Government of South Australia

Liquor licensing discussion paper

Response by ALDI Stores

15 January 2016
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Confidentiality

This paper references data compiled by Nielsen research company and IBISWorld. ALDI does not have copyright over these documents and therefore cannot authorise the online or public release of Nielsen: S09 2015 Liquor Off Premise Purchase Data (2015), and ‘Liquor Retailing in Australia’, IBISWorld Industry Report G4123.
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On February 3rd, ALDI will be proud to open our first four stores in South Australia, providing an opportunity for South Australians to access our award winning products at low prices, as well as creating a significant number of local jobs and supplier opportunities.

As a new member of the South Australian retail community, we welcome the opportunity to express our views on the Liquor licensing discussion paper. We believe that positive changes to the legislation can serve to further encourage business activity, diversity and vibrancy, whilst still maintaining a safe and responsible drinking culture within South Australia. Furthermore, we believe these changes will ultimately support the Government of South Australia’s goal to:

“Create a simple and modern liquor licensing system that reflects community expectations and ensures that we continue to receive international recognition.”

The submission provided seeks to accomplish this by firstly highlighting a number of key challenges associated with the current legislative framework. These challenges have been segmented into two themes:

1. Current impediments to vibrancy and competition within the liquor market; and

2. Burdens and restrictions associated with red tape.

Secondly, our submission outlines research regarding the maintenance of a safe drinking culture within the State, and concludes by proposing changes to the legislation to help mitigate the current challenges in a safe and responsible manner. Ultimately, the submission seeks to address the question posed on page 18 of the Liquor licensing discussion paper:

“Should alcohol be able to be sold in supermarkets?”

ALDI commends the Government of South Australia’s recent small venue licensing amendments to the liquor licensing framework, and has been pleased to see the vibrancy and diversity that has resulted from these changes. We are optimistic that further sensible and well balanced reforms can continue to effectively promote South Australia’s strong reputation both domestically and abroad.

Yours Sincerely,

Viktor Jakupec
Managing Director
ALDI Stores | South Australia
The Government of South Australia has issued the Liquor licensing discussion paper in order to create a simple and modern liquor licensing system that improves the levels of vibrancy and competition within the marketplace, reduces red tape, whilst ensuring the sale and consumption of alcohol remains safe and responsible.

As a new entrant to the South Australian retail market, ALDI is pleased to provide this submission to the discussion paper and believes that a carefully controlled approach to selling alcohol within supermarkets would help facilitate this outcome.

Section 37(2) of the Liquor Licensing Act 1997 currently prohibits the sale of alcohol in supermarkets. It is our belief that the current prohibition of alcohol sales in supermarkets has resulted in the following negative effects:

1. A strengthening of the current duopoly in the liquor market with Coles and Woolworths accounting for 66% of South Australia’s total liquor revenue. This figure is continually growing.

2. Impeding the South Australian wine industry from a wider choice of retail entry points. In particular, through limiting retail opportunities for small, independent wineries.

3. Failing to meet the expectations of tourists and visitors. Seventy one percent of domestic tourists to South Australia can purchase alcohol in supermarkets in their home states. A significant portion of international tourists can also do this.

4. Unnecessarily limiting consumer choice and convenience. South Australian consumers can already purchase alcohol products either online or in liquor retailers owned and operated by existing supermarket chains.

Despite the benefits of improved vibrancy, choice and competition associated with allowing the sale of alcohol in supermarkets, ALDI believes that any attempt to do so should be carefully balanced with the desire to create and maintain a safe drinking culture within the State. As a supplement to this proposal, we have included information which has guided our attitudes regarding the sale of alcohol in supermarkets. This information notes:

1. There is no evidence linking increased availability of alcohol and increased consumption. Consumption of alcohol per capita has been declining over the past decade in Australia despite an increase in the number of outlets of sale.

2. Restricted sale of alcohol in supermarkets can have a positive social effect by ensuring alcohol is viewed as a complement to food.

3. Safe consumption initiatives can assist alcohol retailers in ensuring harm is minimized to at-risk groups.
Based on this information, as well as our experience selling alcohol in Victoria, New South Wales and the ACT, ALDI proposes that alcohol in should be permitted to be sold in supermarkets under strict conditions.

Key components of these conditions are recommended as follows:

1. **Only unchilled products are sold.** The absence of chilled liquor means that instances of public drinking around the store are significantly reduced.

2. Supermarkets selling alcohol must maintain a **designated and cordoned liquor display area, limited to no more than 5% of the total floor area.** This allows for increased supervision, maintains the focus on supermarkets as being providers of food and grocery products, and prevents supermarkets from gradually transitioning to liquor stores.

3. **Comprehensive training and accreditation** requirements must be provided for all employees.

4. **Sale of alcohol should be limited to standard supermarket trading hours** to minimise the chance of the more at-risk, late night sales.

5. Supermarkets selling alcohol must **sign up to harm minimisation initiatives** as introduced in other States.

6. A **streamlined approval process** should be implemented, replacing the current “needs test” with one centred on “undue social harm” in order to create a more competitive and equal marketplace, whilst still ensuring community safety.

ALDI believes that the measures outlined above will help assist in achieving the Government’s vision of a modern and vibrant South Australia.

We would be delighted to discuss any components of our submission in detail at your convenience and would be willing to provide further evidence of our expertise and experience to the review process as required.
ALDI is a rapidly growing supermarket chain, currently operating nearly 400 stores throughout the Australian eastern states and directly employing over 9000 people. We are proud to be launching our first four South Australian stores on the 3rd of February. It is anticipated that ALDI’s market presence in this State will eventually expand to approximately 50 stores, employing more than 900 South Australians directly and many more indirectly. Each ALDI store provides 15-22 direct jobs and an additional 65 jobs during the construction phase.

Since our first store opened in NSW in 2001, ALDI has played an important role in the Australian community. We have worked closely with Australian farmers, producers and manufacturers to establish long-term relationships. The majority of ALDI’s exclusive brands are sourced from Australian suppliers, and we only source products from overseas when we can’t find the product, quality, efficiency or innovation we seek, here in Australia. **One hundred per cent of fresh meat, 93 per cent of chilled dairy and 91 per cent of fruit and vegetables is sourced from Australian producers and farmers**, many of them South Australian based.

In 2015, stores on the east coast sold over $137 million worth of grocery products and more than $27 million in fresh fruit and vegetables sourced from South Australian suppliers and grocers. This figure will grow substantially as our South Australian stores begin to trade.

We have been broadly welcomed into the Australian retail market for creating greater choice and price competition for consumers, helping to break down the Coles-Woolworths duopoly, and creating greater business opportunities for Australia suppliers.

In order to meet people’s expectation that they should be able to buy liquor conveniently with their groceries, responsible sale of liquor forms part of ALDI’s business model both domestically and internationally. We have been selling packaged liquor in our Victorian stores since 2003, in the ACT in 2006 and in NSW since 2011. This model involves a small footprint, generally around 40-50 square metres in size, in a specifically cordoned off area of the store.

**ALDI is currently unable to sell liquor in South Australia** due to restrictions under the Liquor Licensing Act 1997.
Under the Liquor Licensing Act 1997, South Australian supermarkets are currently unable to sell packaged liquor. s37 (2) of the Act states:

(2) It is a condition of a retail liquor merchant’s licence that the licensed premises must be devoted entirely to the business conducted under the licence and must be physically separate from premises used for other commercial purposes.

Exceptions —

1. Goods may be sold in the same premises if they are of the kind normally associated with, and incidental to, the sale of liquor (eg. glasses, decanters, cheeses and pates).

2. The licensing authority may grant an exemption from the above condition if satisfied that the demand for liquor in the relevant locality is insufficient to justify the establishment of separate premises or there is some other proper reason for granting the exemption.

Whilst restricting the sale of alcohol in supermarkets was originally intended to “minimise the harm associated with the consumption of liquor,” ALDI believes that this provision now serves instead to unnecessarily limit the vibrancy and competition of the liquor industry in South Australia. The provision does this in the following ways:

1. A strengthening of the current duopoly in the liquor market with Coles and Woolworths accounting for 66% of South Australia’s total liquor revenue. This figure is continually growing.

2. Impeding the South Australian wine industry from a wider choice of retail entry points. In particular, through limiting retail opportunities for small, independent wineries.

3. Failing to meet the expectations of tourists and visitors. Seventy one percent of domestic tourists to South Australia can purchase alcohol in supermarkets in their home states. A significant portion of international tourists can also do this.

4. Unnecessarily limiting consumer choice and convenience. South Australian consumers can already purchase alcohol products either online or in liquor retailers owned and operated by existing supermarket chains.

Furthermore, ALDI believes that the provision neglects to substantively provide for a safer drinking culture within the State, by failing to reinforce the link between alcohol and food consumption, as well as placing South Australian retailers, consumers and suppliers at a disadvantage when compared with the majority of other states. Supporting evidence of this will be detailed subsequently in our submission.

\[^1\] Liquor Licensing Act 1997, s3(1)
4.1 Impediments to Vibrancy and Competition

The Government of South Australia’s Strategic Plan lists “keeping our communities strong and vibrant,” as an integral part of the vision for the State.² This desire has been referenced in a number of policy initiatives by the Government and forms a key theme of the Liquor licensing discussion paper. In this paper, it is noted that Adelaide is consistently rated as one of the world’s most livable cities, and that:

“There is a desire to continue to create a vibrant city, one that encourages business activity and diversity, and that is and enjoyable for all.”

It is ALDI’s belief that this goal is currently hindered by the prohibition on the sale of alcohol in supermarkets in the following ways:

4.1.1 Strengthening the Current Duopoly in the Liquor Market

According to IBISWorld Industry Report G4123 Liquor Retailing in Australia, the Woolworths / Coles duopoly collects 60% of Australia’s total liquor revenue. This is done through wholly owned brands under the Woolworths and Wesfarmers banners such as Dan Murphy’s, BWS, Liquorland, Vintage Cellars and First Choice.

Woolworths currently maintains 1,442 liquor outlets nationally and has listed, “to continue to outperform in the liquor business” as a strategic priority for the future, projecting growth of 16-25 new stores per year.³ In 2015, liquor sales amounted to $7.7 billion, up 4.2% on the previous year, despite the Australian liquor industry growing at only 2.1%.⁴ The Woolworths 2015 Annual Report also notes that their food and liquor business is “30 per cent larger than our nearest competitor.”⁵ Wesfarmers’ predicts similar growth, with the 2015 Full-year Briefing Presentation to Shareholders advising operation of 869 liquor stores nationally, an increase of 27 in 2015.⁶

In South Australia, it is estimated that Coles and Woolworths currently account for 66% of packaged liquor sales⁷, a figure disproportionate to their national market share.

Without change to the current legislation, South Australia faces a packaged liquor duopoly controlled by Coles and Woolworths, identical to their dominance of groceries, petrol, hardware and general merchandise. The situation has gained the attention of the Australian Competition and Consumer Commission which has been concerned about “creeping acquisitions” and their impact on competition.

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⁴ ‘Liquor Retailing in Australia’, IBISWorld Industry Report G4123
⁷ Neilson: s09 2015 Liquor Off Premise Purchase Data (2015)
The negative impacts of this duopoly in other commodities are well documented, with the Journal of Australian Political Economy\(^8\) stating:

- *Coles and Woolworths predictably achieve discounts from suppliers for large-scale bulk purchases.*

- *Coles and Woolworths are the beneficiaries of special deals they have initiated over the years and have expanded as their power has expanded.*

- *Shopping centre landlords treat these retailers as ‘anchor tenants.’ All other shopping tenants cross subsidise these retailers through the rentals they are forced to pay for the privilege of proximity to the giants. Coles and Woolworths can leverage this gain to cross-subsidise other activities.*

The ongoing Woolworths and Coles acquisition and development of big-box liquor stores, such as Dan Murphy’s and First Choice, continues to give the duopoly more dominance over other retailers, suppliers and consumers. Other grocery retailers, which could viably provide liquor competition to Coles and Woolworths through their bricks and mortar outlets, are unable to compete due to the restrictions of s37(2) of the *Liquor Licensing Act 1997*.

This situation is serving to **homogenize the liquor market and limit competition within the industry.**

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4.1.2 Failing to Meet Tourist and Visitor Expectations

In the Liquor licensing discussion paper, the Deputy Premier identifies the important role liquor plays in South Australian tourism, with the industry helping to facilitate the Government’s stated target of increasing tourism revenue to $8 billion by 2020, and its economic priority of becoming a destination of choice for travellers. In order to achieve this goal, South Australia must continually review its tourism offering, ensuring the State effectively meets visitor expectations and generates opportunities to highlight South Australia’s key attractions. By prohibiting the sale of alcohol in supermarkets, the South Australian Government limits the opportunities to expose visitors to high quality regional wine products, as well as fails to meet the retail expectations of many international and interstate tourists.

Internationally, many tourists expect to be able to purchase packaged liquor at supermarkets and this is particularly pronounced with key visitor groups to South Australia. In 2015, Chinese visitors to South Australia increased by 4%, Hong Kong visitors by 43%, Indian visitors by 16% and Singapore visitors by 24% with total visitor expenditure from Asian countries increasing 28% in the past year. These markets have all been identified by the Government as key international connections in the facilitation of economic growth, and in the vast majority of instances, the population in these markets are permitted to purchase alcohol in their domestic supermarkets. In addition, visitors from Europe, the United Kingdom, the United States and New Zealand have been purchasing alcohol in their supermarkets for many years. It is estimated that more than 80% of all international tourism to South Australia comes from countries permitting the sale of alcohol in supermarkets.

Domestically, South Australia is in the minority of States prohibiting the sale of alcohol in supermarkets. New South Wales, Victoria, the ACT and the Northern Territory liquor legislation all have a designated licence category which allows food retailers to enter the packaged liquor market. All require an approved application with controlling guidelines. Seventy one percent of all domestic tourism to South Australia comes from States permitting the sale of alcohol in supermarkets.
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<thead>
<tr>
<th>States permitting the sale of alcohol in supermarkets</th>
<th>States prohibiting the sale of alcohol in supermarkets</th>
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<tr>
<td><strong>New South Wales</strong></td>
<td><strong>Queensland</strong> <a href="http://www.business.qld.gov.au">www.business.qld.gov.au</a></td>
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<tr>
<td>Packaged alcohol can be sold in supermarkets with</td>
<td><strong>Tasmania</strong> <a href="http://www.treasury.tas.gov.au">www.treasury.tas.gov.au</a></td>
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<tr>
<td>application approval. Modern legislation guides</td>
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<td>how the alcohol is separated from other food areas,</td>
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<td>sales staff training and area size. <a href="http://www.olgr.nsw.gov.au">www.olgr.nsw.gov.au</a></td>
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<td><strong>Victoria</strong></td>
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<td>In Victoria codes of conduct, training and alcohol</td>
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<tr>
<td>advertising guide the selling of alcohol in</td>
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<td>supermarkets. <a href="http://www.responsiblealcohol.vic.gov.au">www.responsiblealcohol.vic.gov.au</a></td>
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<tr>
<td><strong>ACT</strong></td>
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<td>Alcohol can be purchased alongside groceries in the</td>
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<tr>
<td>ACT. <a href="http://www.canberraconnect.act.gov.au">www.canberraconnect.act.gov.au</a></td>
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<tr>
<td><strong>Northern Territory</strong></td>
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<td>Alcohol can be sold in supermarkets in the Northern</td>
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<td>Territory. <a href="http://www.nt.gov.au">www.nt.gov.au</a></td>
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<tr>
<td><strong>Western Australia</strong></td>
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<td>The Western Australia Liquor Control Act controls</td>
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<td>the licensing of alcohol in supermarket and other</td>
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<tr>
<td>venues. <a href="http://www.rgl.wa.gov">www.rgl.wa.gov</a></td>
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</tbody>
</table>

Table 1: States permitting and prohibiting the sale of alcohol in supermarkets.

While regulations differ across these regions and countries, many **visitors have an expectation to be able to purchase alcohol in supermarkets when they visit South Australia**. Permitting the sale of alcohol in supermarkets therefore serves to meet these visitor expectations whilst providing further avenues to highlight key South Australian food and wine attractions.
4.1.3 Impeding the South Australian Wine Industry

South Australia’s wine industry is domestically and internationally renowned, accounting in 2013 for 45.1% of all Australian wine production.\(^{15}\) The wine industry in South Australia maintains 703 wine producers and employs a significant workforce of growers and manufacturers. The industry is also a substantial player in the tourism sector.

The South Australian wine industry relies on the domestic market for a significant portion of its sales, yet there is a lack of choice in retail entry points for home grown products. This is particularly pronounced for small, independent wineries. Of the 703 wine producers registered in South Australia, it is estimated that more than three quarters of these companies crush less than 100 tonnes of grapes per year.\(^ {16}\) As has often been noted in the media, the purchasing practices of Coles and Woolworths involve aggressive discounts made possible through high volume purchases. Smaller, independent wineries are less likely to be able to supply the volumes required to support these practices, in turn, limiting the retail entry points for these producers. This situation is anticipated to become more pronounced as retail liquor outlets become further consolidated around the current duopoly. This contradicts the Government’s stated economic priority of “working with industry to create simpler regulation that supports innovation, investment and jobs.”\(^ {17}\)

Allowing other supermarkets to sell alcohol will increase the retail opportunities and provide greater choice for these smaller producers.

4.1.4 Unnecessarily Limiting Consumer Choice and Variety

The retail landscape has changed over the past two decades. Busier lifestyles and the growth of online shopping are fueling a demand for convenience, with customers keen to find all their shopping needs as quickly and simply as possible, and in one place. In addition, customers are increasingly seeking variety and choice in their shopping patterns.

Whilst not new, the online shopping trend delivers additional challenges in these areas around consistency and competition. These are challenges for both Government, and private enterprise to address. For example, while it is not possible to purchase alcohol from a supermarket in South Australia, it is possible to purchase many of these products online and to have them delivered to a South Australian address. Of significance is the growth of Coles and Woolworths in this area, acquiring online businesses such as Cellarmasters, and rapidly expanding their online presence. The likely impact of these activities is a still greater concentration of sales, particularly when independent bottle shop owners are unlikely to have the resources to establish online sales and distribution businesses of their own.

ALDI believes consumer choice is paramount in making decisions around the sale of packaged liquor and consequently believe that s37 (2) unnecessarily limits consumer choice and convenience.

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4.2 Opportunities for Red Tape Reduction

The forward of the Liquor licensing discussion paper notes:

“We need to consider opportunities to simplify the classification of licenses while streamlining the development and liquor licensing application processes.”

This complements the Government’s stated economic priority of becoming “the best place to do business,” and the “most cost competitive business environment in the nation.”

Whilst the sale of alcohol in supermarkets is currently prohibited under the Act, were this to be altered, it is ALDI’s belief that significant red-tape reduction could be achieved through a review of the process for obtaining liquor licenses.

4.2.1 Challenges with the Current Process for Obtaining Licenses

South Australia is the last remaining State to apply the “needs” test to applications for new packaged liquor licenses. By definition, this test favours incumbent operations such as Woolworths and Coles, requiring new operators to show that existing needs cannot be met by existing outlets.

Both in the 2003 National Competition Review and, more recently, the Harper Review, the “needs” test has been found to be anti-competitive, favouring incumbent operators to the detriment of consumers and competition more generally. Therefore, ALDI believes that the “needs” test is an anachronism and has no place in a modern, competitive economy.

At the same time, ALDI fully recognises that uncontrolled proliferation of licensed outlets has the potential to cause disproportionate harm. It is in the interests of the wider society that there should be controls over the number and distribution of liquor outlets. To achieve this, we believe that a more appropriate test for determining whether new outlets should be granted, and where they should be located, is whether the grant of a proposed new outlet would cause “unacceptable social harm.”

ALDI supports a process where an independent regulator, operating under an efficient and streamlined process, makes such a value judgement after undertaking community consultation. Such a process enables communities to obtain the benefits of competition and vibrancy, whilst reducing red tape and ensuring that harm minimisation is uppermost in mind.

Maintaining a Safe Drinking Culture

Despite the benefits of improved vibrancy, choice and competition associated with allowing the sale of alcohol in supermarkets, ALDI believes that any attempt to do so should be carefully balanced with the desire to create and maintain a safe drinking culture within the State. Subsequently:

We believe that alcohol should not be sold in a retail outlet if it results in placing identified, at-risk groups in further jeopardy.

In section 6 of this proposal, we outline clear measures ALDI believes will assist in mitigating this issue, including the physical segmentation of alcohol in supermarkets from other products, the limitation of alcohol sold to unchilled goods, and the implementation of clear and stringent training and accreditation guidelines. To complement this proposal, we have also included information which has guided our attitudes regarding the sale of alcohol in supermarkets. This information notes:

1. There is no evidence linking increased availability of alcohol and increased consumption. Consumption of alcohol per capita has been declining over the past decade in Australia despite an increase in the number of outlets of sale.\(^\text{(19)}\)

2. Restricted sale of alcohol in supermarkets can have a positive social effect by ensuring alcohol is viewed as a complement to food.

3. Safe consumption initiatives can assist alcohol retailers in ensuring harm is minimized to key at-risk groups.

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5.1 Effect of Increased Availability on Alcohol Consumption

According to published research, there is no link between the number of liquor outlets and the size of the liquor market. ABS statistics show that, since 2008, per capita consumption of alcohol has reduced from 10.75 litres (2008) to 9.71 litres (2014), a national reduction of approximately 10% over that period. 20

At the same time, the number of bottleshop licenses in Australia has increased from 5315 to 6421. 21 The inter-relationship between decreasing volumes of alcohol consumed, whilst license numbers have been increasing, is depicted in the following graph:

![Graph showing Alcohol Consumption vs National Packaged Liquor Licences (2007 – 2014)]

<table>
<thead>
<tr>
<th>Year / Period</th>
<th>Total Packaged Liquor Licences</th>
<th>Total Per Capita Consumption (litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>5315</td>
<td>10.75</td>
</tr>
<tr>
<td>2008-09</td>
<td>5525</td>
<td>10.63</td>
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<tr>
<td>2009-10</td>
<td>5635</td>
<td>10.53</td>
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<tr>
<td>2010-11</td>
<td>5841</td>
<td>10.40</td>
</tr>
<tr>
<td>2011-12</td>
<td>5948</td>
<td>10.04</td>
</tr>
<tr>
<td>2012-13</td>
<td>6143</td>
<td>9.88</td>
</tr>
<tr>
<td>2013-14</td>
<td>6421</td>
<td>9.71</td>
</tr>
</tbody>
</table>

Table 2: Alcohol Consumption vs National Packaged Liquor Licenses

21 Australian Liquor Stores Association
In Australia’s most populous State, New South Wales, the number of packaged liquor licenses (that is, bottleshop licenses) has increased by 57%, from 1,594 to 2,501.\textsuperscript{22} Crime statistics from New South Wales show that, over the same period (2008-2015), in which the numbers of bottleshop licenses increased by 57% in that State, the numbers of alcohol-related assaults decreased by 40%.\textsuperscript{23} That reduction is depicted in the following graph:

\begin{figure}
\centering
\includegraphics[width=\textwidth]{graph.png}
\caption{NSW Rate of Alcohol Related Assault per 100,000 of population}
\end{figure}

\begin{table}
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
\hline
Rate per 100,000 & 500 & 450 & 400 & 350 & 300 & 250 & 200 & 150 & 100 & 50 & 0 \\
\hline
\end{tabular}
\caption{NSW Rate of Alcohol Assault per 100,000 of population}
\end{table}

Supporting this, The IBISWorld Industry Report, \textit{G4123 Liquor Retailing in Australia} states that although alcohol establishments rose in Australia over the past decade, per capita alcohol consumption has declined due to an increasing focus on healthier lifestyles and a positive social change of consumer attitudes toward alcohol consumption.\textsuperscript{24}

In short, the available macro-level evidence conclusively demonstrates \textbf{that sensible reform of liquor licensing systems is not correlated with increased consumption or increased harm}. Indeed, despite an increase in the numbers of licenses, rates of consumption and alcohol-related assault have significantly fallen.
5.2 Alcohol as a Complement to Food

ALDI believes that it is appropriate that liquor be sold from food stores in order to reinforce the link between food and liquor. In doing so, a strong message is sent to the community that alcoholic products are best enjoyed as a complement to food. This approach has been adopted in a number of jurisdictions.

In New Zealand, policy-makers have specifically determined that, apart from specialist liquor outlets, liquor sales should be permitted in substantial food retailers. This view is supported by New South Wales and Victorian legislation, where restrictions are placed on granting packaged liquor licenses to general stores, service stations, milk bars, convenience stores and other small scale casual retail venues, but permissions granted to large supermarkets. These restrictions serve to effectively balance the desired association of food with alcohol with community concerns about the undue proliferation of liquor outlets and controls on distribution and sale.

In Victoria, this is implemented by requiring that an area of a supermarket where predominant activity is the sale of liquor, is designated as a licensed premise. The approach in New South Wales is even more restrictive, where the law requires physical separation of the liquor department from the rest of the store.

5.3 Supporting Safe Consumption Initiatives

ALDI is committed to responsible alcohol sales and was the first Australian retailer to partner with DrinkWise Australia, supporting the organisation’s work in informing Australians about responsible alcohol consumption. This long-term funding partnership enables DrinkWise to continue to develop and implement national information and education campaigns, with supporting practical resources that inform Australians about responsible alcohol consumption.

ALDI Australia joins the Local Liquor Accords in each area where licenses have been granted. Liquor Accords are voluntary industry-based partnerships working in local communities to introduce practical solutions to liquor-related problems. ALDI Australia attends local Liquor Accord meetings as a way of better understanding issues impacting on the local community.

We believe there are further opportunities for retailers to engage with and support government education initiatives to promote responsible alcohol consumption and support this forming part of any licensing process.

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25 Sale and Supply of Alcohol Act 2012 (NZ) s32
Proposed Amendments

In order to deliver on the Government of South Australia’s vision to “create a simple and modern liquor licensing system,” ALDI proposes two substantive changes to the liquor licensing framework:

1. The creation of a packaged liquor license category to allow for the sale of alcohol in supermarkets under strict controls; and

2. A streamlined liquor license application process.

The changes detailed below have been based on our organizational experience both domestically and internationally, and have enabled us to maintain an exemplary record when it comes to compliance, providing consumers with variety and convenience, as well as minimizing any adverse effects the sale of alcohol may have.

6.1 Packaged Liquor Model in Supermarkets

ALDI proposes the Liquor Licensing Act (1997) be amended to allow alcohol to be sold in South Australian supermarkets under strict conditions.

These conditions would require a cordoned off liquor department to be located wholly within the supermarket footprint, reducing impulse liquor purchases, ensuring liquor is not readily available to at-risk groups, whilst still being convenient for supermarket shoppers.

Key components of the proposed conditions have been listed below:

1. ALDI proposes to sell a limited range of beer, wine, spirits and ready-to-drink products. Our range typically includes less than 100 packaged liquor products. This represents a fraction of the range of existing outlets which in many cases stock thousands of alternatives. The products and prices will be the same as those already sold in ALDI’s NSW, ACT and Victorian stores and can be viewed at www.aldi.com.au.

2. ALDI would sell unchilled products only. These products are ones that can be taken home for consumption rather than consumed immediately. The absence of chilled liquor means that instances of public drinking around the store are significantly reduced.
3. All stores would include a designated and cordoned liquor display area. The area dedicated to liquor in our Australian stores is 40-50 square metres within a total store area of approximately 1500 square metres. This represents just over 3% of the total store area, is a quarter of the size of a standard bottle shop and is just 2% of the size of a Dan Murphy's or First Choice liquor barn. The areas would also be well signed and highly supervised in order to minimise instances of theft by minors and others as well as ensuring all legislative requirements are adhered to. See Appendix A for sample floor plan.

4. Checkouts would be staffed by employees over 18 years of age and provided with Responsible Service of Alcohol qualifications which are funded by ALDI. ALDI employees would receive ongoing training as part of its management strategy.

5. Sales would be limited by store hours which are less than many existing bottle shops and would not involve any late night sales.

6. ALDI would label its products with responsible consumption messages and welcomes further initiatives in this regard.

7. ALDI takes a conservative approach to liquor marketing. ALDI has no intention of encouraging liquor sales through a price war with other liquor retailers. Its priority is to offer customers the convenience of purchasing all household goods under one roof. It is not ALDI’s policy to offer discounts on bulk purchases, two for one sales promotions or encourage increased purchases through similar marketing activity. It also does not practice “high/low” pricing which can over inflate value to encourage purchases through perceived savings.

8. ALDI would support harm minimisation initiatives as introduced in other States.
6.2 Liquor Application Process

Although ALDI supports the sale of alcohol in supermarkets, we do not endorse fully deregulated competition in this segment. As such, a clear and rigorous application process for approving liquor licenses is proposed.

ALDI recommends the licensing of new alcohol premises is guided by the touchstone of whether the proposed outlet is likely to cause “unacceptable social harm.” This requires an impartial regulator to make an informed decision, balancing considerations of vibrancy, consumer benefit and increased competition against the potential for social harm caused to a given local community. This may result in the refusal of some applications in particularly vulnerable local communities.

To achieve this, ALDI supports a community consultation model which reduces both red tape and as well as unnecessary layers of regulation. Specifically, we support the adoption of a process similar to the Public Interest Assessment (“PIA”) or Community Impact Statement (“CIS”) processes undertaken in WA, NSW and Queensland. Such a process enables recognised stakeholders to be consulted and to express any concerns/objects, should they wish. Recognised stakeholders would include SAPOL, local Council, landlords, recognised local area community groups and residents. We believe it is not necessary to require that any such input follow a particular form of objection.

Further details on the proposed process include:

1. Members of the local community should be able to voice their concerns during the application process. This should be done in writing, to enable the concerns to be clearly articulated, and so as to enable an applicant to understand those concerns and respond to them.

2. Community consultation should occur as part of the license and application process. A notice can be placed on the relevant premises and distributed to local residents (those living within 100 metres of the proposed license area) and distributed to recognised local community groups and stakeholders. Those groups and residents should have a defined period (30 days) in which to lodge any submissions in writing.

3. The applicant should then be given a defined period of time immediately thereafter to respond to those submissions (30 days). The license application should then be put before the regulator for determination.

4. The consultation process should be completed in tandem with the relevant planning application. In other words, an applicant might make an application for a liquor license to the regulator at the same time that a planning approval is proceeding. This is important in order to save time as part of the process. It is often prohibitively expensive for applicants to hold sites whilst they undertake the planning and liquor application processes. Many landlords are reluctant to hold sites for tenants whilst tenants undertake successive planning and liquor application processes. By enabling these processes to be undertaken in tandem, the process is streamlined, application times are minimised and suitable sites are more likely to be kept available.

By adopting the model outlined, we believe all parties will receive the benefits of providing time certainty, minimising delay and minimising red tape.
ALDI commends the Government of South Australia for issuing the *Liquor licensing discussion paper*, and reiterates our support for the goal of creating a simple and modern licensing system and a vibrant and competitive State.

The recent reforms encouraging small venue licence applications have served as a positive first step in achieving this goal, adding vibrancy to the South Australian food and liquor scene and providing significant benefits for both consumers and producers. We believe that our proposed model of sale of alcohol in supermarkets will effectively extend that reform into the food and grocery space and provide benefits for consumers, producers and the State in general.

At the same time, the modest and limited nature of our proposal, coupled with its rigorous controls and responsible management, will continue to contribute to a safer drinking culture in South Australia.

As we commence our entry into the South Australian market, we believe that there are exciting opportunities to collaborate with the Government of South Australia. ALDI looks forward to being a responsible and active participant in further discussions, and a strong contributor to the South Australian economy.

We would be delighted to discuss any components of our submission in detail at your convenience, and in particular, we would be willing to appear before Justice Anderson’s review in order to provide further evidence of our expertise and experience in this field.
Designated and cordoned liquor display area