—when Coles is already present twice.

Turning to planning, supermarket retailing is first and foremost about property. If you get the best site in town and you have the largest site in town, it makes it really difficult for other competitors to enter. Consumers want choice, though. That is what consumers have been saying in the press for the last five months. The town planning system in Queensland, and across the country, has a thing called the net community benefit test. The net community benefit test underlies everything the planning system does, because the planning system is about not only delivering development but also delivering development that communities and people want. What they want, we know, in this sector is more choice, more options, more competition. The Queensland town planning system at the moment does not take account at all, as part of the assessment for strategy where they map out new places for where retail goes or for spot rezonings, what the community wants in terms of its outcome. It simply looks at what is the population. The net community benefit test demands more of that, and this committee should make recommendations that beef up the net community benefit test so that it does take account of what consumers are seeking. In the press we have read it for six months: they want more choice, they want more competition and they know that if you put more competitors into a market you will get more competition, you will get more choice—as opposed to Milton, which lost all of its choice when Coles bought out the last independent.

The examples that Roz raised of four spot rezonings happening on the Sunshine Coast at the moment are galling. Three of them are on paddocks on the edge of the towns—Bli Bli, Beerwah and Cooroy. All four are from the major chains—except for the Bli Bli one, which is through a developer on behalf of one of the major chains, one imagines—and all of them undermine the existing retail framework planned out in each of those towns. All of those retailers could come to those towns. They choose not to because land is cheap on the edge of town and they do not wish to compete. The planning system is the method by which this state can intervene and address consumers' concerns. We are open to questions.

CHAIR: Thank you. As I call Mr Scott to approach, I ask: were the witnesses here for my opening statements with regard to parliamentary privilege? I will reiterate that, because it may be of benefit when giving evidence today. This hearing is a proceeding of the Queensland parliament, subject to the standing orders and rules of the parliament. The proceedings are covered by parliamentary privilege, which means witnesses are protected from legal action in respect of the evidence they give the committee. If witnesses give evidence today which reflects adversely on an individual or organisation, it should not be taken as proof of the allegations being made. The committee may choose to receive but not publish that evidence. It is important to note that you are aware you are under parliamentary privilege. Mr Scott, thank you.

Mr SCOTT: Thank you, Mr Chair and members of the committee. My first questions are to Mr Mackenzie. I take it from your opening statement that you saw the evidence given by the Coles representative in relation to the IGA Milton circumstances?

Mr Mackenzie: Briefly.

Mr SCOTT: Given the answers you heard that Coles representative gave, does it surprise you at all that the ACCC is taking no action to this point in relation to that set of circumstances?

Mr Mackenzie: Our experience when the ACCC acts on these types of matters is that they take some time to form a view whether to act or not. I think they are forming a view to act or not as we speak. That is why this committee should act and give them some courage to act.

Mr SCOTT: You elaborated on the four cases that Ms White mentioned in the Sunshine Coast area and you described those cases, I think, as involving spot rezoning. What is spot rezoning?

Mr Mackenzie: It is the layman’s way of referring to what is described in the Queensland Planning system as a material change of use. It is where the zoning of an area is changed, and in this case to allow a large supermarket. The examples I can tell you about are: at Beerwah, it is land zoned for a service station and literally is currently a strawberry patch on the edge of town. Cooroy is a block of land zoned for residential on the edge of town. At Bli Bli, it is a paddock that used to be, I think, a strawberry field and, again, on the edge of town, zoned rural at the moment. The last one is a block of land which I think is in a flood plain, down a hill, away from the main centre in Palmwoods. It may be zoned residential. None of these sites are zoned retail or are envisaged to be retail, so that the process of a spot rezoning enables the owner of that to jump ahead of the planning system and put a shopping centre on.

Mr SCOTT: Are these cases you are describing proposals made by either supermarket chains or developers acting on behalf of those supermarket chains to have that spot rezoning process take place to enable the development of the supermarkets you are describing?

Mr Mackenzie: I will give you the facts. Beerwah is a Coles application currently before the courts. Palmwoods, I think, is a Coles application. Cooroy is a Woolworths owned site. Bli Bli is a developer.

Mr SCOTT: If those applications go ahead and those supermarkets are developed, can you tell us what impact that will have on competition particularly with, for example, the IGAs and other independents in the Sunshine Coast region?

Mr Mackenzie: I will talk about the Palmwoods example because it is the one which is most damaging to Palmwoods and the options of choice. Palmwoods has approved in it a site for, I think it is, a 1,200-square-metre supermarket which, one imagines, will end up being an independent, but it could be a Coles or Woolworths because they will do stores of that size in the centre properly zoned. It took many years to get approved, I think because there were heritage issues. If Coles opens a brand new large format supermarket out of the main centre, that supermarket in Palmwoods will never get built because Palmwoods is not big enough. By building a large centre out of the centre, you create a new shopping centre and the existing centre withers on the vine and becomes a place for coffee shops.

Mr SCOTT: You mentioned the net community benefit test, and you suggested that perhaps that test needs to be changed to address these issues of competition. Can you give us, in any tangible way, an indication of how that test might be changed so that planning laws could facilitate better competition between the major supermarket chains and the independents?

Mr Mackenzie: Arguably the test already does it, except every town planner I have ever met will tell you planning law does not take into account competition, and they will not enter the discussion. The net community benefit test says, ‘We are doing this planning process to develop great communities for residents.’ Arguably it is already there, but unless it is expressed, town planners will not pay attention to what communities want. They will not pay attention to what voters want. Voters want their communities to be solid. They want them to have competition, they want all the retailers to be in the one place to compete, and they want choice. They do not want single large competitors to rub out the potential for other competitors to enter.

Mr SCOTT: Ms White, my next set of questions are directed to you. You mentioned that you and your husband first started your business in Maroochydore—a small business there. It has now grown to six IGAs with 500 staff; is that right?

Ms White: Correct.

Mr SCOTT: All those IGAs are in the Sunshine Coast region?

Ms White: Yes.

Mr SCOTT: Can you tell the committee your experience of the effects of competition from the major supermarket chains on your business?

Ms White: It is a highly competitive market. We have competition all around us, so we have to work very hard to make sure we can differentiate in the market and create an appealing destination that offers everything that the consumer would wish in order to choose to shop with us. However, we only have a minimal amount of the market share, so it is very important that we create a destination, a heart space for the community that will actually deliver value within a very highly competitive environment. However, there is always the threat—and we have experienced it over the last several years where we have absolutely been taken out financially at the knees—by a major competitor. We have fallen on our knees and had to claw our way back. Because they have scale, they can cross-subsidise, whereas the small independent supermarket operator, such as the White's IGA, has their house on the line, their home mortgage and there is no ability to be able to cross-subsidise. If it does not work or you cannot make it work, you either have to cut loose, cut your losses and pack up and go, or fight hard and claw back.

Mr SCOTT: If you could forgive my profound ignorance, can you tell us what cross-subsidisation is?

Ms White: Generally speaking, a major competitor has the ability to cross-subsidise their costs across because they have a fleet or a suite or a group that is able to continue to exist in a competitive market and, say, take losses for many years; to be able to endure in that space and operate out of that space, even if they are operating at a loss, by cross-subsidising the costs across their whole of business.

Mr SCOTT: Am I understanding you to say by 'fleet', you are referring to a series of supermarkets?

Ms White: Yes.

Mr SCOTT: Within that fleet, as we are calling it, there might be some of those supermarkets operating at a loss, but other supermarkets operating at a profit so that the business as a whole can run and can compete with the independents who do not have that luxury?

Ms White: That is correct.

Mr SCOTT: They can do that until that other independent business goes out of business; is that right?

Ms White: Particularly if they enter a market where there is actually not enough demand, and that would be an area where there is a small catchment that has potential for growth, so there is opportunity. They create a supermarket in an area where they are happy to wait for the growth or until the other competition has gone, yes.

Mr SCOTT: You mentioned a circumstance where yours and your husband's business was on its knees for a time. Can you elaborate on that at all?

Ms White: That is exactly what happened. We were in an area where we were the only supermarket in town, and a major competitor came into that catchment and basically just annihilated us financially. We basically had to sell the business and walk away.

Mr SCOTT: Those are my questions on these topics for now, Mr Chair, if the committee wishes to ask questions.

Ms PEASE: I am aware of some of those circumstances with regards to the land banking, particularly in Cooroy. Roz, you mentioned in your opening statement a relationship that you have with Metcash. Do you sign up to an arrangement with the IGA brand, and is there a cost associated with that?

Ms White: It is more an alliance. We have an agreement with them. It is not a franchise model, so there are no ongoing royalties paid. It is an alliance where we agree to be compliant with their branding standards, that we will fulfil and tie up to their promotional programs, and that we will deliver consistent standards to meet the market to make sure we are true competitors. It is more like you are subscribing to a banner.

Ms PEASE: I am very fortunate, I have an IGA in my electorate. I did have two IGAs, but unfortunately, due to some shenanigans by one of the large chains, that Drake's IGA was forced to close, again, because the competition moved in and was too great. You have mentioned competition and that competition is a good thing. You talked about your instance where a large chain moved in and took away your business. Is there any opportunity for balance? As you have said, competition is a good thing as it gives people options? What would be a better model to protect the interests of those smaller businesses?

Mr Mackenzie: Can I speak to that? The net community benefit test, properly implemented, would enable planners to have a discussion with proponents for new supermarkets or for rezonings for new supermarket sites which makes them appropriate in scale. It would not be a matter of, 'I am coming to town at any scale I like.' It is, 'I am coming to town at a scale of, let's say, 1,500 square metres instead of 3,000,' which is your standard, full boxed supermarket, enabling everyone to survive.

Ms PEASE: I did want to acknowledge the great work of the IGAs who buy local, and I have experienced and seen some of the lovely stores and how nicely they are set up. What I am interested in is the costing model with regards to the pricing of the produce you sell. Is that decided internally by the actual store, or is there an oversight by Metcash?

Ms White: Not when we negotiate directly, no. Absolutely it is just a direct family-to-family business where it is mutually beneficial. The farmer gets his cut and we are able to put some margin on it and still deliver it to the consumer at a competitive price.

Ms LEAHY: I am interested in how energy costs in recent times, perhaps changing labour costs and also payroll tax have impacted your pricing in your businesses. I am sure they impact all of you.

Ms White: Very much so. We have been able to adopt any technology we have been able to. Because of our ability to have a relationship with a local producer or manufacturer, we were able to test a prototype for highly all-star, energy rated refrigeration, as an example. We were able to test his prototype in the market which then enabled him to grow into a big business. It delivered exactly what he had promised it to do, and that is the trust element of having a working relationship that has been 20-plus years long. We were able to shave a 35 per cent reduction off consumption which has actually resulted in a reduction in costs. That is one example of taking initiatives and being able to work with other groups and suppliers, manufacturers and producers to make sure we have the most efficient processes in place. It is a big key focus for us ongoing.

Ms LEAHY: You are trying to drive down your energy costs. I am wondering about labour costs. Do you operate seven days a week, probably 7 am till 7 pm, will that be right?

Ms White: 6 am to 8 or 9 pm, seven days a week.

Ms LEAHY: Have labour costs in recent times put a lot of pressure on your pricing as well?

Ms White: At the moment we are absorbing all of those costs and finding efficiencies in our business to maintain our viability, but there is pressure, absolutely, like everyone else is feeling. We are not immune to that, but it is essential that we continue to look after our team because they are a critical part of what we do and they are a local family, like all the other local families that we want to support. That would be the absolute last thing that we would ever want to do is cut labour. However, you have to maintain your viability, so we are very strict with our budgets on wages and we do make sure that we keep a really solid eye on making sure that is kept at a viable level.

Ms LEAHY: To Metcash, I am assuming you pay payroll tax?

Mr Leisk: Yes, we do, indeed.

Ms LEAHY: I am wondering how that has impacted on some of your pricing as well in recent times.

Mr Leisk: Once again, we try to absorb as much as we can and we run a very skinny bottom line. However, for Metcash, it is about sharing best practices—what we learn from one retailer to another retailer and how we can change it. We deliver to the outback communities, the real communities where there is only like 1,000 people or 300 people. We do not just do IGA; we do 460 small supermarkets, some small, some big. We go from Cunnamulla to Cooktown. During the most recent floods there and the cyclones in North Queensland, we went to the islands. We have to help those people understand what payroll tax is and how much they are paying in payroll tax, let alone the freight. We have to get freight out to Cunnamulla, Mount Isa, Cloncurry, Charters Towers—all those areas we deliver to—so 2,400 kilometres from our warehouse in Crestmead, and we try to bring those costs together to make sure the stores can run at the best possible price.

Ms PUGH: My question will be to you, Roz, because of your direct experience as a retailer. Can you speak to some of the kinds of tactics that you may have seen from the big two supermarkets in terms of trying to squeeze competition out of the market? We have heard about that very specific example in Milton, but I am keen to hear about some of the smaller tactics, I guess, that they might be using to try to squeeze other operators out of the market and reduce competition for Queensland consumers.

Ms White: There is another example of exactly the same thing that happened at Milton happened at Coolum, exactly the same, where the Coles bought the entire shopping centre and then the independent retailer had no lease, and that was the end of his 25-year business. In terms of other general tactics that may be applied by a major competitor, it is the ability to take a really strong pricing strategy. Again, it goes back to their ability to have good financial backing. If the independent retailer was a small, tiny one-owner store, they would find it very difficult to compete against that strategy. That may be a tactic that may be applied.

Ms PUGH: So predatory pricing?

Ms White: You could use that terminology, I guess, yes.

Ms LEAHY: You mentioned, Roy, some long distances that you freight groceries to, places like Cooktown and Cunnamulla. Can you advise what is impacting those freight costs and what challenge that is presenting you in relation to pricing for the consumer?

Mr Leisk: Labour is one. There is the cost of labour and the cost of fuel. There is a government subsidy that the government was kind enough to keep in place until the end of June. Hopefully that stays in play. It was a subsidy in play for a number of years. That affects 34 stores inside the network to deliver the prices out there. If you think about it, if you are filling a B-double, which is a road train, which you can fit 44 pallets on, versus a smaller truck with 24, you are paying for the truck to go out there, so the operators you could be paying double that for the chain just to put stock on show. If you think about the price of cereal, paper or chips, they are very light on the pallet. By the time you put it on the shelf, you may not be making money when you put it on the shelf, but you are in the community and we actually deliver to community. It is a battle day in and day out to make sure we can give the right pricing. We are conscious of the community. We live in the community where we employ, so we do keep pricing down as low as possible. We have become more competitive in the last five years, and even in the last two years, than I have ever seen before, and I have been in the business 22 years. We have some of our supermarkets going head to head with the chains on the same pricing and sometimes better, where we can. Those are the bigger stores because we can fill trucks and it is more economic to do that; you can optimise space and things.

CHAIR: In the interests of making sure Mr Scott can pursue his line of questioning, we will turn to Mr Scott and then return to the member for Warrego.

Mr SCOTT: I have a couple of very brief follow-on questions from the questioning of the member for Warrego and then I will hand it back over to the committee. In terms of the freight costs that you were describing, Mr Leisk, you mentioned a government subsidy that presently exists that goes until June.

Mr Leisk: Yes. In a number of stores. Some have been cancelled. There are a number of stores still in play.

Mr SCOTT: This is the subsidy by way of a contract to Linfox?

Mr Leisk: That is correct.

Mr SCOTT: For which stores was that cancelled?

Mr Leisk: I would have to pull the list out. I can take that on notice and send it to you. There are 34 stores. Currently there are 10 stores in play and still on hold until 30 June, I think.

Mr SCOTT: If you could take my last question on notice that would be great. Can you give an indication of the types of areas or the centres this subsidy affects if it is in force?

Mr Leisk: One hundred per cent. Longreach is one. It is the out west stores, so the country stores which are being affected the most.

Mr SCOTT: Can you indicate what the impact would be if the subsidy was ended all together?

Mr Leisk: I can give you my opinion. What happens is you are doubling the price of your freight in some cases going out to those stores. You are talking about small communities, you are talking about small businesses—mum-and-dad businesses at times—but they have to stay open, so they have to recover some of those costs. There could be price increases if that was the case.

Mr SCOTT: Those are my questions on this topic if the committee wishes to ask further questions.

Ms LEAHY: Mr Leisk, can you give us an outline of the value of that subsidy? Do you know what that is in dollar terms in total?

Mr Leisk: I sure do. I will have to pull that out for you and give you all the costings of that. We are currently in negotiations with a number of different suppliers, or a number of different freight owners, but I can give you that. I will take it on notice and send it through.

Ms LEAHY: That would be fantastic if you could do that.

Mr Leisk: As a rule of thumb, what I have looked at and what I have seen, it has doubled in price for some of our stores. Can I add something to that? We are doubling our freight into some of these areas, even though we buy locally; 50 per cent of what you are selling at supermarket you will be paying more freight for. We try to offer a service. We are there for mum and dads, schools and everything else, but the trading hours we work will be longer than the chains so that we can fulfil those community beliefs. People start work in the regions a lot earlier than they do in the city, so we need to be open. That is another cost factor, I would say.

Ms LEAHY: You will be able to provide the committee with some information about that?

Mr Leisk: I will provide the committee with the stores and the increase in costs, no problem.

Ms LEAHY: The stores would have no option. They are family run businesses, so they would have no option but to pass the costs onto their groceries?

Mr Leisk: We have different programs. As I said, we share best practice. We work out what we can do best. We have a tender on those freight contracts, and we work out how best we can save money. We have made some good savings in some areas already, but that is a tedious job and we will keep fighting in that area. Then we will work out in different areas where we can support and help.

Mr MINNIKIN: My question is specifically to you, Mr Mackenzie. You have talked in relation to four examples of what I would call land banking, essentially. I would like to talk in relation to a site that is impact assessable and needs to go through a material change of use. It is my understanding that as part of the planning process there needs to be a competition analysis as part of a supporting DA, and I am also aware of the net community benefits test. You have said before the committee that you think the net community benefits test needs to be more standardised across jurisdictions. Which other state jurisdiction would probably have a model or exemplar net community benefits test?

Mr Mackenzie: The problem we observe—and it is a problem across all states—is that town planners, generally speaking, almost without exception, take the view competition policy is not considered in the planning assessment process on anything. I cannot point you to a state where the net community benefit test—although the words would say you might want to take that into account, town planners exit the building when you start to talk about comp law on the basis that they say, 'We don't deal with that.' Communities want them to deal with it.

Mr MINNIKIN: Do you think, legislatively, the net community benefits test needs to be defined more accurately in planning law?

Mr Mackenzie: Yes, it needs to be defined more accurately and beefed up to reflect what communities think it is doing and want it to do, and that is to take into account the competition impacts that arise from a rezoning or a strategic remapping of an area, so that competition is encouraged, so the towns get more choice.

Mr MINNIKIN: Mr Mackenzie, if the net community benefits test was to be strengthened consistently throughout the state via local governments when they are looking at planning applications for retail, would it be a recommendation of yours to this committee that that should be something in turn that this committee recommends as part of its findings?

Mr Mackenzie: Yes, we do.

CHAIR: Mr Leisk, does Metcash have a presence in the city of Cairns?

Mr Leisk: Yes, indeed.

CHAIR: Can you please talk me through what that presence looks like?

Mr Leisk: We have a number of stores in Cairns. I could try to name them. I could not tell you the number right now today, but we have about 10 stores in Cairns.

CHAIR: A distribution centre in Cairns?

Mr Leisk: No distribution centre.

CHAIR: Do you supply out to the IGA in Yarrabah—to the independent store in Yarrabah?

Mr Leisk: I am not sure where that is, to tell the truth. If it is in Queensland, we would do.

Mr Mackenzie: We will take that on notice and come back to you.

CHAIR: This is a bit of a leading question. The answer is that, yes, there is a store in Yarrabah which is a remote Aboriginal community, about an hour out of Cairns. The committee visited Yarrabah as a way to examine how costs may go up and so forth in regional communities. The manager of the store said that, to be supplied with two pallets of goods, it cost him $900 for Metcash to deliver those two pallets from Cairns to Yarrabah. Is there any reason a one-hour drive would cost $900, or does that seem like something which might be a little bit excessive?

Mr Leisk: It does, indeed. Two things: the store in Yarrabah might have been an IGA many years ago; I do not believe it is an IGA now.

CHAIR: Sorry, and that is why I said 'independent store'.

Mr Leisk: We used to deliver to a number of Indigenous communities and the islands, like CEQ and the freight model is that the retailer pays the freight. They can have their own contract in their dealings with the freight companies. We do not actually control who they use or when they use it. We control it from our DC to the first step to the warehouse. However, if you think about Thursday Island and CEQ, when we used to deliver to them, we would go by train to Cairns. From the trains, it would go from the depot to the CEQ carriage through depot, and then across on the barges. Think about those three steps. On Magnetic Island, it is the same thing: we deliver it to Townsville and then it goes straight across on a barge. We will help negotiate, but it is cost that is passed straight through.

CHAIR: Do you think that perhaps—and this is not something that would be binding of the committee, but as the committee is taking forward suggestions around recommendations—this is something, Mr Leisk, that Metcash could look into more about that particular situation in terms of what are the factors determining that $900 transport cost and whether or not Metcash can play a positive role in assistance in any way?

Mr Leisk: Yes, happy to take that on notice and have a look at it; no problems at all. What I would tell you though is about our dealings through COVID in terms of some great conversations, great collaboration and support and help that we got, and Premier Miles was the deputy at the time and did come and look after the independents and helped us out. However, we used to do CEQ and all the islands and we put a program in place to support the islands and Indigenous communities with freight, but that has gone to one of our competitors now. We cannot just pick and choose and take one little bit of the market; we have to use scale as well. We work on a small bottom line.

I would also say that we deliver to Foodbank but also there is a kitchen in Morningside. We deliver to different communities in the outback that have Vinnies or Lions group meals for free, so the kitchen cooks all of the meals up, we give them food and we actually put them on the top of the retailers' pallets and it is for free. We will help anybody anywhere at any time because our goal is to champion successful independents and thriving communities. However, what I would say is that we all have to work together to get it right and through COVID we lost quite a bit of business where people jumped in and saw an opportunity, I would say. I just wanted to put that on the table. If we can help any community, we do.

Going back to COVID again or the floods, we had the Black Hawk helicopters land and we filled them up with water; we filled them up with whatever they wanted. We do not charge. When there were the last lot of floods in Cairns, we sent two trucks up with water to just give it out to the community and deliver it where they could at no charge. So we are community based. We want thriving communities. We want to open up the hours to deliver. We want the cheapest freight so we can give you the best prices on the shelf at all times. That is where the local farmers love the independents, because we buy from the local farmers. If there are excessive crops, they come to the local independents.

CHAIR: Thank you for that commitment to review that matter in Yarrabah.

Mr Leisk: I will review that.

CHAIR: I appreciate that.

Ms PUGH: We have heard from previous evidence that around 65 per cent of the market in Queensland is dominated by the big two, with a further 10 per cent sitting with Aldi. I guess my question is to you probably, Ms white, but anybody else who wants to jump in can. What are the impacts on Queensland consumers of having a grocery market substantially dominated by two major players? How do they lose out?

Mr Leisk: If I can just make one point on that, what they will lose out on is that we will lose the community stores. We do a lot of community stores and those stores will close unfortunately because mum and dad will not keep them running or keep them going if the chains start building these hubs. What you have seen in the past is ghost towns where we are walking down the street and all of these independent stores are closing down because they are going to that one hub now. That is what you are going to lose as a state, as a community. You are going to lose that community feel.

Ms White: Just to add to that in terms of what Roy has just demonstrated there, it is the butcher, baker and candlestick maker that sit beside the local IGA—the scratch bakery, the provedore butcher, the newsagent, the chemist and the doctor in little centres that are in the neighbourhoods that actually provide enormous convenience to people and access, which is very important for customers. So it is about choice; 100 per cent it is about choice. If you do not have choice, then suddenly as a shopper you are being dictated to. Once there is dominance, then for the shopper this is just what you get. Competition brings diversity. It brings vibrancy. It adds jobs that are in our community, in our economy, in this country with Australian manufacturers and local manufacturers. Everything about having a truly competitive environment and allowing consumers to have choice is good. Too much of a good thing is not a good thing—that has been a quote that has been used many times in the past that we are all familiar with—because it creates a bland environment and it is not good for anybody.

In particular, there are a lot of wonderful, very talented, clever, creative beautiful people in Queensland who create amazing new products—artisan, bespoke—and most times or 99 per cent of the time they get their start with a small operator like White’s which is what has created our Locavore program to be so successful. It is very important for them to be able to come and sit down and have a conversation. They are not necessarily huge capacity. They may not ever want to be huge capacity. They are small batch, handcrafted, beautiful, bespoke artisan products of which they have enough for their business to sell to the local IGA or the local chemist or the local newsagent. They play a critical part in that choice. They play a critical part in the market and in the community. We all have a responsibility to make sure that that is never lost.

Mr Mackenzie: Ms Pugh, I might add that we will send to the committee a copy of a submission made by IGA retailers to the mergers review which outlines the economic thought on this, which is that above 30 per cent market share you start to exercise powers not in the interests of consumers.

Ms PUGH: Thank you.

Mr MINNIKIN: Mr Mackenzie, notwithstanding the Milton example that you referred to earlier, are you aware of any other cases in Queensland where independent supermarkets have been forced to close due to anticompetitive behaviour by the major supermarket firms? Are there any other examples aside from Milton?

Mr Mackenzie: The store did not close, but the example that sticks in my craw was the Gordonvale spot rezoning for a Woolworths literally on the roundabout as you enter town about a kilometre away from the main street. The main street had lots and lots of land. You could have built a supermarket. It was not a question of there was not the land properly zoned, but the site on the roundabout was on the Bruce Highway, and that is the killer king hit side—not zoned for retail but of course spot rezoned through a court case which at the time, and this was about 12 or 13 years ago, was considered an unusual decision by the court. It was opposed by council. They stuck to their plan because they said that the shops should be in the centre of town. Of course, that leads to the slow and gradual decline of the shopping centre at Gordonvale, and it should not have happened.

Ms PEASE: I want to speak to Mr Leisk with regard to the relationship that you have with your horticulturalists. Does Metcash buy or have relationships with growers directly?

Mr Leisk: Yes, indeed.

Ms PEASE: What sorts of contractual agreements do you have with those suppliers?

Mr Leisk: It is more of a relationship than anything else. We have 30 suppliers that we deal with directly, and the price will fluctuate. Depending on the farmer and the farm we are dealing with, we may put a promotional plan in play for the future. However, the price drops and the price goes up and there will be a conversation and a chat and we go through with it and then we may lock in for that period of time on a buying program, but there is no contract. We do not pre buy for six months or 12 months; we will deal with the market on play, and that is where we find we have a great relationship. We have a smaller volume to deal with, but it works really well for farmers and ourselves.

Ms PEASE: Does it appear to be the same supplier generally, or do you move around?

Mr Leisk: It depends on the product, so whoever is delivering the product. In Queensland we stick to Queensland suppliers. Where needed, if we have to get different season products we will have to go interstate. Once we have a good relationship and we are getting the products on the ground, we will stick with that supplier.

Ms PEASE: Do you ever engage in practices where you say, 'We want to have a special'? We have heard about this from other supermarkets where they have gone to their supplier and said, 'We want to have a special. Can you give us that product at a cheaper price?' Is that how you might operate?

Mr Leisk: No, we will sit there and have the conversation with the supplier and work out what is in season or what is in the market and what the customer is looking for and then we will work out what is best for us to go forward and we agree on the price.

Ms PEASE: Have you ever had any complaints from your horticultural providers with regard to their dealings with Metcash?

Mr Leisk: Not at all. We are getting better and better and meeting more and there are more wanting to come on board. We are learning as we go along, and our produce business has grown. The other thing is we can spot buy, so we have other farmers who may pop in and say, 'I've got excess product.' Once they have been HARPS approved, we will purchase from them as well, so we are in a good position to help farmers out where possible and where needed. They may come to us and say, 'We've got a glut of product. Can you put this on special in a couple of weeks time?' They may come and say, 'Our competitors didn't purchase this. Would you like to take this on on a special price?' Where possible, we will help out because what that does for us is that we are delivering it at a new price for our customers—and sometimes a cheaper price for our customers—and helping the locals. Remember, a lot of local farmers are actually buying from the IGA stores or are supplying the strawberries into Gatton. They have a relationship, and some of them are landlords and some of them are actually retailers as well, so we are very close with our farmer network.

Ms PEASE: Lastly, does IGA participate in the voluntary supermarket code of conduct?

Mr Leisk: Wholesalers, yes, we do indeed.

Ms PEASE: The wholesaler?

Mr Leisk: Yes.

Ms PEASE: Thank you.

Mr PERRETT: As a follow-up question, I think Mr Leisk mentioned Rocklea earlier. You just covered off your direct relationships with farmers. Obviously you operate within the Rocklea market as well to source some of your product?

Mr Leisk: We do, yes.

Mr PERRETT: So you have buyers that operate there on your behalf?

Mr Leisk: Correct, yes, and we have a shed in Rocklea markets.

Mr PERRETT: Okay, and that obviously works well? Is it something that has been in place for a long time?

Mr Leisk: It has been in place for a very long time. The shed was ex-Franklins. It was ex-Franklins and we have had it there now beyond my days, so it has been over 22 years that we have been dealing in the produce markets.

Mr PERRETT: I just asked that because obviously a fair deal of Queensland's produce goes into that area that is not directly contracted to the majors and is an important part of the horticultural—

Mr Leisk: A hundred per cent.

Mr PERRETT: Yes.

Mr Leisk: On that, we will deal fifty-fifty. That can vary, and some of the farmers now are their own agents in the markets as well. We will deal with the markets and we will deal with the farmers, and we will top-up in the markets as well. We also have retailers that will come to the markets and spot buy, so when the provedores or the agents have excess stock and they are trying to get rid of it we can buy and sell it on the same day. It could be small quantities or it could be larger quantities, so the relationship there is quite buoyant. We support each other quite a lot. We have a good presence in the markets. The other thing just while on produce is that we will also help backfill. If we can bring produce out of North Queensland back into the markets from our transport going up, we will do that as well, therefore reducing the cost of freight, and that is where I am talking about trying to share best practice and trying to reduce the cost of goods into all our stores where possible.

Mr PERRETT: So that assists the farmers obviously. If you can backload—

Mr Leisk: It assists us all.

Mr PERRETT:—it assists everyone—

Mr Leisk: Yes.

Mr PERRETT:—to be able to get their produce to market at a cheaper cost.

Mr Leisk: For Metcash to win or for the retailers to win, suppliers have to win—the suppliers being everybody. The retailers have to win and then Metcash has to be able to provide those set of goods, so the services and best practices.

Mr PERRETT: This question has not been touched on in anything that you have submitted previously but by the previous witnesses, and this is probably to Ms White. Just in and around the regulatory environment for liquor sales, obviously the major supermarkets have a significant hand in there. I want your thoughts in and around whether that is something that you think that may advantage your operation if you are able to be involved in that part of the market.

Ms White: Sure. In terms of liquor, I do not think there is any independent supermarket in Queensland that wants to sell rows and rows and aisles and aisles of liquor, but most certainly there would be a wonderful opportunity there that exists for independent retailer supermarkets such as our stores—not all would want to participate—where we could have a relationship with a local artisan Queensland-made product, whether it be gin or the Flametree winery at Montville or Sunshine & Sons at the Big Pineapple at Nambour, where they are producing a small batch, handcrafted, beautiful product that would then complete the shopping experience for the customer so they could match it with their beautiful locally made cheese and create a real experience that is unique and champions all of Queensland business. There is a place on the shelves, but I think it would be making it niche and a diverse alternate choice for consumers.

Mr PERRETT: Thank you.

CHAIR: I have two relatively quick questions and I ask for relatively quick answers please because we do need to move on. Are any of you aware of other retailers charging shelf fees for the prime position of products on shelves?

Mr Leisk: Retailers can have agreements with suppliers for market information or they may do specials with different suppliers.

CHAIR: It was just that yesterday Woolworths ruled out that they do not charge any extra fees for proximity on a shelf. I am just wondering do Metcash and IGA—

Mr Leisk: Metcash should not, no.

CHAIR: Are you aware of any other retailers that do engage in that practice?

Mr Leisk: I cannot say I am.

CHAIR: Finally, should the food and grocery code be mandatory?

Mr Mackenzie: We have submitted yes.

CHAIR: Excellent. Thank you very much for appearing. We do appreciate your time. We do have quite a number of questions on notice, so the secretariat will liaise with you and send correspondence with those to you. If your responses could please be returned to the committee by Friday, 17 May 2024 so that we can include them in our deliberations, that would be wonderful. Thank you very much. The time being just past 11, the committee now dismisses you and wishes you a good day.

Mr Leisk: Thank you for your time.

CHAIR: I now call the representative from the Australian United Retailers, Mr Wayne Mason.

MASON, Mr Wayne, Manager, State Operations—Queensland, Australian United Retailers (FoodWorks)

CHAIR: Mr Mason, would you like to meet me at the end of the table and take the affirmation.

Witness was sworn or affirmed—

CHAIR: Thank you, Mr Mason. In a moment, we will ask counsel and the committee to put forward questions to you. However, I do invite you to provide a brief opening statement.

Mr Mason: I thank the committee for allowing me to present and address my submission. As the state manager for Australian United Retailers, I am representing our member store owners in Queensland. AUR operates in Australia under the main brand of FoodWorks and has 103 branded FoodWorks stores and other stores branded under their name. Around 70 of them operate under their own name. We represent them as a buying group. We operate and use wholesalers. Each of the stores are family owned businesses and purchase their stock from a main wholesaler in Brisbane. There are four major cost centres in our stores that are affecting the profitability of businesses: rent, wages, power and freight.

The cost of freight is managed by the wholesaler and passed on to each store. There is a contract between the wholesaler and freight provider that is then charged on to stores accordingly. My submission addresses the cost of freight in respect of the DTMR subsidies under the transport service contract. Subsidies to freight providers under the western rural services and Linfox Intermodal RTSC subsidies are going to be removed. We were advised by our wholesaler that the cost of freight would go up and these increased freight costs would increase costs by up to 351 per cent. Very little notice was given in respect to the removal of any freight subsidies.

I refer to areas where funding has ceased effective from 1 April 2024 or has been extended to 30 June. Funding has ceased for perishables, produce and grocery for the following regions: Roma, Mount Isa, Cloncurry, Julia Creek, Hughenden, Colonial and Dalby. Funding has ceased for perishables and produce only—grocery is the only category extended to 30 June pending the tender review—affecting the areas of Barcaldine, Longreach and Winton. The regions where funding has been extended for all commodities, and extended to 30 June pending the tender review, are: Mitchell, Morven, Charleville, St George, Cunnamulla and Thargomindah. These extensions were only made at the eleventh hour after a bit of pressure from us writing to the committee.

Small business plays a major part in the economic health of regional and remote areas in Queensland. It is a major employer and source of supply for basic commodities. Major supermarkets have 80 per cent market share and they wield significant market power. They only service markets that are profitable. This has impacted on all industries including groceries, fresh food, freight and logistics, construction, property development, manufacturing, farming and primary industries because suppliers follow them and so do the services that go with them.

Queensland is losing farmers and allied industries at a fast rate. We need to encourage people back to the rural Queensland primary industries and services that make it possible to have a reasonable lifestyle outside of the cities so that we can feed ourselves and have food security. Freight impacts on fresh food prices and grocery prices and the ability for small businesses to survive and service rural communities. It is our belief that there is a need to support and provide incentives to ensure that rural communities continue to remain healthy and continue to grow.

QRIDA is administering the Remote Communities Freight Assistance Scheme. The purpose of the scheme is to reduce the amount of freight costs essential to goods that are passed on to the consumers of the goods in remote communities. We believe it is imperative that the subsidies be reinstated and the scheme be expanded as part of the Queensland freight strategy for all users.

CHAIR: Thank you, Mr Mason.

Mr SCOTT: Mr Mason, would it be right to say that you were present during the evidence of the representatives of Metcash?

Mr Mason: Yes.

Mr SCOTT: You heard their evidence about their recommendation for the community benefits test in planning law being changed?

Mr Mason: I heard that, yes.

Mr SCOTT: You heard their rationale for that, that it would improve competition and make it easier for independent retailers to compete?

Mr Mason: Yes.

Mr SCOTT: Do you have any comments on that recommendation?

Mr Mason: No.

Mr SCOTT: Do you support that recommendation?

Mr Mason: Yes, I do.

Mr SCOTT: Your opening statement spoke at some length about the freight subsidy arrangements made by the Queensland government; correct?

Mr Mason: Yes.

Mr SCOTT: You indicated that those arrangements are progressively coming to an end?

Mr Mason: Yes.

Mr SCOTT: May we understand that there is consideration of them ending altogether?

Mr Mason: Yes.

Mr SCOTT: Can you elaborate on what impact that might have if that were to occur?

Mr Mason: If prices go up by 351 per cent for the cost of freight then that is going to get directly passed on to consumers. The cost of goods in country areas is going to go up.

Mr SCOTT: So 350 per cent is what we are talking about?

Mr Mason: Up to. It varies by region, depending on where the store is and how much they are shipping.

Mr SCOTT: For example, you mentioned Roma. There has been a ceasing of at least part of the subsidy for Roma.

Mr Mason: Yes.

Mr SCOTT: Was that for a particular category of good or all categories of goods?

Mr Mason: Perishables, produce and grocery for the regions: Roma, Mount Isa, Cloncurry, Julia Creek, Hughenden, Colonial, Dalby.

Mr SCOTT: Can you indicate what impact that has had for the price of goods in those areas?

Mr Mason: Costs have gone up with freight. If freight goes up, the cost of goods into store goes up and, therefore, the prices have to adjust. Either prices go up or the retailer makes less margin and has less in their pocket to be able to pay their bills.

Mr SCOTT: You are here as a representative of IGA.

Mr Mason: No, I represent FoodWorks.

Mr SCOTT: I beg your pardon.

Mr Mason: As FoodWorks, I guess, we are separate organisation. Australian United Retailers is not owned or controlled by Metcash. We are a major customer of Metcash. Nationally, we have 550 stores but in Queensland we are a major customer of Metcash.

Mr SCOTT: Forgive my slip of the tongue. There have been a few witnesses over the last couple of days. As a representative of FoodWorks, you speak on behalf of a number of independent retailers; correct?

Mr Mason: Yes.

Mr SCOTT: You would have knowledge of the experiences that those retailers have had with competition by major chains; correct?

Mr Mason: Yes.

Mr SCOTT: Can you perhaps assist this committee by telling any stories that you are aware of about those impacts?

Mr Mason: Does it relate to freight, or anything in particular?

Mr SCOTT: Anything.

Mr Mason: It was mentioned about a couple of sites at Milton where there was a change to the zoning. This happened also in Loganholme. Going back quite a few years, Loganholme at Cornubia they built a large neighbourhood centre on the corner of Redland Bay Road and Bryants Road—

Mr SCOTT: Sorry to cut you off, but when you say 'they built a large neighbourhood centre'—

Mr Mason: Sorry. A major supermarket chain, which was Woolworths, built a large neighbourhood centre. That centre was rejected in planning twice prior and then, third time lucky, they got through and built a neighbourhood centre. It was technically supposed to be a neighbourhood centre, but it was 3,800 square metres of supermarket which was bigger than the store in Carindale. The consequence of that was that the FoodWorks on Bryants Road lost half its business and in a short space of time afterwards ended up closing.

Mr SCOTT: Is that an experience that has happened to your knowledge on a number of occasions over the years?

Mr Mason: It happens all the time where we get competition. If a Woolworths decides to go somewhere, they go there. It does not matter who is already there, they are just going to wear it. Woolworths got built next to our store at Oxley, and it just crucified the business and it ended up closing.

Mr SCOTT: Can you speak about the benefits of the availability of retailers such as FoodWorks to local communities?

Mr Mason: We do not have many in Brisbane. Most of our stores are in the country. We have stores in Bundaberg, up and down the coast, but a lot of them are out west, so Longreach, Dalby, Tara, St George. They are reasonable sized stores, and without us there would not be too many people to service the community. In places like Tambo, it is a very small store but we are the only operator there. So we play a major role, I think, in the health of the rural economy in providing employment and services to people in those rural communities where Woolworths and Coles do not want to go. They only want to go where they are going to have profit.

Mr SCOTT: Am I right in understanding the effect of your evidence you have just given is that FoodWorks often operates in remote areas where the majors do not?

Mr Mason: We do operate up against the majors in some locations. But, yes, generally we cannot survive up against a Woolworths because of their economies of scale.

Mr SCOTT: My question was imprecise. What I was getting at was acknowledging what you have said about the competition you experience with majors in the major centres, what I am seeking to focus on with these questions is what you offer to rural and remote communities that are not serviced by the majors. Am I right in saying that is one of the things that FoodWorks offers?

Mr Mason: Absolutely.

Mr SCOTT: For example, is there a FoodWorks in the cape?

Mr Mason: No. The furthest northern store that we have, we do service community stores up at Seisia.

Mr SCOTT: Seisia, did you say?

Mr Mason: Seisia, yes.

Mr SCOTT: That is just before—

Mr Mason: I do not know, but it is a long way away. We also service and we have a great store in Normanton, which is a wonderful flagship community store. It now has an 800-square-metre supermarket which has electronic pricing. So we play a major role in those areas. At Cloncurry down the road, which is a few hours away, we have another large supermarket that services that community and we have stores in Mount Isa. A lot of these areas we operate in, we are the major operator. There quite often can be competition from IGAs as well as FoodWorks, and we share that market with all players, really. There are multiple stores with different brands that we compete with. When it comes to dealing with chain stores, it is pretty hard to go up against a chain store. Wherever we go up against a chain store we lose half our business. It is very hard to survive up against a major supermarket.

Mr SCOTT: In your opening you made a recommendation for the freight subsidy to be expanded. Can you elaborate on that, please?

Mr Mason: What I do not understand is why we would want to make it more expensive to live in the bush—the cost of goods going to these places. If we do not service those communities they are not going to survive. Why would anyone want to run a business where you work 16 hours seven days a week to make a marginal return and then live in Julia Creek or any of these other locations? These are special people, and if we do not support them then the communities that lean on them for supply and employment are not going to survive too well either. Everyone will move to the cities and we will have no-one producing cattle, we will have no-one milking cows, we will have no-one growing cotton. In all of these communities we are losing farms at a fast rate, and we cannot keep ignoring the need to support regional communities and regional economies. If Coles and Woolworths are not going there, who is going to service them?

Mr SCOTT: Those are the questions I have on this topic for this witness if the committee wishes to ask some questions.

CHAIR: Thank you, Mr Scott. Mr Mason, thank you for coming in. In centres like Bundaberg where we do have FoodWorks in competition with IGAs, but also multiple Coles and Woolworths, comparatively how do your prices sit? Are they competitive? Are they able to be offered at lower or just slightly higher prices in those competitive markets?

Mr Mason: Our pricing structure revolves around a promotional program which weekly gives retailers the ability to be very competitive on price. Our specials, depending on what size store you are, are almost equal. We have some stores that run price match programs and run prices similar to Woolworths. In fact, we use that as a base.

CHAIR: In your opening you said that advice has been received that the Department of Transport and Main Roads' regional freight transport service contract may not continue. In relation to that particular advice, who provided that advice?

Mr Mason: Our wholesaler, which is Metcash.

CHAIR: Did Metcash say they had a conversation with the Department of Transport and Main Roads to seek that advice?

Mr Mason: We do not deal with the department. We just rely on the advice from Metcash. Metcash logistics do the negotiations on behalf of everyone, and they do not differentiate between IGAs or FoodWorks or anything else. They just do it blanket for everyone because we are all in the same boat. They provide us with the advice as to why prices are going up in these regions, and that is where we get our information from.

CHAIR: There has been no correspondence between yourself and the department to confirm that the advice sought is accurate; is that correct?

Mr Mason: No.

CHAIR: On the table in the second and third column could you please elaborate on 'Gro Per FV' and 'Bin' just for clarity for the committee, please?

Mr Mason: Sorry, what is that?

CHAIR: In your opening submission you have the table here. You have 'Customer Name' and then 'Gro Per FV'. Could you please just elaborate on columns 2 and 3 and provide some details?

Mr Mason: Customer name, obviously a store; grocery, perishables or fruit and veg. Then there is the number of pallets, I believe, and then that is the current rate, the new rate based on the subsidies being removed, and that increase.

CHAIR: So 'Gro' stands for groceries and 'Per' is perishables?

Mr Mason: Yes.

CHAIR: Thank you. The rate is based on what Metcash say they would have to increase charges by for freight; is that correct?

Mr Mason: The charges that Linfox pass on to Metcash just automatically get charged through to the retailer.

CHAIR: The model is based on if that subsidy was to no longer exist; that is what they base their rates on?

Mr Mason: Yes.

CHAIR: But we do not know for sure that the department is planning that.

Mr Mason: What I cannot tell you is what the differential is between what Linfox would do with the subsidy and what they charge Metcash. We are not privy to that.

Ms PEASE: I am just trying to get a bit of an understanding and overview with regard to AUR. With your FoodWorks owners, is it similar to a franchise arrangement or are they independent?

Mr Mason: They are all independent. We do not operate a franchise. We charge a membership fee, which is cost recovery for administration only. We are not technically a franchise. We probably come under the code, but it is not really a franchise. We operate similarly to IGA. We do pretty much the same sort of thing and the charges are very similar between the two.

Ms PEASE: Are you a participant in the voluntary supermarket code of conduct?

Mr Mason: Individual stores would be, yes.

Ms PEASE: Individual stores?

Mr Mason: But we do not operate as a group that way. We do not dictate to the stores what they do. But with respect to them following the code, yes, we do.

Ms PEASE: Would you encourage your store owners to participate in that?

Mr Mason: Yes.

Ms PEASE: I assume you buy directly through Metcash for all of your products?

Mr Mason: No. We buy mainly groceries, frozen foods. Our fresh food, as in the case of IGA, comes from the markets at Rocklea, and we use a number of secondary wholesalers such as Fruitlink and IPP and those sort of secondary wholesalers, who then ship it to our stores.

Ms PEASE: So you act as an agent or merchant for those FoodWorks stores?

Mr Mason: Each of the stores deals directly with their other suppliers. A store might buy their groceries from Metcash, they will buy a number of other groceries independent of Metcash directly from suppliers. They will also buy meat from a supplier or they will buy it from a local butcher. Just like IGA, they will buy from local contractors, from other wholesalers and from Metcash.

Ms PEASE: I should acknowledge I also have a couple of FoodWorks in my electorate. They do very well, so thank you for that. One of the things I would like to raise is that you have mentioned—and we have heard here today particularly—that when one of the large operators comes in it impacts greatly on the smaller stores. However, you have also said that your owners often try to compete and put prices that are similar to those of the large providers. What is causing the loss of business? Do you have an opinion on that, or can you give any advice as to why people are walking away from the independent providers and going to the large chains?

Mr Mason: Through COVID we did very, very well. We were getting double-digit growth because people were shopping locally and did not want to go to the big centres. But now with the economic pressure everyone is under they are tightening their belts and going where they think they are going to get the best value. It is the perception that if you go to the major stores—Coles, Woolies or Aldi—you are going to get better value. That is not always the case. It also comes back down to the level of convenience. In today's market they are abandoning convenience to go for value, and that makes it harder for us because we do not have the range of goods that the big guys have.

Ms LEAHY: You mentioned the partial removal of the subsidy. Would it be correct to say the actions of that partial removal of the subsidy have already increased supermarket prices in those communities because of the increased freight cost?

Mr Mason: Yes, to shelf price. For example, Dalby has lost their subsidies. What has happened is things that are not on promotion, where there is a deal attached to it, their shelf prices might move up. Promotional pricing is a little bit different because we get deals from suppliers and that helps us get to a sale price. But in doing so, if the cost of goods to land in a store goes up and the price does not, then the margins are getting squeezed for these operators and they have less to pay wages, less to pay power, less to pay rent.

Ms LEAHY: Is it sustainable for a business like one in Thargomindah to have a 351 per cent freight increase?

Mr Mason: The Thargomindah business burnt down 12 months or so ago. They are rebuilding the store. The retailer said, 'If I had of known that costs were going to go up, I wouldn't have bothered.' The short answer is they are not sustainable. There will be more casualties in small business. More rural communities and economies will suffer if the freight subsidies are not put in place. We need to support people in the bush.

Ms LEAHY: If there is no grocer in those small communities or if the prices of their products are high and people say, 'Well, I can get that cheaper somewhere else,' do you think that the beneficiaries of that will be the likes of Woolies and Coles because people will shop elsewhere; therefore, there will be less competition?

Mr Mason: Quite possibly. As you know, if you live in the country, it is not uncommon to drive a couple of hours to go somewhere. They will travel—and they do travel anyway—and just do the shopping elsewhere.

Ms LEAHY: Is it correct to say that the removal of that freight subsidy will play straight into the hands of Woolies and Coles?

CHAIR: I will just caution you around hypotheticals.

Ms LEAHY: Well, they have to get their groceries somewhere, Mr Chair.

CHAIR: Sorry, Deputy Chair. I will not accept quarrelling. We have heard from this witness that the department is not corresponding in terms of whether the subsidies will stop or will not be on offer. We must work within the realms of what we do know. There has not been correspondence to this witness from the Department of Transport and Main Roads that the regional freight transport service contract will not continue. We do need to work within the terms of what is before us as a committee and what we know: that the correspondence that has not been provided.

Ms LEAHY: Have any other parties provided the witness with information in relation to the freight subsidy ceasing?

Mr Mason: No, I do not.

Mr MINNIKIN: To repeat—you may have answered this question for the chair—do you have any direct contact with the Department of Transport and Main Roads in your capacity?

Mr Mason: No.

Mr MINNIKIN: You would be familiar with and have a relationship with some of the mayors in the smaller country towns that you service?

Mr Mason: I am aware of them.

Mr MINNIKIN: Have you had any feedback at all from the mayors in relation to the importance of the freight subsidy? Did they mention it to you at all?

Mr Mason: No. The information I get is mainly through our wholesaler, Metcash.

Mr SCOTT: Do you know whether there has been any change over time in the number of FoodWorks stores over, for example, the past 10 years in Queensland?

Mr Mason: There is always change. We have stores come in and out all the time. They open, they close, they move around a fair bit.

Mr SCOTT: My question was incredibly imprecise, I apologise. I am talking about the overall number: has it gone up or down over the past 10 years?

Mr Mason: Down.

Mr SCOTT: Can you give us an indication of the rate at which those numbers have reduced?

Mr Mason: In my last 10 years, probably we have lost 30 or 40 stores.

Mr SCOTT: Out of how many?

Mr Mason: Out of 130 stores, we are down to 103 that are branded. The smaller stores, the unbranded ones—the ones that run under their own steam and do their own thing—they move. If we lose them, they might either get sold and open as something else or they close all together. In terms of smaller stores, we have gone from 100 down to about 70.

Mr SCOTT: Is there any particular pattern in terms of the stores that have been lost, for example, in rural or regional areas or in centres where there is competition with Coles and Woolworths?

Mr Mason: We tend to have more pressure in the cities than we do in the country. I mentioned Oxley before. That was a straight exit because he cannot compete. That happens on a regular basis, but you cannot expect an operator to keep losing money.

Mr SCOTT: Can you comment on the issue of availability of land and whether that has an impact on the ability of FoodWorks to participate in the market?

Mr Mason: Only to the extent that if we are looking for a site. We usually get developers come to us and say, 'Here is a site for you to have a look at.' They will pitch it to all of the market. There is a pecking order. First of all it will go to Woolies, then Coles, then Aldi, then IGA, then us and the rest of the market at the same time. Generally, there is a pecking order. We do not see good sites until after the majors have picked over them.

Mr SCOTT: We have heard some evidence about Coles and Woolies purchasing land in what are known as greenfield sites or development corridors where the population is not yet sufficient to warrant a supermarket and then developing the supermarket once the population has increased, and by which time the prices of land have increased. It might sound as though the answer to this question is incredibly obvious, but do any of the FoodWorks stores engage in that sort of practice?

Mr Mason: No.

Mr SCOTT: Would that be at all something that FoodWorks store owners could viably do?

Mr Mason: We just do not have the capacity to do it. A family owned business does not have a lazy few million to put down on a block of property and hold on to it.

Mr SCOTT: Can you comment on whether that practice that Coles and Woolies engage in has any impact on the businesses of FoodWorks stores?

Mr Mason: Not that I am aware of. I do know of land banking occurring. I have heard that there is land banking occurring in Agnes Water and that they do not always eventuate. When you hear of them acquiring land, we do not usually do much until we know that a DA is being approved on it.

Mr SCOTT: What about the practice of Coles and Woolies running supermarkets at a loss in an area near where for example a FoodWorks store exists until that FoodWorks store goes out of business; do you have any direct knowledge of that sort of practice?

Mr Mason: No, I do not.

Mr SCOTT: What about Coles or Woolies purchasing a property that is rented by a FoodWorks store and when the lease runs out not renewing that lease?

Mr Mason: I have not experienced that, no.

Mr SCOTT: Can you comment on any other anticompetitive practices that you are aware of engaged by Coles or Woolies?

Mr Mason: There is a question about policy. The previous witness was talking about liquor. If you go back to 1998, there was a liquor review and then Coles and Woolies bought up all of the liquor stores in Queensland and took a stranglehold on the market. In every other state, supermarkets, whether independent or not, can sell liquor. Certainly, there are different rules in each state, but Queensland is the only state in the country that does not allow for independent operators to sell wine, beer or liquor. It is probably the only place in the world where you cannot go into a convenience store and buy a six-pack. I went into Bayswater Spar in London and bought a six-pack. I had a guy from England come to one of our stores in Hervey Bay and say, 'Mate, where is your beer?' I said, 'Well, it is like this.' He said, 'What is wrong with you people?'

If you look at the current liquor laws in Queensland, they are restrictive in themselves. Talking about policy, trading hours is an example. We have been fighting the change in trading hours in the courts for as long as I can remember. I have personally given evidence on many trading hours cases. We win some, we lose some. In the main, that is an erosion of the marketplace in which the small businesses can operate. If we are going to have deregulation, let's have deregulation and make it a level playing field. That has not happened in Queensland. We do not have a liquor laws that are fostering growth or are a fair market. We do not have trading hours anymore because that has been deregulated. We deregulate one thing and not the other, and we are different from the other states. We are disadvantaging Queensland because of those differentials. They are policy issues, but a lot of those decisions are made at a high level. I believe that a lot of that happens with the incumbents because we do not sell liquor. That means we do not have a place at the table to make a statement about liquor laws or liquor reform.

Mr SCOTT: Mr Chair, I am conscious of the time and that members of the committee may well have some more questions for this witness. I might sit down at this point.

CHAIR: Thank you, Mr Scott.

Ms PUGH: The Oxley store that you were speaking about was in my community. I think the Woolworths opened next door in about 2013 and the FoodWorks, owned by a lovely couple, closed in 2021 from memory. Are you able to step the committee through those intervening years and what happens to a smaller, independent operator when one of the big two comes into the market in a city setting?

Mr Mason: That is a good example of what happens. If you get a Woolworths right next to you, what are you going to do? Your choices are: either I am going to play the game and invest more money—and probably get burned—or do I keep playing the game I am doing and just hope I survive or do I exit now? In the case of Oxley he probably would have been better off exiting sooner rather than later, because the more you try and compete with them you are going to get hurt, and that is exactly what happened. That store closed. That is unreasonable. It happens all the time. The one I mentioned at Loganholme opened up. The large supermarket at Loganholme which was a FoodWorks closed after losing half its business. It was the store in the area. It was trading 24 hours. You get a competitor come in 2½ kilometres up the road when there is already one over the road at the Hyperdome. There was no reason to put it in. There was plenty of servicing of that area and there was no reason for it. They just come in and take the market. The operator had health issues and then ended up closing, but what it does to families and to small businesses is wrong.

Ms LEAHY: Mr Mason, you mentioned QRIDA and some subsidy being administered by QRIDA; is that correct?

Mr Mason: My understanding is that that is part of the department of transport.

CHAIR: Did you want to re-put the question, member for Warrego?

Ms LEAHY: That might be—

Mr Mason: I could have that wrong in my opening statement because it is a bit of a mystery how that all works. We only get everything second-hand through Metcash. When you try to find out who does what and how it all works, I could have that wrong in my opening statement.

Ms LEAHY: Is that a problem for you when you cannot find out and get that direct line of communication?

Mr Mason: It does not help me answering the question for you, but what I cannot tell you is what happens before we get the freight bill.

Mr PERRETT: I have a follow-up question with respect to the challenges around the liquor laws. It was raised earlier by Aldi and then I asked a question of IGA and you have raised it again as being something that is creating perhaps some challenge. If there were law reform in this state around this, would that then increase the profitability of stores if they were able to sell liquor as you suggested before?

CHAIR: Before Mr Mason answers, I will allow the question to stand because there has been conversation around this. In our final 15 minutes, can we try to draw away from liquor to grocery prices and fresh produce? I will allow the question to be answered as put.

Mr Mason: Sustainability, more so. I am not suggesting that you would have every convenience store selling six-packs. There is a reasonable argument for independent stores such as the larger ones and the IGAs to sell those products, because they are just another product. We sell lots of products. We sell tobacco. We sell other things. I do not see why liquor is any different. The argument about the impact of liquor on health et cetera is something that everyone else has dealt with around the country and the world. There has not been an impact anywhere else but, for some reason, Queensland seems to think that we should not be able to do that. It does impact on sustainability and on pricing because we cannot be sustainable. In our stores in Victoria that sell liquor, that adds another 30 per cent volume to their business. Overall, their profitability and sustainability is improved.

CHAIR: In the interests of time, I might follow up on that, Mr Mason. Where their profitability goes up 30 per cent, that then, in effect, helps to subsidise general groceries prices or are they taking that just as straight profit?

Mr Mason: It is profit that goes into paying for power, rent, wages and those things. Grocery prices do not get impacted by liquor prices, I do not believe.

CHAIR: Before we move on to Mr Scott to finish up, what does the standard FoodWorks and IGA shopper look like? Are they someone who is going in to do a top-up throughout the week or are they going in there and that is their main source of grocery shopping?

Mr Mason: IGAs tend to be bigger than us, but we do have stores of that size. We have stores of 2,000 square metres in Goondiwindi, we have large stores in Bundaberg that do a remarkable job—very, very good stores.

CHAIR: Olsens Corner.

Mr Mason: Yes. We also have a lot of others who should think about hardware or something else. We have a lot of retailers who operate in the convenience space. The closer you get to the metropolitan areas the more you are based on convenience and that is the main game. Where our business has been heavily impacted is around illicit tobacco. Our stores that are convenience based have lost up to half their business because of loss of trade through illicit sellers of tobacco. The greatest sin of that is that we have lost add-on sales. When we lose the tobacco business to illicit traders, we also lose the sandwich, the drink, whatever else they buy in that transaction so that impacts the performance of a retailer.

CHAIR: Mr Scott, would you like to continue?

Mr Scott: Mr Chair, I have consulted my notes and I have run out of questions for this witness. I would be swinging widely if I started asking questions now.

CHAIR: We do not want any witnesses getting hurt in the making of this hearing. I will open it to the floor if any committee members do have any questions otherwise we will have a rare early mark under my chairmanship.

Ms PEASE: I have some questions. I want to pick up on the comments that you made around the illicit tobacco traders. I know there has been an explosion of them in metropolitan areas. Have they progressed out to regional areas as well?

Mr Mason: Yes, but as far as where they are I could not tell you.

Ms PEASE: They are presenting outside?

Mr Mason: Yes.

Ms PEASE: I can understand why they would be going into those illicit shops, buying and then not going to the convenience stores. You said you have 500 stores across Australia. Would you know how many employees you have within Queensland?

Mr Mason: They are all independent. Small stores might be mum and dad stores with two or three full-time equivalents. Then we have the likes of Olsens who have probably 100. It varies so much.

Ms PEASE: What is the role of AUR?

Mr Mason: We provide promotional programs and technical advice on how to run their stores, how to merchandise their stores and how to arrange their stores and run them at an operational level.

Ms PEASE: The independent stores deal directly with Metcash or producers themselves?

Mr Mason: The stores that are unbranded?

Ms PEASE: Yes.

Mr Mason: They do their own thing and they just buy directly from Metcash, but they get the benefit of our promotional deals. AUR negotiates with all of the suppliers that provide product through Metcash and we do weekly, monthly programs that provide case deals or discounts for retailers to drop their prices. That comes in the form of a weekly program and independent stores who are not branded, they get the benefit of improved buying power.

CHAIR: Mr Mason, we do very much appreciate you coming before the committee today and providing your evidence. We do not have any questions on notice which means that you are free from today. That concludes this hearing. Thank you to everyone who has participated today, from our secretariat to our parliamentary staff to the media, our Hansard reporters as well. A transcript of these proceedings will be available on the committee’s webpage in due course. I declare this public hearing closed.

The committee adjourned at 11.49 am.