A wheely bad food idea

Melbourne eatery scathing of delivery industry

BUSINESS OWNER
CLAIRE HEANEY

MELBOURNE institution Mario's Cafe has given a serve to food-delivery services, calling them parasites and urging diners to dine in at eateries.

In a social media post, Mario De Pasquale, a co-founder of the Fitzroy cafe which has been running for more than 30 years, slammed the gig economy companies for taking as much as a 30 per cent slice of the bill to deliver the food.

"We do not use Foodora, Deliveroo or UberEats and we encourage u (sic) not to, they are parasites that take high percentages from the establishments that they have sucked into dealing with them," the post read.

German-based Foodora has announced in the past week it is exiting Australia after three years. In June, the Fair Work Ombudsman started legal proceedings over allegations of sham contracting, in which delivery people were underpaid.

An analysis by IBISWorld last month foreshadowed issues around the status of third-party delivery services and regulation of the industry.

IBISWorld analyst Andrew Ledovshikh said when the third-party services were launched, small store owners jumped aboard because it gave them a competitive advantage.

"However, once every store on the street has the service, that competitive advantage begins to erode, and suddenly you're just paying 5, 10, 15 per cent of your gross sales to Menulog or Uber Eats," Mr Ledovshikh said.

Mr De Pasquale's business partner, Mario Maccarone, yesterday told Business Daily "I 100 per cent agree" with what Mr De Pasquale said.

UberEATS defended the app, saying it had an overwhelmingly positive response.

"Uber Eats is proving popular with over 13,000 active restaurants across Australia who choose to be on our platform because it helps them grow their business and reach new customers with a fast, reliable and efficient delivery option," a spokeswoman said.

Mr Maccarone said there was a worldwide trend of disruptive companies where people were seemingly working but not employed.

He said the delivery services could work for some eateries but the concept was flawed.

Mr Maccarone said if consumers were sitting at home, enjoying a glass of wine, while their meal was delivered, they should carry the cost rather than the business.

"There are businesses who have been roped into it and they don't know how to stop doing it," he said.

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Centre will help start-ups innovate

CLAIRE HEANEY

Professor Colin McLeod has been appointed executive director of a new Melbourne Entrepreneurship Centre.

ACADEMIC and serial entrepreneur Professor Colin McLeod will head a new Melbourne Entrepreneurship Centre at Melbourne University.

The MEC will be a melting pot for students, alumni, academics, industry and the general public, bringing together the Melbourne Accelerator Program, Translating Research at Melbourne (TRaM) and the WADE Institute under Prof McLeod's leadership.

By 2020 they will all be under one roof at the new MEC being built at the former Royal Women's hospital site.

Prof McLeod, who will step down as director of the Masters of Entrepreneurship program in the business and economics faculty, said he would be driving innovation.

His appointment was announced at the Melbourne Entrepreneurship Gala last night.

He said while there was a lot of low level collaboration, he was looking to formalise partnerships between academia and industry.

"We find that a lot of people who invent things worry about losing control," he said.

Prof McLeod said the centre would provide an ecosystem that commercialised inventions rather than leaving them on the shelf or licensing them.

"I think it will be better organised — there are a lot of collaboration with the university, but it is relatively informal, formed around personal relationships," he said.

"This is actually an opportunity to make those relationships a bit more robust."

Prof McLeod is involved in six start-ups as an investor, director and co-founder that have attracted venture capital investment.

The early stage retail technology, training, telecommunications, wearable biotechnology, employee management and aged care companies have nurtured international links.

But there was still a need to keep and attract local talent.

"I don't think there is much doubt about the brain drain — there are an estimated 15,000 to 25,000 Australians in Silicon Valley," he said.

He said newcomers to Australia and returning expats were building local capability.

"The University of Melbourne is well known for its high-quality research output," Prof McLeod said.

"The key to maintaining excellence in this area is honing in on commercialisation.

"MEC will have a long-term commitment to ensuring rigorous research is taken out and applied in the business world.

"We are also recruiting academic staff, and the fact we are getting applicants from the leading business schools in the US, Asia and Europe tells us we are on the right track."

Prof McLeod said getting students, and more specifically girls, to embrace science, technology, engineering and mathematics was still a challenge.

Melbourne University vice chancellor Professor Glyn Davis said the centre would enhance work to support builders, innovators and creators.

He said Prof McLeod had the required blend of entrepreneurial capabilities and academic experience to make the MEC a major success.

"With partners across the private and public sectors, we have been presenting brilliant students and graduates with opportunities to trial new business ideas," he said.

Prof Davis said the centre would "tackle grand human challenges such as food security, technological disruption and pressures of urbanisation".

US economic sneeze spreads mortgage cold to Aussies

THE SHORT CUT
with ANDREW MACKEN

THE past few months have not been great for Australian investors.

Mortgage rates have been increasing (despite no change in the RBA's cash rate), increasing the debt-servicing requirements of one of the most indebted household sectors in the world.

Meanwhile, the Australian dollar has been depreciating, at least against the US dollar, representing an erosion of global purchasing power for all Australians.

In both instances, these dynamics are largely out of Australia's control.

First on mortgage rates: It is not the case that Australian banks solely recycle Australian deposits for lending. It is the case that they also borrow abroad — often in the US debt markets — to lend domestically.

So it follows, that if interest rates in the US increase, there will be a knock-on effect to interest rates in Australia.

Interest rates in the US are rising — and are expected to continue to rise.

Why? Because the US economy is believed to be operating above its capacity.

With the 2008 GFC still fresh in the memories of many, it may still be surprising to some that the US unemployment rate is near a 50-year low.

Inflation pressures are building.

In just two years, the cost of truck freight has increased by nearly 40 per cent, for example.

And most of these pressures were present before President Donald Trump signed into law the largest set of changes to the US tax code (read: new fiscal stimulus) in more than three decades.

Secondly, on the erosion of the Australian dollar: This has been primarily driven by strength in the US dollar. In part, this strength is due to the aforementioned rising interest rates.

But perversely, this is also likely due to Mr Trump's trade policies and potential trade war that may erupt.

Why? By levelling tariffs on particular imports, these goods become more expensive for US households to purchase, leaving less income available to consume on other goods.

This should reduce domestic consumption.

And assuming production remains at least as strong, then national savings should increase (savings in this case should be thought of as national production, minus national consumption).

With more national savings available to fund domestic investment, the US current account should decline (reducing the US trade deficit, which is Mr Trump's plan), placing upward pressure on the US dollar.

Back to the Australian borrower whose mortgage rates are now going up.

It's hard enough that interest repayments are increasing and for reasons that are completely out of the control of any Australian policymaker.

But housing prices in major cities like Sydney and Melbourne are starting to fall to the tune of at least 4 per cent per annum. And this is when viewed in Australian dollar terms.

Consider what the prices of Australian homes have done in US dollar terms since the beginning of the calendar year. They are down by a further 5 per cent to whatever the change was in Australian dollar terms.

This is from the weakening Australian dollar, alone. And this represents a real erosion of global purchasing power for Australian households, even though this dynamic remains largely invisible in people's daily lives.

It was the afternoon of November 9, 2016 when news of Mr Trump's surprise victory in the US general election was broadcast to Australian shores.

For nearly two years, many Australians have believed that this was of no consequence to them.

But for any Australian with a mortgage, funding an Australian-dollar-denominated home, November 9, 2016 was indeed a very important day.

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