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A SUBMISSION FROM

***BUSSELTON FRESH*** 

**PROPOSED  
EXTENSIONS TO  
BUSSELTON'S RETAIL  
TRADING HOURS**

Presented to



August 26, 2014

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## INTRODUCTION

Busselton Fresh IGA is pleased to present this submission regarding the City's proposed changes to retail trading hours in Busselton.

Busselton Fresh IGA is an independently-owned small retailer and ***believes that the proposal to increase year-round retail trading hours throughout the municipality are unnecessary and potentially harmful to existing small retailers.***

***Furthermore, no evidence has been presented to show that the proposed changes to trading hours are desired by the majority of consumers or will in fact be used by them sufficiently to make it viable for retailers to open their doors for the additional hours. In fact, the current available hours are not being used by retailers with virtually all shops closed by 6.00pm.***

***A key reason for this is that costs for small retailers operating outside of normal business hours make it unviable to keep the business's doors open, specifically, penalty rates imposed by our archaic industrial relations system. Added to this are electricity, wages, taxes, business fees, and many others that have risen exponentially in recent times.***

***We believe Busselton residents*** are best served by having a variety of viable and profitable small, medium and large businesses which is not only good for permanent residents and visitors by providing ***genuine choice and competitive prices***, but provides a range of economic benefits to the town.

***Providing major chain retailers with even more extended hours, particularly during the off-season and winter months when tourism and consumer activity demand is at its lowest, has and will continue to undermine small retailers who are at a natural disadvantage to their major competitors. This subsequent strengthening of the marketshare of the major retailers cannot be in the wider interest of the positive competition between retailers that the City promotes.***

Although we do not support the proposed extensions to trading hours we do recognise that there are times when some additional trading hours could be beneficial.

In this respect we recommend the City gives strong consideration to extended trading hours during **high demand and peak tourist times**.

## MARKETSHARE - THE CORE ISSUE

General deregulation and “creeping” extensions of retail trading hours have been driven around Australia by major national retailing chains (e.g. Woolworths, Coles Myer, Harvey Norman, IKEA, Bunnings, etc.), major shopping centre groups such as the Shopping Centre Council of Australia and industry groups like the CCIWA. This is happening at the expense of small, independently-owned businesses. Retailers in Bunbury, Kalgoorlie and Geraldton can attest to the fact that major retailers and supporting industry associations have played a role on virtually every occasion that extensions to retail trading hours have been raised in regional WA.

As studies are increasingly revealing, Australia’s retailing environment is dominated by a select and increasingly powerful group of companies. These include the Woolworths and Coles retailing conglomerates which also now dominate the retail grocery, petrol and liquor sectors. Woolworths and Coles now control more than 75 per cent of packaged grocery sales in Australia and around 60 percent of both petrol and packaged liquor sales. It is our understanding that this concentration of retailing in Australia now sees about 50 cents in every retail dollar going through the tills of stores owned by these two retail corporations. The growth of these empires, which includes Bunnings Hardware stores, has been largely at the expense of smaller independent retailers.

In all of this it must be remembered that virtually every consumer – regardless of whether they live in urban or regional Western Australia – has a relatively finite spending capacity. **Therefore increasing sales is, after population growth, significantly about expanding marketshare at the expense of competitors.**

In light of this, the major retailing corporations have adopted a number of strategies to maximise sales and profitability. In addition to their ability to achieve massively lower wholesale prices from suppliers – along with overheads like electricity and rent – they have also grown by acquiring their competitors and diversifying into areas such as newsagencies and non-prescription pharmaceuticals.

A particular strategy which has assisted their growth throughout Australia has been the use of retail trading hours. In this respect it is more than a coincidence that the major supermarket chains have achieved marketshares of between 75 percent and 90 percent in different states. This means that around 75 cents in every retail dollar spent at the supermarket is at a Coles or Woolworths store.

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This level of concentration is unprecedented when you compare it to other democracies like the UK or USA. In the UK the two major supermarket chains together control 48% of the market. In the USA the figure is only 28%. Thus Australian grocery buyers could regard themselves as living in one of the most uncompetitive retail grocery markets in the world.

It is not surprising therefore that the campaign to extend retail trading hours has been led by the major retail chains, corporations which own the shopping centres of which the major chains are the anchor tenants, and industry organisations such as the CCIWA, the Shopping Centre Council and the Property Council of Australia.

Typically, these organisations focus on arguments of convenience and choice and that deregulated trading hours will help to ensure more and genuine competition in the market. Frankly, and if the experience of the grocery, hardware, petrol and liquor industries are any guide, deregulated trading hours are ‘poison’ from the point of view of competition, consumer choice and small business sustainability.

The impact of deregulated trading hours in non-metropolitan centres is magnified as a consequence of the smaller number of independent retailers. Independent regional retailers have a smaller customer base to draw on, while at the same time having reduced access to finance, marketing, buying and management resources when compared to their major chain competitors.

## ARGUMENTS OPPOSING YEAR-ROUND TRADING HOURS IN BUSSELTON

The proposal by council staff to increase Busselton's shopping hours contains a number of superficially positive arguments, however, these either ignore or are based on flawed perceptions and beliefs.

Of particular note is the belief that retailers will open their doors for the extra hours. To date, this belief has not been proven in the real world; as noted earlier smaller Busselton retailers can already open their doors well beyond the existing and proposed hours, but choose not to. The extended hours granted by the council in 2012 has not encouraged the smaller retailers to open which was one of the key arguments.

Owners of businesses in Busselton and surrounding areas have advised that extended trading hours, especially Sundays, public holidays and post-5.00pm, are unwarranted and unviable. For example, and under the current system, one store recorded a single sale of \$26.00 on a Sunday, with expenses like penalty rates and extra utility costs clearly exceeding revenue.

Even more compelling is independent research undertaken by the Patterson Research Group in June this year<sup>1</sup>. This research included metropolitan and regional small retail store owners including a number from Busselton. Note that this research specifically excluded IGA supermarkets.

Findings from this research came as a shock.

- ❖ **Overall, almost 60% said their profits had declined, while 32% said they had not changed at all. In other words, 90% of retailers have seen no additional business benefit.**
- ❖ **Nearly half (49%) reported a decrease in sales while almost 40% said that sales had stagnated.**
- ❖ **Only 5% said that profits had risen.**
- ❖ **Of the extra 20% of retailers who opened their doors on Sundays - two-thirds suffered a fall in profits, almost 4 in 10 saw a fall in customer numbers while almost 1 in 3 reported a drop in weekly sales. Only 1 in 20 said that sales improved!**

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<sup>1</sup> *The Lights are Out on Extended Trading Hours – A Look at the Effects of Weeknight and Sunday Trading on Small Retail Businesses in WA.* July 2014

Other key findings from the research:

- ❖ **65% of retailers said that further incremental changes or even deregulation would be harmful to their business, while only 5% and 9% respectively say it was a positive.**

Key reasons for retailers' negative perspectives in terms of current extended trading hours were:

- ❖ **Extra hours mean big stores gain customers at the expense of small stores (49%)**
- ❖ **Extra staff and running costs (41%)**
- ❖ **Personal exhaustion and extra working time required to compete with larger stores (30%)**

Store owners and consumers believe that the current trading hours regime already provides consumers with a balanced offering of small, medium and large retailers. Furthermore, the current proposal appears to entirely ignore the fact that Sundays and public holidays are, for many owner-operators, their only day off. Is it the council's intention that these store owners work 7-days a week?

An important test is whether consumers will actually shop during these additional hours, even though they may say that they would like to be able to shop at these times. And will the major retailers open these longer hours as they clearly don't use the additional extended hours provided in 2012.

### **More Trading hours = More business**

As has been noted by councillors over the years, many stores in Busselton are not making use of the existing extended trading hours. The simple reason for this is that there are not sufficient consumers in Busselton to underpin a volume of trade which makes it economically viable to keep stores open. As has been said time and again, consumers only have so much money to spend, whilst extra shopping hours will not see consumers eat more groceries, wash more clothes or clean their bathrooms more often.

Tourists don't come to the South West to go grocery shopping after 6pm at night. They want to see a show, have dinner, stroll along the foreshore, walk along the jetty.

Additional trading hours can only be of noticeable economic benefit if there is either a notable and sustained increase in consumers. More

likely, changes in available shopping hours will alter consumers' shopping times and thus alter where consumers spend their money, rather than the quantum of money that they spend.

This aspect of changing consumer behavior was clearly noted in an inquiry commissioned by the South Australian Government and chaired by retired judge Mr. Alan Moss during that State Government's consideration of extensions to Adelaide's existing retail trading hours' regime.

Mr. Moss found:

- Further deregulation of shopping hours would increase the marketshare of the large retailers at the expense of the marketshare of the small retailers.
- Longer shopping hours would further erode the leisure time and quality of life of operators of small retail businesses.
- There would be no great employment gains either way as a result of further trading hours' extensions.

### **Changes in Perth's weeknight trading hours are justification for changes in trading hours in Busselton**

As anybody who has walked Perth's shopping streets (city and metropolitan) on a weeknight (excluding Thursdays) will note, only a handful – in the main major supermarkets – remain open past 6.00pm. Even Myer's Perth CBD department store reverted to 6.00pm trading. Added to this, Westfield's Carousel, Garden City Whitfords and Lakeside Joondalup shopping centres currently advertise their general weekday shopping hours (excluding Thursdays) as 9.00am to 5.30pm.

In fact Perth is no different to any other major Australian capital city with virtually all retailers shutting their doors by 6.00pm on weeknights. If neither Perth nor other capital city retailers keep their doors open after 6.00pm, on what empirical basis does council's staff believe that this town's stores will keep their doors open until 7.00pm?



## **Additional shopping hours will positively benefit tourism**

Shopping for pleasure in a tourist centre, in particular Busselton, does not equate to shopping for groceries, whichever way you look at it. Nor does it equate to widescreen TVs, washing machines or laptop computers. This type of shopping works well in Singapore and Malaysia, but not Busselton. For tourists, shopping for pleasure in Busselton equates to small retail establishments selling handicrafts and specialist souvenirs, wine, and local produce. The retailers who sell these products can already open their businesses 24/7, but choose not to because there is insufficient customer traffic to make it a viable proposition to open their stores.

## **Event Attraction**

Prior to the decision to increase retail trading hours in 2012, council staff noted: “...*anticipated that extended trading hours in 2012 would result in the attraction of additional MICE events to Busselton,...*”. Before any decision is made in respect of the current proposal, council staff need to show that this prediction, specifically that extension were responsible for the attraction of addition events, has proven correct.

## **Social Impact**

Although we recognise that consumers would like all stores open when they want to shop, the reality is, in particular based on the Perth experience, that consumers do not shop in sufficient numbers after 6.00pm to make it economically viable for store owners to keep their doors open.

The alternative is for stores to charge higher prices throughout the day, or at particular times, to cover the additional cost of being open. Plainly, this approach would not work partly because consumers would not pay the higher amounts and partly because major retail competitors have the ability to undercut time-linked pricing strategies.

## **Irate Consumers**

Council staff note in 2012 that those in the retail community were receiving criticism from consumers. Presumably, subsequent changes resolved this issue as there have been no further reports of complaints noted by staff and business are not now (including during the recent Cinefest event) using the full spectrum of hours available to them.

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## Social Impacts

We also note the need for consideration of the social impacts on retailers, their families, their employees and their employees' families. In this respect what consideration has been given to reduced time spent on domestic and family responsibilities, or curtailed social and sporting activities? Similarly, has any consideration been given to small retailers' ability to continue to provide financial and goods-in-kind support for local sporting and community groups if sales are lost to major retailers?

Examples of community organisations currently supported by local small retailers:

- Busselton Hospice
- Busselton Volunteer Marine Rescue Group Inc
- Geo Ed Support Center
- Roger Westaway School Chaplain
- Busselton Festival for children's treasure hunt
- Jenny Roberts Foundation
- Camp Quality
- Busselton horse and pony club
- Busselton volunteer fire brigade
- Geographe Primary School
- Vasse Primary School
- Ambergate Farmyard KIDS Code® playgroup
- Blue Light Disco in Busselton
- Street Smart hand book

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## **Downstream Economic Benefits**

It is generally agreed that small businesses spend or reinvest a far greater proportion of business profits locally, while their major counterparts repatriate profits to head offices in other states and countries. For councillors' reference we point to studies in the United States<sup>2</sup> which revealed that when consumers spent \$100 at a big box retailer, their purchase generated \$14 in local spending by the retailer. That same \$100 spent at a locally-owned business generated \$45 in local spending, or three times as much.

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<sup>2</sup> Institute for Local Self-Reliance, 2003, "The Economic Impact of Locally Owned Businesses vs. Chains, A Case Study in Midcoast Maine"

## IMPACT OF PROPOSED CHANGES TO TRADING HOURS

The City of Busselton proposes to apply to the Minister for Commerce to permanently alter its trading hours from:

**Monday, Tuesday, Wednesday and Friday: 8.00am to 7.00pm**  
**Thursday from 8.00am to 9.00pm**  
**Saturday from 8.00am to 6.00pm**  
**Sunday and Public Holidays from 10.00pm to 6.00pm**  
**Christmas Day, Good Friday and ANZAC Day: Closed**

**To:**  
**Monday, Tuesday, Wednesday, Thursday, Friday, Saturday and Sunday: 8.00am to 9.00pm**  
**ANZAC Day: 1.00pm to 9.00pm**  
**Christmas Day, Good Friday: Closed**

These changes are substantial when viewed individually and in aggregate. Furthermore, they will have a significant financial impact on small business which must compete with major national retail chains or face the prospect of losing marketshare and revenue.

### Estimated impact of changes on store open hours<sup>3</sup>

Period	Additional hours /wk	Additional hours /year
Mon., Tue., Wed. & Fri.	8	416
Saturday	3	156
Sunday	5	260
Public Holidays	NA	50
Anzac Day	NA	8
<b>TOTAL ADDITIONAL HRS</b>	<b>16</b>	<b>890</b>

<sup>3</sup> Basis: 52 weeks per year including 12 public holidays

As can be seen from the above table, small retailers will need to open their doors for an additional 890 trading hours per year to compete with other and major competitors. The problem for these small stores is that unlike their major competitors, they will in the main be paying higher penalty rates to employees, major retail chains like Coles and Woolworths negotiate national award rates for staff which are noticeably below those of WA companies which operate on State Awards.

For example, the new General Retail Industry Award 2010 requires small retailers to pay double time on a Sunday and 2.5 times on public holidays. In hard-dollar terms for example, a casual senior retail assistant (e.g. check-out operator) on a Sunday is paid \$37.05 per hour and \$50.94 on a public holiday. A casual service supervisor is paid \$38.52 per hour on a Sunday and \$52.97 on a public holiday. The City's proposed trading hours therefore have the potential to add a further **\$26,119.48** per employee per year to the operating costs of a small retailer.

***Using Busselton Fresh IGA as an example, the 2012 changes to trading hours resulted in reduced turnover and led directly to the closure of our butcher shop. This resulted in the loss of two butchers, a meat packer and the decision not to employ any apprentice butchers as well as a decrease of hours for other employees.***

Furthermore, small retailers normally pay base rate electricity tariffs, while major retailers, in particular those in shopping centres, usually pay far lower tariffs. It is our understanding that even small stores in the same shopping centre pay a higher tariff and rent per square metre than these major retailers. Furthermore major retailers like Coles and Woolworths have heavily negotiated rent and outgoings, insurances and legal agreements, many of which are amortised across their entire national store network.

In summary, and to maintain their marketshare, small retailers will need to:

- Personally work more hours, and/or
- Pay higher wages, and
- Incur greater operating costs
- Reduce staffing levels

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Additionally, and unlike small retailers who operate in shopping centres, major retailers often negotiate their outgoings before they sign tenancy agreements. In practice, although major stores may occupy up to 70 percent of the floor space, they don't pay 70 percent of the centre's outgoings.

## ALTERNATE TRADING HOURS PROPOSAL

Busselton's current trading hours system is workable but not ideal. It enables small retailers to build up reserves to compete against the major chains without losing marketshare.

Providing major chain retailers with more than 458 trading hours per year in 2012, particularly during the off-season and winter months when tourism and consumer activity demand is at its weakest, undermined small retailers who are at a disadvantage to their major competitors throughout the year anyway.

A further increase of 890 hours per year will have devastating effects on smaller retailers, while strengthening the market position of major retail chains, which in many instances already have a significant or dominant stake in the market. Surely, this cannot be in the wider interests of positive competition between retailers or choice and convenience for consumers?

Notwithstanding, it is not our wish to stand in the way of Busselton's development, but neither do we want to see the diversity of retail choice swept away which will be against the interests of both the small business community and consumers.

To accommodate the needs of consumers – permanent and visiting – while ensuring that they are offered genuine choice, convenience and competition year-round, we propose a two-tier trading hours system for peak and off-peak seasons.

### **Peak Season Trading Periods for general retail shops**

- Christmas and New Year period (1 December to 1 January inclusive)
- Easter holidays (Good Friday to Easter Monday)
- Public holiday long weekends, and public holidays excluding Christmas Day, Good Friday and ANZAC Day
- Major city events where a substantial influx of people to the city is expected (e.g. Ironman, Southbound)

### **Trading hours during Peak Periods for general retail shops**

- Monday, Tuesday, Wednesday, Thursday, Friday, Saturday and Sunday: 8.00am to 9.00pm
- Christmas Day, Good Friday, ANZAC Day: Closed

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**Off-Peak Trading Hours - for general retail shops at all other times**

- Monday, Tuesday, Wednesday Thursday and Friday: 8.00am - 7.00pm
- Thursday: 8.00am - 9.00pm
- Saturday: 8.00am - 6.00pm
- Sunday: 10.00am - 6.00pm

The above two-tier proposal aims to provide consumers with adequate shopping facilities when required, while preserving retailing diversity in Busselton throughout the year and ensuring that we have a sound and sustainable small business community into the future.