

2015 ANNUAL REPORT

MGA
INDEPENDENT RETAILERS



PRESIDENTS REPORT



This is my 10th Year as President of MGA Independent Retailers. I have been privileged to serve members, together with a dedicated Board of Directors, who have overseen the emergence of our organisation from a very good state based organisation to an excellent registered peak national employer industry organisation.

We are proud to say that our membership around Australia is very strong. MGA as an organisation has developed a high profile in State, Territory and Federal Government circles. This credibility is recognition that the independent supermarket and liquor store industry sector is substantial and must be heard.

The independent supermarket and liquor industry sector has been increasingly exposed to numerous economic and competition challenges that continually impact negatively upon members' businesses.

MGA Independent Retailers is completely dedicated to achieving the best outcomes for its members through its five core pillars that provide the basis for member support and service. Each core pillar plays a vital role in members businesses and includes; legal and HR, training and compliance, industry representation, energy efficiency and industry community.

The legal and HR team consistently provides members with exceptional service, not only on a day to day basis with their local enquiries but through the many submissions they have developed and lodged over the year, conducting member national wage surveys, advocating for lower wage increases, lower Sunday penalty rates, no additional public holidays and no deregulation of trading hours in the relevant states.

Despite the many positive MGA developments, the training team has been fully challenged this year.

Withdrawal of Federal and State Government training incentives for workers has been disappointing. Whilst there is some funding support for training new retail workers, this has departed from "how things are done in our industry!" Our industry sector trains people who have been employed for more than a few months and have the desire to progress in the business and may wish to be part of a succession plan which is vital in a small business. MGA's team is working with governments and Service Skills Australia to bring back training incentives for retail training but it looks like a long haul.

Despite this setback, exceptional work has been done to develop the online Workplace Health and Safety system which is a fully integrated online instore Risk Management System.

Industry advocacy and representation has become a vital function for MGA Independent Retailers. Competition law reform is the most important issue MGA's Board and staff have been addressing this past 12 months.

I am pleased to inform members that MGA's journey to encourage Competition Law Reform – changing section 46 (misuse of market power), commenced over 10 years ago. In this time there have been numerous compelling reports and documents produced highlighting and illustrating the market dominance and power of Coles and Woolworths and their misuse of market power.

At the beginning of 2014, Minister Billson announced there would be a Root and Branch review of the Competition and Consumer Act. The Minister appointed

Professor Ian Harper to lead The Competition Policy Review Panel. MGA has been fully engaged and involved with the work of this panel providing insights as well as two thorough and compelling response submissions advocating for strengthening competition laws. The Final Harper Review report was released on 31 March 2015 - the same day MGA launched its consumer research results into the market dominance of the big two at our industry breakfast in Perth.

MGA's Board is committed to pursuing Competition Law Reform for members to trade on a level playing field in a market completely dominated by the duopoly.

On behalf of MGA's Board of Directors I would like to thank our grocery, liquor and other retailer members, as well as our industry stakeholders, for their support and encouragement of MGA to help protect our members from the many unforeseen threats that face members businesses every day. I would also like to thank MGA's management and staff, who have worked extremely hard and faced many challenge over the past year. They have had to restructure the organisation as a consequence of the withdrawal of government training incentives funding from the retail industry.

I would also like to thank the MGA Liquor Committee and all other stakeholders who have worked with MGA over the past 12 months including; Federal and State Members of Parliament, the ACCC, Treasury and various other Federal and State Government departments and agencies.

And finally, the independent industry owes a great deal to the dynamic CEO of MGA, Jos de Bruin. Thank you Jos, for your passion, dedication, boundless energy and for leaving no stone unturned to ensure the future of all independents.

**Rodney Allen,
President of MGA Independent
Retailers**

MGA INDEPENDENT RETAILERS

ANNUAL REPORT 2015

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

Overview for Financial Year 14/15

This financial year has been challenging on a number of fronts. For members, the ongoing fight for consumer spending continues with competition escalating, increasing costs in doing business – including wages and energy and generally, the economy faltering with the decline in mining activities and a subsequent rise in unemployment. These challenges have stretched members to limits never experienced before with profits declining and families increasingly working in their businesses putting strain on their health and family lives. Government and State training incentives have also been significantly reduced impacting upon members’ staff training and succession planning.

MGA Independent Retailers, similarly has experienced serious challenges including significantly reduced government training incentives. This has forced MGA to make structural changes to its business model.

Despite the challenges, members are resilient, agile and adjusting to the industry changes in the best way they know how and that is to push on and continue to delight its customers with personal and rewarding shopping experiences.



Jos de Bruin with Hon Neale Burgess MP



Jos de Bruin, Hon Josh Frydenburg MP



Rod Allen, Hon Tony Abbott MP, Jos de Bruin



Jos de Bruin, Peter Strong – CEO COSBOA, Hon Craig Kelly MP



Peter Anderson – Harper Competition Policy Review Panellist, Jos de Bruin



MGA Board with Hon Bernie Ripoll MP at Parliament House Canberra

CEO REPORT



MGA Independent Retailers has had a busy year juggling the many challenges and issues that members face.

MGA's dedicated staff and board of directors have worked tirelessly to support and help members in their businesses. Not only providing members immediate assistance with legal and HR advice or industry training matters but also at a state and federal government level, advocating to resolve issues in the best interest of members. I would like to personally thank them for their dedication to members.

MGA Independent Retailers membership numbers remained consistently strong across all states. MGA has 2,500 members, who employ 115,000 staff with sales of \$14b. This strong and unified membership for grocers, liquor and hardware, assists MGA with credibility and respect at all levels of state and federal government, as well as, various government agencies.

MGA's financial results for the year were quite strong despite a number of unknown circumstances that affected the forecast. MGA continues to trade robustly and profitably.

MGA's professional and dedicated legal and HR team have been fully engaged all year and are known on a first name basis by most members who call in for assistance. This is testimony to their commitment to providing members with exceptional support and service.

Throughout the year, MGA was confronted with quite a few challenges. To coincide with circumstances beyond MGA's control, a reduction in state and federal government training incentive funding, there was a restructuring of MGA's organisation that resulted in staff numbers within our training department

having to be reduced. This was very disappointing and no reflection upon the high quality of work carried out by staff.

The training team continues to develop training and compliance solutions for members, particularly online which is experiencing substantial growth. The Workplace Health and Safety system (WHS) is a key focus and has been developed as a cost effective management system for members to manage and mitigate compliance risks in their business.

Industry representation and advocacy was a very big focus and priority for MGA Independent Retailers this year. Aside from a host of important matters and issues that had to be addressed at state and federal government levels, it was, and continues to be Competition Law reform that dominates our priorities.

The MGA team and Board have been very active in promoting the immediate need for changes to section 46 of the Competition and Consumer Act (CCA) – misuse of market power, by engaging with the federal government, particularly Minister for Small Business, Hon Bruce Billson MP and his team, as well as, various government agencies including Treasury and the ACCC. Minister Billson announced there would be a Root and Branch review of the Competition and Consumer Act in January 2014. Professor Ian Harper was appointed a short time later to lead the Harper Competition Policy Review Panel. MGA together with a number of members from around Australia engaged with the Panel at various forums held around the country and took part in two extensive Harper Panel discussion documents, by responding with the development and lodgement of two deep and insightful submissions, advocating for the introduction of an effect test into

section 46 of the CCA.

There have been many representations to members of parliament (government and opposition), as well as, consultations with government agencies. MGA's Board met with a number of Members of Parliament (MPs) in Parliament House, Canberra, in June 2015, to further discuss Competition Law reform. After witnessing the lack of commitment from many MPs, MGA decided that a full communication strategy illustrating the immediate need for competition law reform be developed. This has been an intensive and very resource hungry industry issue that must be addressed and rectified with reform.

To support MGA's crusade to have competition laws reformed, it was decided to engage a small boutique agency to conduct national consumer surveys, focus groups and market research into their attitudes toward the market dominance of Coles and Woolworths in the Australian supermarket and liquor landscape. Resultant consumer insights were compelling with a large majority of consumers from around Australia wanting Competition Law Reform – a level playing field for fair competition.

A highlight over the past 12 months was the success around Australia of industry events including – business breakfasts, GALA Ball, golf days and other industry events. The events featured very interesting guests and speakers. Some special guests included, Minister for Small Business and Competition Matters – Hon Bruce Billson MP, ACCC Chairman – Rod Sims and former Victorian Treasurer – Michael O'Brien.

On behalf of MGA Independent Retailers, I would like to thank all corporate partners and industry stakeholders for their ongoing support. And on behalf of MGA's Board of Directors and MGA staff, I would like to sincerely thank our members for their continued membership and support of MGA to "get the job done on their behalf".

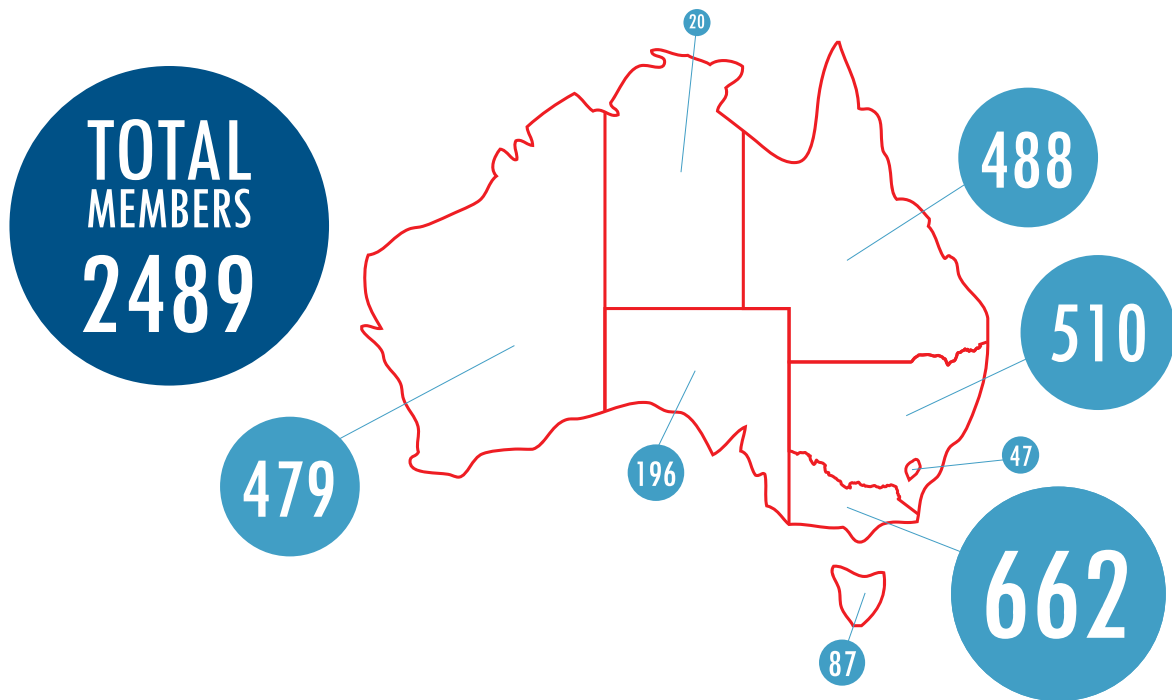
Jos de Bruin,
CEO of MGA Independent Retailers

INDUSTRY LANDSCAPE

Membership

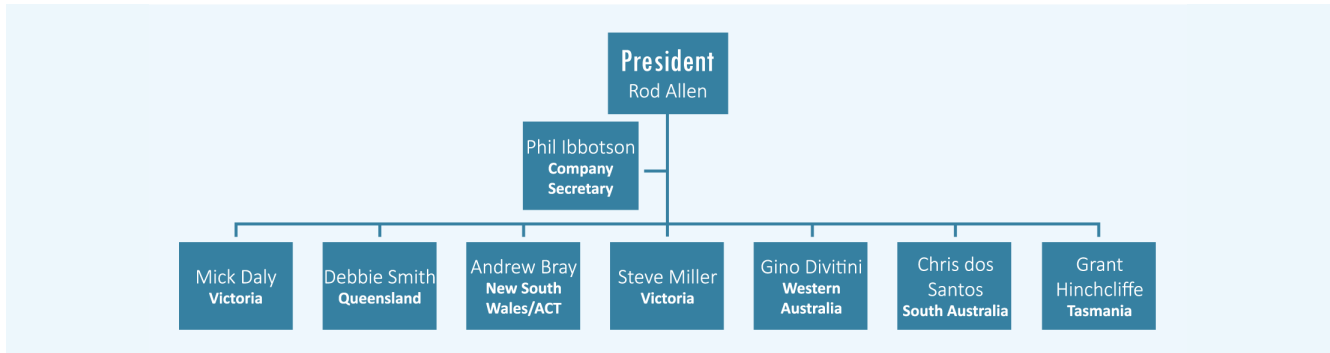
MGA membership continued to consolidate this year with a total of 2,500 members.

All branded independent supermarkets are members. Supermarket members trade under many brands including; Farmer Jacks, Foodland, FoodWorks, IGA and SPAR. Liquor store membership has stagnated and continues to be a challenge. A strong interest for membership has been received from non food and beverage retailers including Mitre 10 hardware stores.



MGA Board of Directors

MGA's Board of Directors continues to dedicate their time and resources to serving MGA Independent Retailers and the needs of its members. Travelling from all parts of Australia, MGA's Board meets on a regular basis and combines these duties with state and federal politicians and industry stakeholders meetings.



Left to Right: Marie Brown (MGA), Chris dos Santos (SA), Jos de Bruin (MGA), Debbie Smith (QLD), Rod Allen (VIC), Steve Miller (VIC), Grant Hinchcliffe (TAS), Gino Divitini (WA), Andrew Bray (NSW/ACT), Mick Daly (VIC), Hon Bruce Billson MP – Minister for Small Business and Competition Matters

MGA's staff

MGA's staff structure (particularly training), has been forced to change significantly over the past 12 months owing to the reduction of state and federal government training incentives. Staff resources have been increased to meet the demand of increasing liquor membership and the increased focus on MGA's Workplace Health and Safety System.



Left to Right: Top Row - David Sztrajt, Pearl O'Hara, Steve Sellars, George Raptis, Judy O'Reilly, George Kovits, Second Row - Jos de Bruin, Desma Harrod, Karley Jollands, Marie Brown, Bottom Row - David Grey-Smith, Dale Clark, Chrissy Groat, Krystyna Mailer

Corporate Partners

Corporate partners have always been an integral part of MGA's ability to deliver a higher level of support and service to its members. Corporate member support assists to fund vital activities to enable retailers to focus on their customers and sales. These activities include state and federal government lobbying and delivery of legal and HR services. Corporate members have remained at a consistent level according to plan. A membership growth drive will be implemented in the next financial year.

Finance

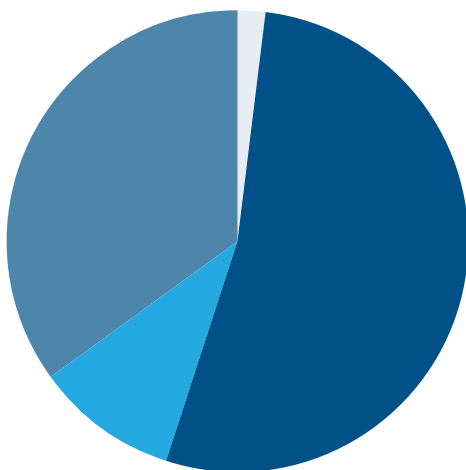
MGA Independent Retailers's financial performance for the year, whilst strong, reflected reduced revenues from member activities and a slowing in membership growth. There was also significant reduction in Certificate III and IV training revenue that was offset by strong online compliance training sales that slowed mid way through the second half of the financial year.

Goals and Objectives

MGA's goals for this financial year focussed on further developing and delivering exceptional member support services including; Legal and HR, Training and Compliance (online and Workplace Health and Safety) and timely industry information through improved communication mediums including; Website, 8 magazines, e-Alerts and fortnightly e-Checkouts.

Contacts and hours

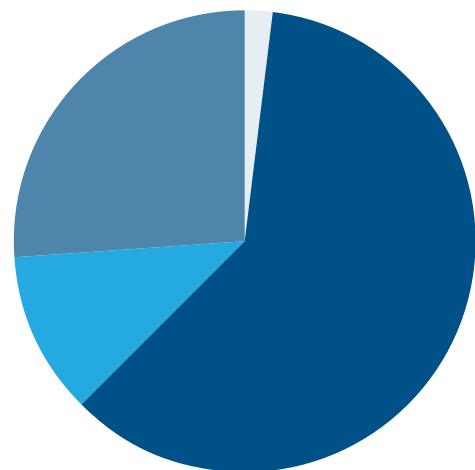
Number of Hours July 2014 - July 2015



- 53% - Legal and HR
- 35% - Industry Representation
- 10% - Training
- 2% - Administration

Total Hours: 6830

Number of Contacts July 2014 - July 2015



- 60% - Legal and HR
- 16% - Industry Representation
- 13% - Training
- 11% - Administration

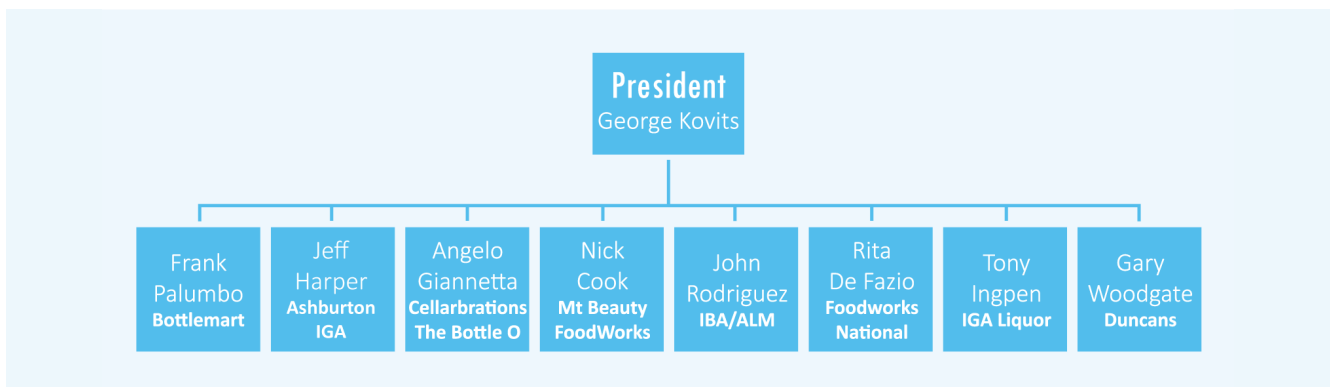
Total Contacts: 9276

MGA LIQUOR COMMITTEE

The MGA Liquor Committee, led by President and member support advocate, George Kovits, drives for outcomes that reduce red tape and lessen cost burdens for members to do business. The committee which is representative of most retailer brands, is the conduit between governments, their various departments regulating liquor and liquor members.

More than 800 of MGA's members have a packaged liquor license. Members are in VIC, ACT and NSW with Legal and HR support provided to the LSA WA membership base. This area of business is of paramount importance to stand alone liquor stores as well as licensed supermarkets. The sale of liquor is heavily regulated and often faces close scrutiny from state and federal governments, health lobby groups as well as the media.

It is vital all retailers selling packaged liquor are a member of an industry association such as MGA Independent Retailers.



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

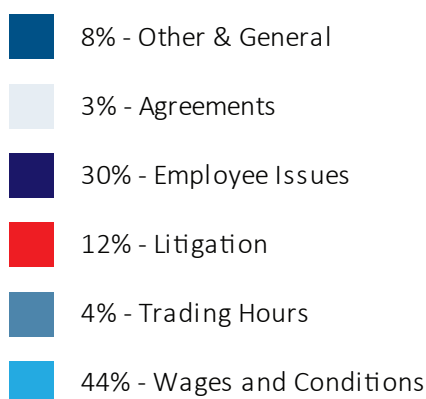
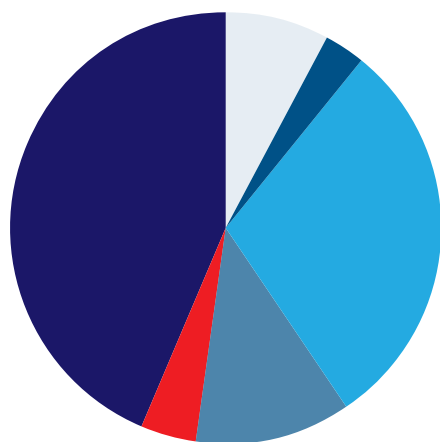
Led by MGA National Legal Counsel for Workplace Relations, Marie Brown, MGA Independent Retailers's Legal and HR team have worked very hard supporting members on a variety of fronts this year.

Members from around Australia continue to call MGA's Legal and HR team for assistance concerning their instore Legal and HR issues. Matters including simple wage enquiries, minor and major staff issues to unfair dismissals are handled by MGA Legal and HR at any given time. Other legal matters concerning tenancy and contracts are also addressed.

There are many state and federal issues and opportunities that are also being addressed by way of representation, surveys or submissions. Some of these include;

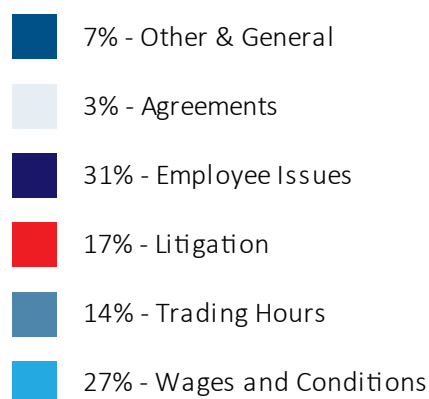
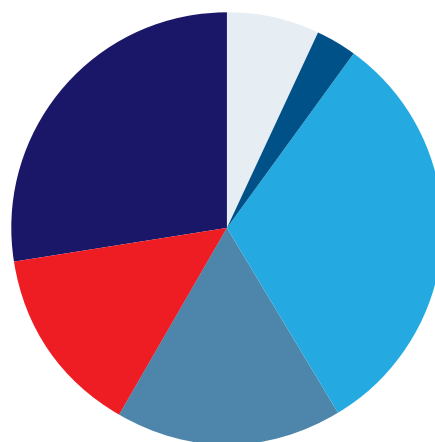
- **Federal** – National Wage Review, Productivity Commission Inquiries, Senate Committee Inquiries, Fair Work Commission liaison
- **State** – Opposing extension of Trading Hours and additional Public Holidays

**Legal and HR Services -
Contacts by topic
(1 July 2014 to 30 June 2015)**



Total Hours: 8008

**Legal and HR Services -
Count of hours by topic
(1 July 2014 to 30 June 2015)**



Total Hours: 4266

INDUSTRY

REPRESENTATION

MGA Independent Retailers, is our industry's peak national body. The organisation has had an extremely busy year representing members at various levels of government – federal, state and local, as well as with government departments.

MGA management and Board members have engaged with all levels of government, to address a plethora of issues and challenges negatively impacting on members businesses on a day to day basis. These include;

Federal

- **Competition** – Working closely with Minister for Small Business – Hon Bruce Billson MP – Root and Branch review of the Competition and Consumer Act
- **The Harper Competition Policy Review Panel** – Professor Ian Harper – national consultations, two major response submissions that follow on from MGA's Let's Have Fair Competition Reports
- **Coalition Government Small Business Committee** – Competition law reform
- **Productivity Commission Inquiry** – Red Tape and cost impediments to doing business – Sunday penalty rates
- **National Measurements Institute**
- **National Wage Reviews** – Member surveys, extensive analysis, calculated recommendations to the FWC
- **Senate Economics Committee** – submissions and appearances – eg. Competition Private Members Bill – Nick Xenophon
- **House of Representatives Economics Committee** – submissions and appearances – Barriers to small businesses
- **Federal working relationships** – Australian Competition and Consumer Commission (ACCC), Treasury Department, Australian Tax Office (ATO), Fair Work Commission (FWC)

States

MGA has addressed a plethora of state based inquiries and issues with responses and submissions including;

- **Opposing Deregulation of Trading Hours** – QLD, WA
- **Tobacco legislation** – NSW, ACT, VIC
- **E-Cigarettes** – NSW, ACT, TAS
- **Packaged Liquor** – VIC, ACT, NSW, QLD
- **Planning and zoning** – VIC, QLD, SA
- **Additional Public Holidays** – VIC
- **State working relationships** – Queensland Industrial Relations Commission (QIRC), Victorian Commission for Gambling and Liquor Relations (VCGLR), NSW and Victorian Department of Health, WA ERA

Affiliations and Industry Associations

- ACCC Small Business Consultative Committee
- Coalition of Small Business Organisations of Australia – MGA is a Director of COSBOA
- Victorian Liquor Control Advisory Committee (LCAC) statutory state liquor body
- Service Skills Australia and Service Skills South Australia

Industry Stakeholders

- **Brands** – Farmer Jacks (WA), Foodland (SA), FoodWorks, Friendly Grocers, IGA, SPAR, IBA, Cellarbrations, The Bottle O, Duncans
- **Wholesalers** – Australian Liquor Marketers, Southern Independent Liquor, Metcash Food and Grocery, SPAR Supermarkets
- **MGA partners** – Adroit Insurance, ICON Global

RETAIL TRAINING & COMPLIANCE

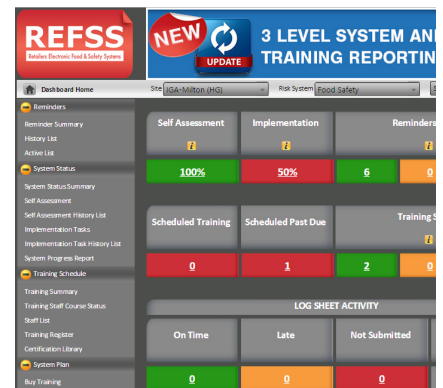
Providing members with training and compliance solutions is a core MGA support pillar. Federal government training incentives for traditional modes of training including Certificate III and IV retail training have been significantly reduced hence a dramatic slowing of this form of instore retail training with MGA members.

On the flip side, online training sales, particularly compliance training, has increased significantly from a small base. Online training includes Responsible Service of Alcohol, Food Safety and Food Safety Supervisors, as well as, MGA's Workplace Health and Safety System (WHS). Over the years there has been significant MGA investment allocated to the development of the Compliance Management System (CMS) and together with ICON Global (developers of the online platform) this has been brought to life as the new online WHS system.

MGA's WHS system is a modern, highly efficient, online management system (tool) that monitors and manages all the day to day compliance obligations and procedures that retailers must undertake to ensure risk is mitigated and compliance obligations are fulfilled. There are currently 120 retailers using this system with retailer growth forecasted to be steady over the next financial year.



WHS System at the Metcash Expo



WHS System Dashboard



Perth Industry Business Breakfast



Canberra Industry Business Breakfast

INDUSTRY COMMUNITY

Industry Community

MGA Independent Retailers has organised numerous industry community events around Australia. Some events such as MGA's popular industry business breakfasts (WA, QLD, VIC, ACT) and industry gatherings are organised for professional development purposes as well as coming together to network.

Typically, MGA has organised special guests and speakers to address the audience with regard to any particular concerns members in each jurisdiction may have. Guest speakers have included; Federal Minister for Small Business and Competition Matters, Hon Minister Bruce Billson MP, Former Vic Treasurer Michael O'Brien, ACCC Chairman Rod Sims, and Peter Anderson former ACCI CEO and member of Harper review panel.

The Annual Victorian MGA GALA ball in August was hugely successful, as well as the annual MGA GALA Golf day (March) which together raised in excess of \$80,000 toward supporting the Reach Foundation.

ENERGY EFFICIENCY INFORMATION PROGRAM

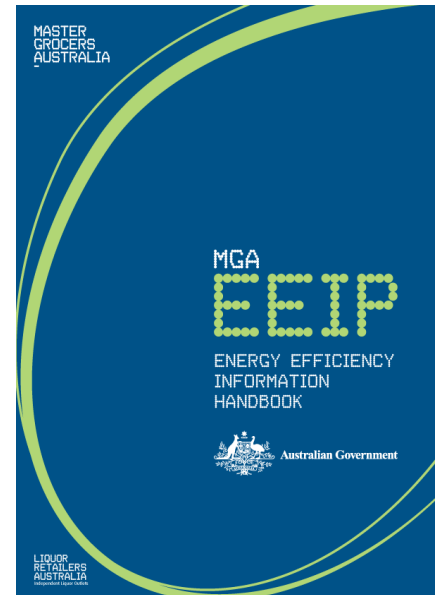


Energy Efficiency Information Program

Following MGA Independent Retailers successfully tendering for a Federal Government Grant in 2012, to help develop an Energy Efficiency Information Program for all members around Australia, MGA adopted this function as the fourth core pillar. The second largest cost for members to do business is associated with the consumption and usage of energy.

MGA developed world class education tools as well as delivering seminars to members to assist with changing the culture in members' businesses toward finding more efficient methods to use energy to power fridges, freezers, coolrooms, lighting, HVAC, POS systems and so on. Other tools include; fact sheets, a full information manual, a dedicated website and an in store energy consumption assessment tool. There has been a great deal of success in changing member behaviour and instore culture toward the more efficient use of energy in their businesses as a consequence of this program.

This core pillar will be reviewed into the next financial year.



Communication

Targeted and meaningful communication to members has been a key focus for MGA Independent Retailers.

All forms of member communication and engagement have been upgraded and improved to increase readability and relevance. MGA's objective is to provide vital information to assist, professionally develop and educate members so that they can operate their business with greater awareness and more efficiently.

The new look MGA website (which will be further improved next year) provides members with vital information across a range of business streams (access via password) and industry stakeholders with an overview of MGA's activities.

The Independent Retailer magazine is produced 8 time per annum, e-Alerts are sent to members on an as needs basis, e-Checkouts are sent to members on a fortnightly basis with important information and tips.



Independent Retailer Magazine



13 February, 2011
Edition 1

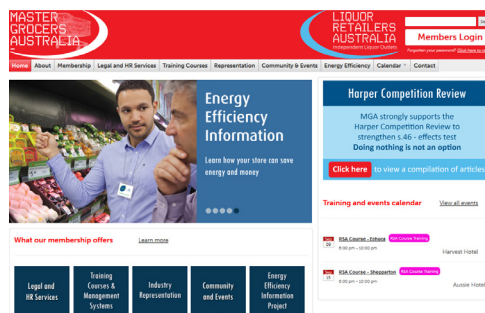
Productivity Commission Workplace Relations Framework

MGA/LRA will be making a submission in response to the Federal Government's Productivity Inquiry into the Workplace Relations Framework ('the Inquiry'). The Inquiry will examine a number of aspects of our industrial relations system and assess the impact of our workplace relations framework on matters including unemployment, job creation, small businesses, productivity, competitiveness, fair pay and conditions for employees, and the ability for employers to flexibly manage their employees and respond to changing economic conditions. MGA/LRA's submission will be submitted to the Inquiry by 13 March 2015. We openly welcome any comments on the above issues from Members that we could include in our submission. Please call 1800 888 479.

Fair Work Commission 4 Year Review of the General Retail Industry Award

MGA will once again be taking part in the Modern Awards Review at the Fair Work Commission ('FWC'). MGA will be advancing our case to reduce

e-Checkout



MGA website