

MASTER
GROCCERS
AUSTRALIA

LIQUOR
RETAILERS
AUSTRALIA
Independent Liquor Outlets

2014 ANNUAL REPORT

1 JULY 2013 TO 30 JUNE 2014



PRESIDENTS

REPORT



As President of Master Grocers Australia (Board of Directors) and on behalf of the Liquor Retailers

Australia industry committee, I wish to thank all supermarket and liquor store owners and operators around Australia for your membership of our National Employer Organisation.

I would like to take this opportunity to welcome all new members and corporate partners. Please avail yourselves of the brilliant services that MGA's team of professionals can provide you.

Membership fees are the primary source of funding for MGA to be sustainable and deliver the vital professional services for a very affordable cost. As per the annual report, you can see that the MGA team provides members with a range of support services that are all delivered by a professional team of staff which gives members a great deal of confidence and certainty.

MGA/LRA Board has exercised its vision, capability and skill to adapt to the ever changing times. Recalibrating MGA's strategies and plans, to leverage future opportunities. One such adaptation is MGA's online Workplace Health and Safety System that has been reengineered (previously Compliance Management System) to provide an easy and accessible support tool to monitor your compliance obligations.

With the withdrawal of Federal and State Government Retail Training funds, MGA's training team will now be limited to delivering Certificate III and IV retail training for new starters, along with promoting online compliance training courses.

Thanks to a Federal Government Industry Grant, MGA was able to develop the Energy Efficiency Information Program that was delivered to members throughout the past year. Our industry sector has benefitted greatly from this comprehensive industry energy information platform that provides members with essential tools to better manage their energy consumption, as well as over 70 seminars throughout Australia and a number of webinars. Congratulations to MGA's team for this outstanding initiative.

Industry representation and advocacy has been a very large focus for our organisation this year. The Competition Law – Root and Branch review is underway and MGA has lodged its submission to the Competition Policy Review Panel. MGA's Board has invested heavily in advocating for competition law reform for many years now and in recent years, has been very active in developing and delivering two significant competition reports entitled, Let's Have Fair Competition, followed by Let's Have Fair Competition – Finding a solution. MGA will continue to engage with federal and state politicians to garner support for the recommendations for Competition Law reform as recommended in MGA's most recent submission.

I wish to applaud the ACCC Chairman, Rod Sims and Minister for Small

Business and Competition Matters Hon Bruce Billson MP, for their determination in strongly suggesting to Wesfarmers and Woolworths to be party to an enforceable undertaking to cap shopper docket discounts at 4 cents a litre that was effective 1 February 2014. This positive action has given our members immeasurable relief and allows them to be able to compete with the chains on a more level playing field!

I wish to thank MGA's Board of Directors for taking time out of their businesses to work tirelessly behind the scenes in developing, delivering and monitoring MGA strategies and plans. The work that is being done at a state level by Board members is also greatly appreciated and valued.

To the LRA committee thank you for your dedication and determination to do what is right for our members in the packaged liquor industry.

Finally, a big thank you and congratulations to MGA/LRA's management and staff led by inspirational CEO Jos de Bruin, who works tirelessly for our members around Australia.

I wish all members a very prosperous trading year and encourage all members to constantly reassess their businesses to make sure the customer satisfaction in your store is 100%.

**Rodney Allen,
President of MGA**

MGA/LRA

ANNUAL REPORT 2014

“We succeed when we meet and exceed the expectations of our members.”

Master Grocers Australia/Liquor Retailers Australia (MGA/LRA) has established itself as the leading industry employer association for the independent grocery and liquor sector. Its performance over the past 12 months can be described as a year of consolidation and of making changes to meet ever increasing commercial and economic challenges. MGA membership has grown a modest 5%.

The independent grocery and liquor sector has never before faced as many commercial and competition challenges that continue to threaten the viability of their businesses. Whether it be unfair competition from the major chains, increasing costs to do business, increasing local, state and federal government red tape and burdens, MGA/LRA has firmly stood by its members in advocating for the removal of obstacles that impact productivity and efficiencies to do business by eliminating or simplifying laws and regulations as well as reducing taxes.

Members can be proud to be part of an organisation that is fast moving, agile, forward-thinking and always puts member needs first.

MGA has five core support pillars that provide vital day to day ‘back of house’ assistance to members:

- **Legal and HR Services**
- **Retail Training and Compliance**
- **Advocacy and Industry representation – State and Federal**
- **Energy Efficiency Programs**
- **Industry and Community Connection**

MGA is a member and participant in many state and federal government bodies including; ACCC Small Business Advisory Council, various senate and productivity commission inquiries, Coalition Deregulation Task force, Expert Advisory Groups, Service Skills Australia, Vic and SA, to name a few.



Meeting with NSW Small Business Minister



WHS presentation at 2013 Metcash Expo



Meeting with Small Business Minister

INDUSTRY

LANDSCAPE

Independent Supermarkets

- There are over 4,000 independently owned small, medium and large supermarkets operating around Australia. The ownership of these supermarkets range from single store to multi store owners.
- Branded stores comprise 2,200 branded small, medium and large including; Farmer Jacks, Foodland, FoodWorks, Friendly Grocers, Supa IGA, IGA, IGA Xpress, Supa Barn and SPAR supermarkets
- The independent supermarket sector employs 115,000 people
- Sales in excess of \$13.5 Billion per annum
- Approximately 15 million customer transactions are conducted per week with a total of 780 million per annum
- Independent sector national market share is 16%

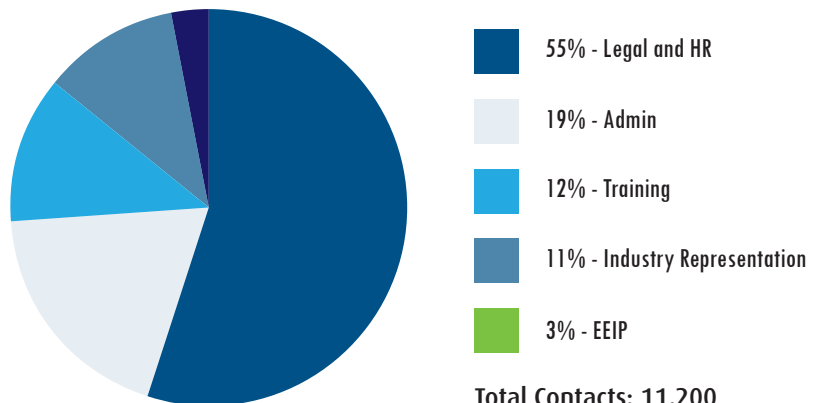
Independent liquor stores

Members with packaged liquor licenses include supermarkets and stand alone stores. They trade under a variety of brand names. There are 750 licensed supermarkets and standalone stores in in Victoria, 60 in ACT and 150 licensed supermarkets in NSW.

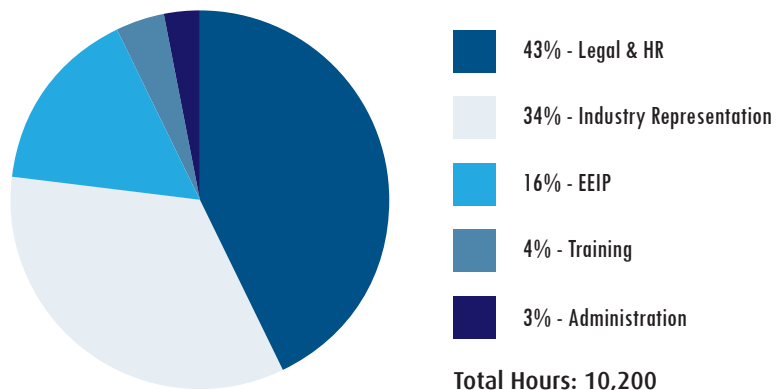
Associate Members

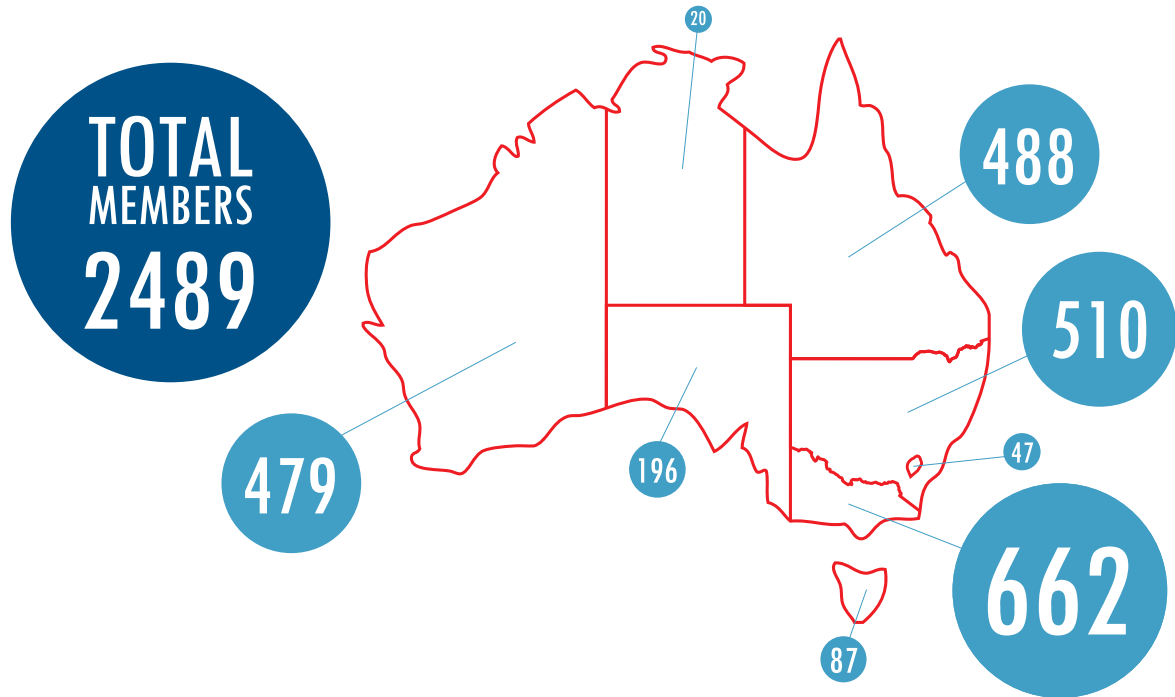
MGA/LRA has a number of non grocery and liquor members including Mitre 10 hardware stores in a number of different states. There will be a focus to grow this new membership opportunity for MGA to support independent retailers in the new financial year.

Number of contacts by department (National - 1 July 2013 to 30 June 2014)



Contact hours by department (National - 1 July 2013 to 30 June 2014)

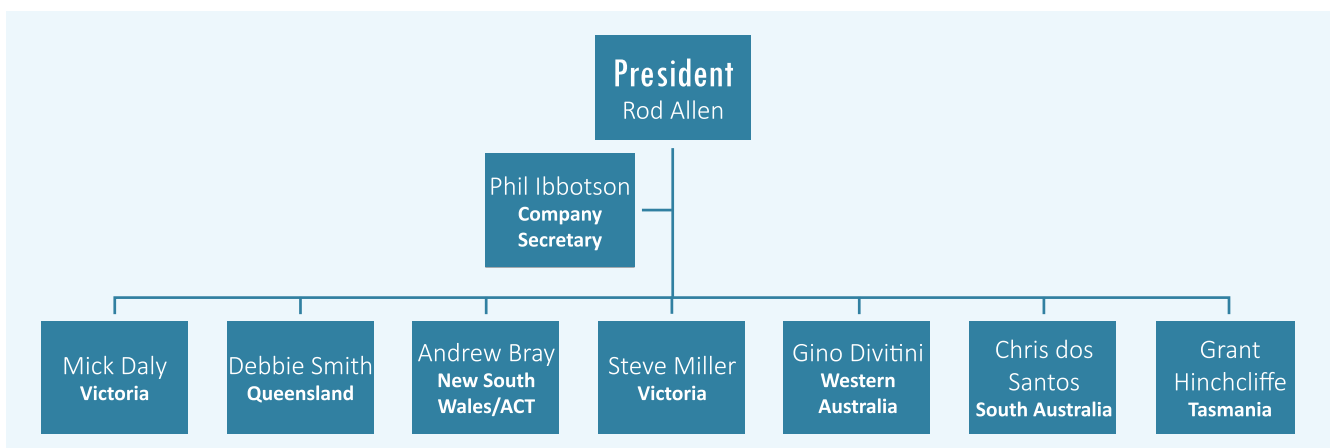




MGA Corporate Governance

Governing MGA is a board of directors comprising of eight independent grocery and liquor retailers from around Australia, providing MGA with diversity, skills and knowledge. MGA's Company Secretary is an independent Chartered Accountant, Phil Ibbotson.

The board has worked diligently with great determination toward addressing the many issues impacting members businesses. They are responsible for reviewing strategy, budgets and operational plans as well as ensuring full legal compliance.



Corporate Partners

Corporate partners are to be congratulated and thanked for their partnership involvement with MGA/LRA. They are essential in fostering strong relationships, connections and growth within the independent supermarket and liquor sector. Their support allows MGA/LRA to advocate and represent members at a Federal and State Level.

We welcome all new corporate partners including Arneg, Asahi Premium Beverages, Australian Trellis Door Company, LEDified, National Australia Bank and VISA.

MGA/LRA's staff

MGA/LRA's dedicated team of staff has adapted to the many challenges and opportunities to support members throughout the year. Working tirelessly to support members, MGA/LRA staff have delivered to members a first class industry employer organisation.

On behalf of MGA's Board a big thank you to MGA/LRA staff and management for their wonderful contribution to our organisations growth and credibility.

MGA/LRA's Management Team has also worked tirelessly to adapt to the many challenges and at times heavy workload to achieve the goals of the organisation.

It is with regret we farewell Michael Russell – National Training Manager, Janet Holmes – Training Administer and Toni Morris – Trainer and Assessor all of whom left MGA/LRA at the end of June 2014.



Left to right from top: Janet Holmes, Dale Clark, Barbara Davey, Toni Morris, Karley Jollands, Judy O'Reilly, Jos de Bruin, George Raptis, Pearl O'Hara, Marie Brown, Krystyna Mailer, Chrissy Groat, David Grey-Smith, Michael Russell, Desma Harrod, Steve Sellars, David Sztrajt

MGA/LRA Industry Support Services and initiatives

MGA Insurance Services – supermarket and liquor store member prices for full business and private
Energy Procurement – partnering Schneider Electric, Alinta Energy and Metering Dynamics.

Industry Stakeholders and Supporters

Thank you to all our industry stakeholders and supporters, who MGA/LRA has had the privilege of working closely with, to provide members with the best possible back of house support service.

Relationships

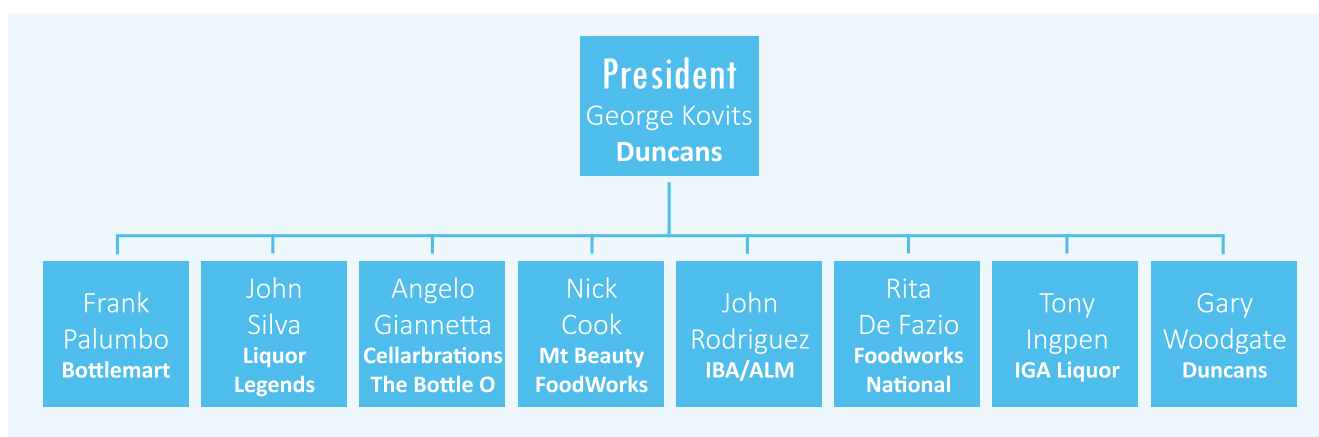
- Australian Retailers Association (ARA)
- Victorian Automobile Chamber of Commerce (VACC)
- Service Skills Australia
- Service Skills South Australia
- Western Australian Independent Grocers Association (WAIGA)
- South Australian Independent Retailers Guild – SAIRG

LRA – INDEPENDENT PACKAGED LIQUOR

Led by President George Kovits, the Liquor Retailers Australia (LRA) committee is made up of various industry stakeholders and members representing a wide cross section of retailers in Victoria and Australia. LRA is a voice for independent packaged liquor retailers.

These liquor banners include; Cellarbrations, The Bottle O, Bottlemart, Duncans, IGA Liquor, FoodWorks Liquor and various independents.

The committee has had another very busy year addressing the many issues faced by members on a day to day basis including; reducing Liquor License fees, onerous regulations, fairer regulations applicable to independents, responding to the health lobby and addressing unfair competition issues.



Left to right: John Rodriguez – IBA/ALM, Rita De Fazio – Foodworks, Tony Bongiovanni – Cellarbrations Gisborne, Jeff Harper – Ashburton IGA, Angelo Giannetta – Cellarbrations Strathmore, Nick Cook – FoodWorks Liquor Mt Beauty, Frank Palumbo – Bottlemart, George Kovits – LRA President, Andrew Eccles – Promotions Manager IGA VIC/TAS, Gary Woodgate – Duncans/SIL. Absent: Tony Ingpen – IGA Liquor and Jos de Bruin – MGA/LRA CEO

LEGAL AND HR SERVICES

MGA/LRA's main core pillar is Legal and HR Services

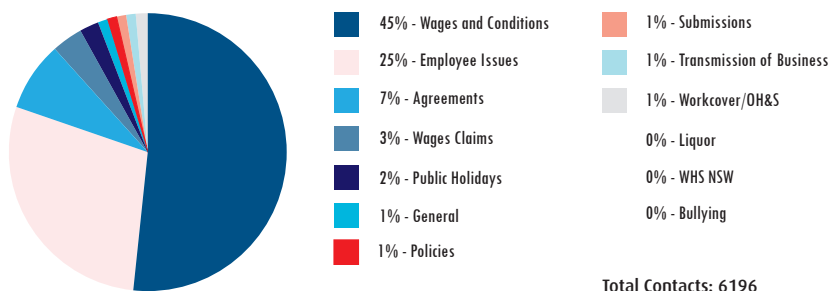
Owing to many members around Australia not understanding the meaning of the term Workplace Relations and hence not availing themselves to MGA's support services, MGA's Core Pillar 'Workplace Relations' was changed to 'Legal and HR Services' in January 2014.

MGA's Legal and HR team, led by Marie Brown, has again had a very busy and engaging year supporting members with a variety of matters from simple wage enquiries to complex agreement negotiations.

Support services include:

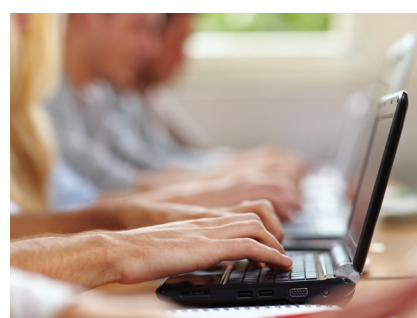
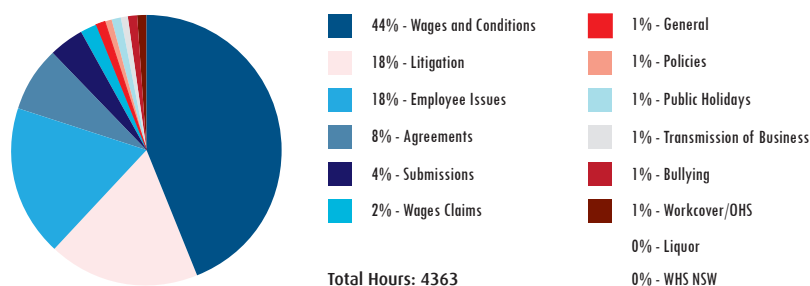
- Dispute resolution
- Tribunal representation
- Awards
- Wages
- Occupational Health and Safety
- Workers Compensation Advice
- Tenancy
- Subsidised Workplace Agreement service
- Subsidised seminars and workshops

Legal and HR Services - Contacts by topic (National - 1 July 2013 to 30 June 2014)



Webinars have been developed and conducted to assist members who are in remote locations or do not have the resources to attend face to face seminars. Webinar topics include; Know your Award, Customer service, Managing Difficult Employees and Performance Management.

Legal and HR Services - Count of hours by topic (National - 1 July 2013 to 30 June 2014)



RETAIL TRAINING & COMPLIANCE

MGA is a Nationally registered Training Organisation

The past 12 months of industry retail training can only be described as frustrating and disappointing. Without notice the former Federal Government cut training grant funding for retail training, leaving access only to the very restrictive and prescriptive National Workforce Development Fund (NWDF). The NWDF only applies to training new workers in retail. This restriction is completely unreasonable as supermarket and liquor store employers only wish to train people who are suitable for their business and have indicated they wish to further their career in the grocery or liquor sector. The same can be said for State Based retail training funding in states such as Victoria.

MGA has fulfilled its commitments to deliver superior retail training (Cert II, III & IV) and short courses such as:

- Food Safety for Food Handlers and Supervisors – face to face and online
- Responsible Serving of Alcohol – face to face and online for most states
- Online compliance training packages and programs – eg. Manual Handling, Inductions etc.

Workplace Health and Safety System

In 2007, after extensive research with members, it was determined that compliance management in stores was problematic and that there was no system available to assist members with this onerous but necessary obligation.

In response to their needs, MGA's Board embarked upon its largest initiative to date by investing in and developing an industry based, online Compliance Management System (CMS). After almost two years of intense intellectual property and online platform development the CMS was launched in 2009. After four years of member implementation and constant revision of the CMS, it was determined there was further opportunity to streamline the CMS into a new look Workplace Health and Safety (WHS) system.

To increase member accessibility and investment synergies, MGA formed a close working relationship with ICON Global. MGA has authored the WHS system and ICON Global has developed and managed the online platform. MGA training manager – Michael Russell, invested significant time and resources to develop the streamlined online WHS compliance solution. The WHS system was launched from 1 July 2014.

The Workplace Health and Safety system contains a number of tools including instore self assessments and a library of instore policies, procedures and safe work instructions that can be customised to suit the WHS needs of each store.

Online training has been a highlight for MGA with continuous monthly growth being experienced for online courses such as Responsible Service of Alcohol and Food Safety. Expansion of MGA's online program now includes eight Workplace Health and Safety Units.



INDUSTRY

REPRESENTATION

MGA represents members at state and federal government and ACCC levels

The most pressing and serious matter impacting the viability of members businesses all around Australia is the market dominance and power of supermarket chains Coles and Woolworths. Nowhere else in the world do two chains have 80% market share in grocery and 75% share in packaged liquor.

In August 2013 MGA/LRA released its second comprehensive and insightful report entitled “Let’s Have Fair Competition – Finding a Solution”.

The second report was developed as a follow-on from the first “Let’s Have Fair Competition” report in response to politicians, bureaucrats and industry stakeholders acknowledgements that there is a serious issue with misuse of market power behaviours by the two chains but wanted to know, “what the solutions” should be.

MGA/LRA, together with a well-qualified committee, engaged with competition law specialists to develop a suite of draft legislative reforms to the Competition and Consumer Act, particularly section 46 – Misuse of Market Power and Section 50 – Creeping Acquisitions.

If nothing is done in the political arena today and the current unabated duopoly growth is allowed to proceed, then independent retail diversity, innovation and true robust supermarket competition will be at risk. This will leave the consumer without shopping choices and suppliers, with only limited product distribution offerings.

Early in 2014 the Minister for Small Business and Competition Matters, Hon Bruce Billson MP delivered on the promise of the Coalition Government to conduct a Root and Branch review of the Competition and Consumer Act by announcing the Competition Policy Review Panel and releasing the terms of reference for the review. On 7 June 2014, with the assistance of an industry committee, MGA/LRA lodged its comprehensive submission to the Competition Review Panel outlining many grocery and liquor industry examples of the market power and dominance of Wesfarmers Woolworths and their subsequent misuse of that market power.

Petrol Shopper Dockets capped at 4 cents per litre.

A significant victory for the small business sector, particularly grocery and liquor was the announcement in December 2013 by ACCC Chairman, Rod Sims and Minister for Small Business Hon Bruce Billson MP, that an enforceable undertaking was agreed upon with Coles and Woolworths to cap their Petrol Shopper Docket discounts at supermarket level to 4 cents a litre. Prior to this undertaking, there was no restriction and both Coles and Woolworths were able to discount petrol up to 45 cents per litre for various bundle purchases of groceries. This predatory behaviour not only put many hundreds of service station owners out of business but distorted the grocery market by forcing consumers to purchase groceries from the larger chains to avail themselves to exorbitant fuel discounts. MGA members around Australia lost significant sales as a consequence of these discounts – clearly this was a misuse of market power that the independent sector could not compete against.

This very significant result, announced just before Christmas, was effective from 1 February 2014, could not have been achieved without the determination, help and support from MGA/LRA’s members, industry stakeholders and industry supporters. It is indeed amazing to reflect upon this result and how it was achieved.

Other Issues

MGA also addressed many other issues and opportunities that affect the viability of its members businesses including:

- National Wage Review submitted to Fair Work Commission – Financial Year 2014
- Review of the Fair Work Act – Fair Work Commission
- Review of General Retail Award
- Workplace Health and Safety (WHS)
- Deregulation of red tape – reduce cost burdens
- Repeal of Carbon Tax from 1 July – saving our industry sector \$70 million
- State Planning and Development policies
- ACCC – Petrol Shopper Dockets, predatory capacity
- Container Deposit Legislation (CDL)
- National Weights and Measures
- State Tobacco legislation
- Health, Nutrition and Labelling (kilojoules)
- Food Safety and Product Labelling – Vic, SA, NSW
- Packaged Liquor Licensing – States
- Advocate for a new class of Liquor Licences for supermarkets in SA and Qld

Advocacy Highlight of the year - Canberra

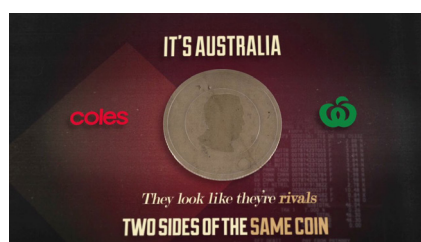
On 13 and 14 May MGA's Board of Directors, accepted an invitation from Small Business Minister, Hon Bruce Billson MP and travelled to Parliament House Canberra to attend the release of the Coalition's first Budget since coming into government in 2013.

MGA used this opportunity to organise an industry breakfast, attended by 75 members, industry stakeholders and guests to lift the profile of our industry sector and to hear from Rod Sims – ACCC Chairman, Ian Morrice – Metcash CEO and Hon Bruce Billson MP who were MGA's special guests and speakers. MGA's Board meeting was also held in Canberra with guests attending including; Ian Morrice Metcash CEO, Josh Frydenberg, Parliamentary Secretary to the Prime Minister for the deregulation of red tape and Bernie Ripoll – Shadow Parliamentary Secretary to The Shadow Minister for Small Business Hon Bill Shorten MP.



Release of Change the Game Video

To further highlight the damage caused to the Australian economy and fair competition, MGA launched an industry video entitled, "Change the Game". This three minute video illustrates many examples of Wesfarmers and Woolworths misuse of market power and dominance. For robust competition to be reenergised, unfair competition laws must be changed to harness this dominance and create a level playing field for fair competition. The game must be changed!



INDUSTRY COMMUNITY

Industry Community

MGA/LRA brought the industry together to attend various events on a number of occasions throughout the year for valuable networking opportunities between retailers, suppliers, industry stakeholder and politicians. Events included, the The Grocery and Liquor Association Industry Ball which was held in Victoria. In addition, there were industry breakfasts, golf days as well as other forums organised throughout Australia for industry networking and workshopping opportunities.



2013 GALA Ball



2014 Victorian Golf Day



NSW breakfast and AGM



Canberra Industry Breakfast



NSW breakfast and AGM



2013 GALA Ball

MGA/LRA has continually helped to lift the profile of the independent supermarket and liquor sector with politicians, bureaucrats and industry stakeholders through a variety of initiatives and events in Financial Year 2014 including;

- State Industry Committees – WAIGA, SAIRG, Qld Trading hours
- 70 Energy Efficiency Information Seminars held throughout Australia
- Legal and HR Seminars and Workshops
- MGA Board Meetings
- Regional meetings – FoodWorks, IGA, SPAR
- Attendance at national conferences and Expos – FoodWorks, IGA states, Metcash, SPAR, TIR
- Training courses – Food Safety and RSA
- Industry Golf Days
- GALA Industry Ball
- LRA Committee Meetings
- Industry Breakfasts

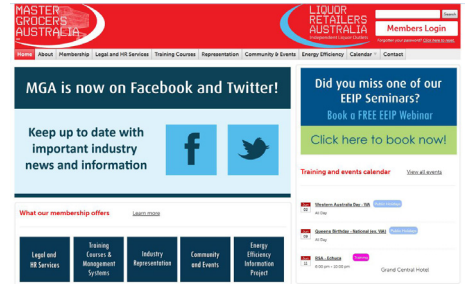
Communication

MGA/LRA's communication platform with members has significantly improved. MGA/LRA's website has been updated and is more interactive and easier to navigate.

The Independent Retailer magazine continues to be the industry magazine of choice for members owing to the large amount of professional development material contained within each edition and its ability to connect members around Australia with industry news. Communication is further enhanced with an e-Checkout newsletter (fortnightly) and timely e-Alerts.



Independent Retailer magazine



MGA website



e-Alert

Energy Efficiency Information Program (EEIP)

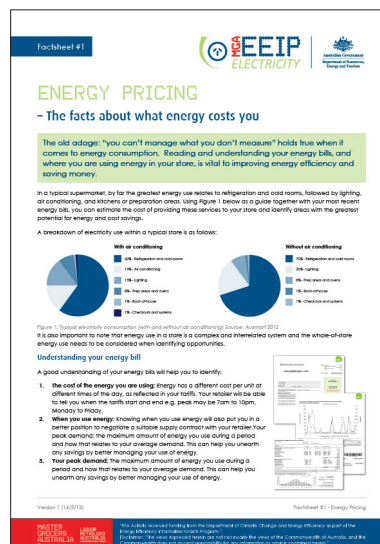
Energy usage has fast become a primary concern for independent supermarkets and liquor stores. The cost of energy combined with refrigerant gas replenishment has become the second largest cost to do business behind wages. MGA/LRA's Energy Efficiency Information Program funded by the Federal Government and led by EEIP Project Leader – Steve Sellars, has been an incredible journey of learning, collation of information and insights and understanding of the impact of energy usage on the profitability of independent supermarkets and liquor stores. This was all done in accordance with the milestones pertaining to the EEIP Federal Government Grant.

The Energy Efficiency Information Program, led by Steve Sellars, was developed with input from a dynamic industry steering committee including Damien Wigley, from Equilibrium. The entire information program is available online and addresses all the key areas of energy consumption with information, facts and solutions to help reduce energy consumption. The program includes a unique energy usage self assessment tool as well as a series of facts sheets and a comprehensive information and resource handbook. A website has also been developed to coincide with the program that sits within MGA's website.

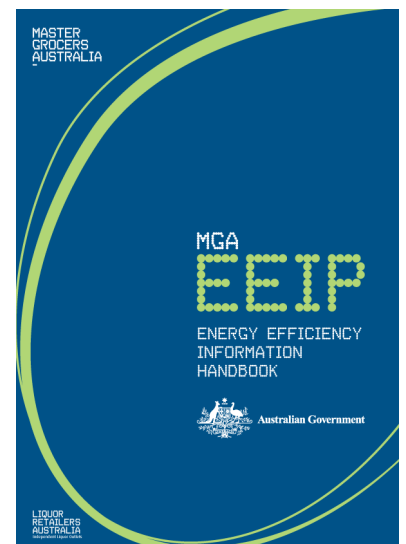
MGA's training team delivered 70 seminars to members around Australia throughout the year. Most attendees benefitted from attending by implementing at least one idea to help reduce energy consumption and costs in their stores.



EEIP Website



EEIP Factsheet



EEIP Handbook