

Supermarket Pricing Inquiry

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**Submission to the
Supermarket Pricing Select Committee**

Inquiry Into Supermarket Pricing

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Introduction

1. The Queensland Council of Unions ('**QCU**') is the peak council of registered unions in Queensland representing 26 affiliated unions and 400,000 workers. A key objective of the QCU is to represent the industrial and economic objectives of Queensland working families, and we have a proud history of advocating for the industrial, political, and social interests of Queensland workers since 1885.
2. Our affiliates represent Queensland workers in a broad range of industries right across Queensland, including low paid and vulnerable workers, who are bearing the brunt of the current cost of living crisis. Employee households experienced the largest annual rise in living costs in 2023 – up 6.9% in the year to the December 2023 quarter.¹ One of the main contributors to this increase was the rising cost of groceries (i.e., food and non-alcoholic beverages).²
3. In this context, it is of no surprise that the highly concentrated supermarket sector,³ and the conduct of its major retailers, Coles and Woolworths in particular, have recently come under significant public and media scrutiny.⁴ In the midst of a cost of living crisis, working Queenslanders do not need supermarket giants price gouging and driving inflation.
4. The QCU therefore welcomes the opportunity to make a submission to the Supermarket Pricing Select Committee's ('**Committee**') Inquiry into Supermarket Pricing. There is clear public sentiment for action to be taken by governments around the country to address this problem and the QCU urges the Queensland Government to do everything within its powers to heed the call.
5. The QCU notes the broad nature of the Inquiry terms of reference. The QCU submission primarily relates to the effects of increased supermarket prices on

¹ Australian Bureau of Statistics. (2024, February 7). *Annual living cost increase highest for Employee households*. ABS. <https://www.abs.gov.au/media-centre/media-releases/annual-living-cost-increase-highest-employee-households>.

² Ibid.

³ Hunt Export Advice. (2024). *Australia Market Overview 2024*. <https://www.huntexportadvice.com/post/australia-market-overview-2021>; note – the 4 main retailers Woolworths, Coles, Aldi and Metcash account for over 80% of the total grocery market.

⁴ See, e.g., https://www.abc.net.au/news/2024-02-19/coles-woolworths-supermarket-prices-profit-four-corners/103469300?utm_campaign=abc_news_web&utm_content=link&utm_medium=content_shared&utm_source=abc_news_web

Queensland workers and their families, and their views on matters relevant to the inquiry such as:

- the cost of groceries,
- supermarket pricing in regional Queensland, and
- transparency, competition, and regulation in the supermarket sector.

6. Our submission also addresses matters relevant to other reviews or inquiries occurring in Australia regarding this matter.

The effect of increased supermarket prices on Queensland workers

7. According to the latest data from the Australian Bureau of Statistics ('**ABS**'), the Consumer Price Index ('**CPI**') rose by 4.2% for Queensland in 2023 (December Quarter 2022 to December Quarter 2023),⁵ with Queenslanders experiencing the second highest CPI increases in the country,⁶ in excess of the weighted average of eight capital cities (4.1%).

8. Queensland's CPI increase for food and non-alcoholic beverages was also the second highest quarterly percentage change,⁷ with a 4.3% increase,⁸ and staples such as bread, breakfast cereals, milk, cheese, and eggs rising by 9.4%, 8.7%, 4.2%, 8.6%, and 10.9% respectively (December Quarter 2022 to December Quarter 2023).⁹

9. Annual living costs for working families were also significant in 2023 (increasing by 6.9% in the year to the December 2023 quarter),¹⁰ with rising mortgage interest charges of 40.3%,¹¹ and an increase in housing costs of 8.2%.¹²

10. Limited availability of housing stock with continued interstate migration has also contributed to rental unaffordability and homelessness across Queensland, and a

⁵ Australian Bureau of Statistics. (Dec-quarter-2023). *Consumer Price Index, Australia*. ABS. <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/dec-quarter-2023>.

⁶ *Ibid.*, note – the annual percentage change for Brisbane is equal to Sydney, and only Adelaide is greater at 4.8%.

⁷ *Ibid.*

⁸ *Ibid.*, see Table 10.

⁹ *Ibid.*, see Table 10.

¹⁰ Australian Bureau of Statistics. (2023, December). *Selected Living Cost Indexes, Australia*. ABS.

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/selected-living-cost-indexes-australia/dec-2023>.

¹¹ *Ibid.*, see Table 3.

¹² *Ibid.*, see Table 3; note – housing includes rents, utilities, and other housing (property rates and maintenance and repair of the dwelling).

declining rate of home ownership. Significantly, the median value of weekly rent paid for new tenancies in Queensland (all dwellings) rose by 13.4% in the year to the December 2023 quarter.¹³

11. Housing costs and availability particularly affects regional Queenslanders and low-paid workers in Queensland.¹⁴ For instance, the Queensland Council of Social Service ('**QCOSS**') reported in March 2023 that:¹⁵

- a. the sharpest private rent increases in Queensland were experienced in regional markets,
- b. rent inflation was greatest at the lower end of the housing market,
- c. the proportion of private tenancies being let at rents affordable to low-income households had halved across the state,
- d. rental affordability for low-income households was significantly worse in regional Queensland, and
- e. homelessness in Queensland rose by 22% in the four years to 2021-22 and was particularly evident in regional Queensland.

12. During this same time, rising annual living costs for working families of almost 7% outpaced annual wages growth of less than 5%.¹⁶ There should be no doubt that this has had a deleterious effect on the lives of Queensland workers and their families with increased supermarket prices having a significant contribution to this.

13. A recent cost of living survey conducted by the QCU of around 1000 Queenslanders found:

- a. Cost of food was one of the top 3 contributors to the rising cost of living,
- b. Just over half (52%) advised they were unable to afford basic grocery items like bread, milk, cheese and eggs in the last 6 months (with over one in every ten (14%) advising they were unable to afford the same items every week),

¹³ Residential Tenancies Authority. (2023). *Median rents quarterly data*. State of Queensland.

<https://www.rta.qld.gov.au/forms-resources/median-rents-quick-finder/median-rents-quarterly-data>.

¹⁴ Pawson, H., Clarke, A., Moore, J., Van den Nouwelant, R., & Ng, M. (2023). *A blueprint to tackle Queensland's housing crisis*. Queensland Council of Social Service. <https://www.qcoss.org.au/wp-content/uploads/2023/03/Hal-Pawson-Report-2023-Final.pdf>.

¹⁵ Ibid.

¹⁶ Australian Bureau of Statistics. (2023, December). *Wage Price Index, Australia*. ABS.

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release>;

Australian Bureau of Statistics. (2023, December). *Selected Living Cost Indexes, Australia*. ABS.

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/selected-living-cost-indexes-australia/dec-2023>.

- c. Just over half (56%) also advised they buy less fruit and vegetables because of rising grocery prices, and
- d. Around four in every ten (43%) advised their grocery bill had increased by \$100 or more in the last 2 years (with another 38.5% advising their grocery bill had increased by between \$50 and \$100 in the same period).

14. In the 2023 Hunger Report,¹⁷ Foodbank relevantly reported that (within the nationally representative sample):

- a. One in five Queensland households (22%) were severely food insecure,
- b. One in ten Queensland households (12%) were moderately food insecure,
- c. One in five Queensland households (22%) required a food relief service within the previous 12 months, and
- d. More than eight in ten of food insecure Queensland households (83%) cited the increased cost of living as the reason for experiencing food insecurity.

Decisive action is required

15. Further views of Queenslanders who participated in the recent QCU cost of living survey indicated:

- a. Around eight in every ten (78%) thought that more transparency in how supermarket items are priced would influence their purchasing decisions,
- b. Two-thirds (66%) thought that more competition in the supermarket sector would improve the current circumstances,
- c. Almost all (93%) thought that government should do more to prevent regional Queenslanders from paying excessive prices for necessities, and
- d. Almost nine in every ten (87%) thought government should regulate supermarkets to prevent price gouging.

16. In light of these views, the QCU makes the following recommendations to the Committee.

Recommendation 1:

That the Queensland Government do everything within its powers to improve the transparency of pricing in supermarkets.

¹⁷ Ipsos. (2023). *Foodbank Hunger Report 2023*. Foodbank. https://reports.foodbank.org.au/wp-content/uploads/2023/10/2023_Foodbank_Hunger_Report_IPSOS-Report.pdf.

Recommendation 2:

That the Queensland Government do everything within its powers to promote more competition in the supermarket sector.

Recommendation 3:

That the Queensland Government do everything within its powers to prevent regional Queenslanders from paying excessive prices for necessities.

Recommendation 4:

That the Queensland Government do everything within its powers to regulate supermarkets to prevent price gouging.

The 2024 inquiry into price gouging and unfair pricing practices

17. The QCU notes the recent inquiry into price gouging and unfair pricing practices commissioned by the Australian Council of Trade Unions ('**ACTU**') and chaired by Professor Allan Fels AO.¹⁸

18. We draw the Committee's attention to the following observations made in the inquiry:¹⁹

"Australia's food and grocery sector is amongst the most concentrated in the world."

"What has occurred since the pandemic [...] is an increase in margins in both Coles and Woolworths food and grocery segments driven by low competitive forces and an ability to not pass on immediate cost reductions."

"Duopolies have a mutual incentive not to decrease prices where possible, in particular on goods which have high price recognition."

¹⁸ Fels, A. (2024). *Inquiry into price gouging and unfair pricing practices – Final Report*. Australian Council of Trade Unions. https://pricegouginginquiry.actu.org.au/wp-content/uploads/2024/02/InquiryIntoPriceGouging_Report_web.pdf

¹⁹ *Ibid.*, 52-6.

"When input costs for farmers have risen (such as feed, fertilizer, or labour), or when there is a supply shortage leading to increased farmgate prices, supermarkets are quick to pass these costs onto consumers. However, the reverse is not always true."

"[W]hen those at the top of the supply chain experience an upward price shock they raise the prices like rockets, but when the reverse occurs, they fall like feathers. The upshot of this dynamic is that consumer surplus is eroded, prices stay higher for longer and the task of monetary and fiscal policy makers to control inflation is that much harder."

"That downward price transmission is not fast is evidence of a lack of competitive forces in this sector."

"[L]ack of transparency [...] hinders the ability of consumers and regulatory bodies to understand and address potential unfair practices in the market."

"Consumers [...] are often unaware of the cost structures and pricing dynamics that occur along the supply chain."

"Supermarkets have not been transparent with customers about price histories of their displayed items and their correlated discounts."

19. We also refer the Committee to the recommendations arising from the inquiry relevant to the food and grocery sector:

- a. There should be a comprehensive ACCC inquiry into competition and prices in the retail food and grocery industry,
- b. The Food and Grocery Code should be fully mandatory (i.e., membership of retailers is mandatory, and the rules are mandatory), and
- c. The Food and Grocery Code should investigate creating a price register for farmers to assist them in understanding market prices across primary industries.

20. The QCU confirms our support for these recommendations, and we urge the Committee to consider what action the Queensland Government can take to complement the implementation of the recommendations.

Recommendation 5:

That the Committee consider what action the Queensland Government can take to complement the implementation of recommendations 4.12, 4.13 and 4.14 of the 2024 inquiry into price gouging and unfair pricing practices chaired by Professor Allan Fels AO.

21. The Fels Inquiry also examined the shipping industry in Far North Queensland (and the Northern Territory) finding that because of Sea Swift's unregulated monopoly, the prices of basic necessities on the Islands in the Torres Strait were far in excess of mainland prices.²⁰ For example, a head of lettuce was found to cost ten times as much as on the mainland.

22. To address this matter, Professor Fels recommended that the ACCC should once again have an ability to challenge and overturn unreasonable prices charged by Sea Swift to ensure the service is not exploiting its market position.

23. The QCU confirms our support for this recommendation, and we urge the Committee to consider what action the Queensland Government can take to complement its implementation.

Recommendation 6:

That the Committee consider what action the Queensland Government can take to complement the implementation of recommendation 4.15 of the 2024 inquiry into price gouging and unfair pricing practices chaired by Professor Allan Fels AO.

Independent Review of the Food and Grocery Code of Conduct

24. The QCU also notes the ongoing review of the Food and Grocery Code of Conduct, including the interim report published by Dr Craig Emerson.²¹

²⁰ Ibid., 56-7.

²¹ Emerson, C. (2024, April). *Independent Review of the Food and Grocery Code of Conduct – Interim Report*. Commonwealth of Australia. <https://treasury.gov.au/sites/default/files/2024-04/c2024-510813-ir.pdf>.

25. We submit to the Committee that the recommendations of the review should be relevantly considered as part of this Inquiry, including what complementary action the Queensland Government can take.

Recommendation 7:

That the Committee consider what action the Queensland Government can take to complement the implementation of the recommendations arising from the Independent Review of the Food and Grocery Code of Conduct.

26. While the QCU supports the recommendations of the review, we urge the Commonwealth Government to consider more interventions in the food and grocery industry. In particular, interventions that better protect suppliers (and their workers) and provide them with the ability to bargain more fairly and have effective independent mediation and arbitration processes and procedures available to them.

27. While we recognise that many of the reforms that are required to protect Queenslanders and their families from the unscrupulous practices of supermarket giants can be better effected by stronger regulation and intervention by the Commonwealth Government, we urge the Queensland Government to continue to advocate strongly on behalf of all Queenslanders and to consider implementing relevant complementary action that is within its powers.

Conclusion

28. The QCU thanks the Committee for the opportunity to make this submission, and we encourage the Committee to carefully consider our recommendations.