

Second Public submission to the:

**ACCC inquiry into the competitiveness of
retail prices for standard groceries**

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by : Peter C. Bunn

pcbunn@bigpond.net.au | 0418 487717 | P.O Box 4037, Manuka, ACT 2603

1. Preamble

I provide this second submission, in concert to my first submission (10 March 2008 – No. 058), so as to provide further information for the consideration, and assistance, of the ACCC during its inquiry into the competitiveness of retail prices for standard groceries.

I repeat my statements and disclosures made in paragraphs **1: Background;** and **2: Disclosure**, in my first submission.

2. Additional Disclosure

Following statements and publications made by me, including, the publication of '***The Independent Retailers Advocate***' (***T.I.G.A.***), and on the internet site, '***www.met-info.net***', as to Metcash's conduct under the supply contract between my former company's supermarkets, (Tempo Grocers), and Metcash (IGA & ALM), Metcash have obtained, in the Federal Court of Australia, interim injunctions placed on what I am able to publicly state in respect to my knowledge and experiences as to Metcash's conduct under the said supply contract, and Metcash's general conduct towards independent retailers.

I advise that I am vigorously defending the action by Metcash against me.

Due to the said interim injunction, I am lodging a confidential submission, which will provide clear detail as to my experiences, and understandings, as an independent grocery retailer, with Metcash, in concert to both of my public submissions for the information, consideration and hopefully assistance to this inquiry.

3. NARGA Submissions and evidence provided before the Commission

As a former independent retailer, and current industry participant, I state that I am dismayed, and disappointment, as to the presentation to this inquiry, by

NARGA, and its chairman, Mr. John Cummings, given that their submissions, and statements, appear to be clearly contaminated, and influenced by the opinions, and agendas, of Metcash Limited.

The information provided by NARGA, and in particular NARGA's chairman, Mr. John Cummings, to this inquiry, clearly shows that both national, and state bodies that stand in the public arena as representing the independent grocery retailers of Australia have been clearly inseminated by Metcash, and its corporate agendas, and as such, this provides clear evidence that independent grocery retailers have lost control of their voice within the industry and the public arena, due to the dominate, monopolistic conduct of Metcash Limited.

The claims made by NARGA and Mr. Cummings, which made loud complaints as to a duopoly held by Woolworths and Coles, and their respective market conduct, was made by without any clear and decisive evidence being tabled in support, and whilst they (NARGA/Cummings) both valiantly defended Metcash and its conduct, even though they did so without clear evidence, such defence of Metcash appeared to me, to be exhibiting, by Mr. Cummings, and NARGA, symptoms of a condition known as 'Stockholm Syndrome', although I am sure that such conduct would not have escaped the notice of the ACCC.

Whilst there are many questions, and concerns, raised by the submissions and evidence of both NARGA and/or Mr. Cummings, some of the standout issues, to my mind were :

- 3.1 The fact that there are independent grocery retailers who choose, or are forced due to Metcash pricing, to purchase stock from Woolworths for resale in their respective stores, rather than purchase from the only nationally available wholesaler to those independent retailers, being Metcash, of course, one is forced to ask why a retailer would have to purchase stock in this manner, and secondly, such purchases by independent retailers would inflate and distort, by increasing, the actual 'true' retail sales of groceries to retail consumers by Woolworths .

I can state that there were innumerable occasions, when I operated my former stores (that were supplied by Metcash) where grocery products were in actual fact, cheaper to purchase at retail from the MSC's rather than at wholesale from Metcash's IGA>D, and by all reports by Metcash customers, the status quo continues today.

- 3.2 Mr. Cummings, and NARGA, want transparency, in the pricing of milk (Trans: pg 24 L 7) but do not appear whatsoever, to want transparent pricing, for independent retailers, by the only national wholesaler to independent grocery retailers of Australia, Metcash !
- 3.3 NARGA, and Mr. Cummings, advocate the 'evils' of the creeping acquisitions by Woolworths and Coles of independent retailers, (a topic that has been loudly complained of by Metcash that such has significant impacts on Metcash's bottom line) and advocate that such acquisitions should be stopped by the ACCC, but in reality if Woolworths and Coles were removed from the market of purchasing independent stores, sale values of those business could be reduced due to the legislated reduction of competition for the purchase of the business, thus resulting in lost value to the independent retailer owner.

The ultimate question to be answered by Mr. Cummings would be if he was offered \$1m for his store by Metcash, or a Metcash customer, but was offered \$1.25m by Woolworths, or Coles would he take the Metcash offer (?), I don't think so, because to my experience, independent retailers look on the sale price they achieve for their business as a form of superannuation for themselves, and their families.

4. Comments in response to matters raised in Metcash submission on 11 April 2008

Both of Metcash's submissions to this inquiry, are dressed with a very thin veneer as to actual fact, and evidence, and when analysed, the "veneer" disappears, and whilst I am sure the ACCC has already identified such, I now respond to some of

the more specific points raised in Metcash's submission, (11 April 2008) which I hope may be of assistance:

- 4.1 I am sure that the ACCC, itself, has noticed that out of the major operators in the Australian grocery industry, Metcash was the last to make their final submission, some 14 days later than the other majors, and 2 days after NARGA appeared before the inquiry!

Furthermore, if one looks at Metcash's first submission, in comparison to Metcash's second submission, one will discover that the second Metcash submission is basically the first Metcash first submission with expanded justification of Metcash's conduct and position.

Such facts are both worrying, and questionable, as it would appear that Metcash took the opportunity of lodging its submission as late as possible, so that it was able to argue, defend, and/or promote, any issue that was to its advantage with the benefit of full knowledge of the majority of submissions from other parties having been submitted to this inquiry.

- 4.2 A further matter that certainly raises issues with Metcash's conduct as the only national wholesaler to the independent grocery retailers in Australia, is that not one independent retailer who deals with Metcash has made even 1 complaint in respect to Metcash, this fact alone must raise questions, as out of 4500 independent grocery retailers, not one has raised any issue with Metcash as to wholesale pricing inputs, or is it that they too are suffering from 'Stockholm Syndrome' in respect to their forced commercial relationship with Metcash and fear of jepodising the only wholesale supply available to their business.

- 4.3 In respect to Metcash's statements regarding its new wholesale division, 'IGA Fresh' (Page5), they state that "*..Metcash has plans to grow this business to enhance the service, quality and price proposition of fresh food to the independent grocery retail market in Australia....*", but statements by Mr. Andrew Reitzer himself prove that the independent retailers who deal with Metcash do not want to have Metcash supply them

as Mr. Reitzer has publicly stated, in respect to the acceptance of IGA Fresh by IGA retailers, that “.. *many IGA retailers were reluctant to forgo relationships with existing wholesalers.*” .

In direct response to the IGA retailers refusal to deal with Metcash’s IGA Fresh, (which is a clear example of Metcash’s ruthless and relentless determination to control the wholesale supply of independent retailers in Australia), Mr. Reitzer stated, so as for Metcash to obtain the IGA retailers ‘fresh’ business, that Metcash, “*had entered into negotiations to acquire the leading fruit and vegetable wholesalers in each state and territory.*” , and have so far acquired two independent fruit and vegetable wholesalers.

- 4.4 I was further disappointed, but not surprised, by Metcash’s submission in that it attempts, on numerous levels, to dilute Metcash’s actual impact, and control, of the Australian retail grocery market, via Metcash’s wholesale supply to the independent grocery retailers of Australia, in that Metcash’s submission seeks to remove a large number of Metcash customers from the calculation of market share of retail grocery sales.

I also note that the Metcash’s submission had the same basis of argument, as the NARGA submission in respect to excluding ‘smaller’ independent grocery retailers, and ALDI, from the calculation of competition to MSC’s, by saying that such grocery retailers cannot be included in any analysis of competition against the MSC’s.

Such claims by both Metcash, and NARGA, certainly has to raise serious questions, when the so-called ‘NARGA commissioned’, (but Metcash paid for), PriceWaterhouseCoopers (PwC) report, June 2007, titled “***The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia***”, included ALDI, all IGA’s (large and small), and other independent retailers, when analysing marketshare/competition in grocery retailing.

I would argue, as I believe commonsense would dictate, that whilst those particular retailers (small independents and ALDI) do not offer ‘full range’ supermarket offerings as compared to the MSC’s, they do fully participate, and have influence in the competitiveness in the sale of grocery products in Australia, one only has to look at the amount of evidence, such as by CHOICE, that has been published as to the effects on MSC’s retail pricing that a nearby ALDI, or independent store has on such MSCs retail pricing strategy.

It would appear that Metcash, through its own submission, and its obvious influence as to NARGA’s submission, that Metcash are attempting to remove large numbers of retailers out of the calculation as to the market share of the MSC’s, thus creating the image of a far larger market share held by MSC’s in the Australian retail grocery market, than what is in actual fact in operation, thus advancing, and supporting Metcash’s claims of market dominance by MSCs.

It is worthy of consideration that whilst ALDI only carry specific and limited grocery lines, those lines carried by ALDI, are in the majority, the top major selling grocery products sought by consumers, and therefore if a consumer buys a particular product from ALDI, then that consumer does not buy that product from a MSC, thus reducing the sales of MSC’s, which in turn reduces the MSC’s calculable marketshare.

- 4.5 On page 35 of Metcash’s second submission, Metcash state, *“Over the past decade, Metcash has adopted a number of approaches in an attempt to achieve the same scale of economies as the MSC’s. It is important that these economies are not eroded by further creeping acquisitions by the MSCs in the market.”* Whilst I am sure the ACCC has identified, it appears that Metcash has most certainly achieved the same scale as the MSCs, but by the evidence of Metcash’s EBIT growth, the majority of such benefits have been retained by Metcash, for its own benefit, rather than the benefit of the independent retailers, whose volumes Metcash has used to achieve such financial beneficial scales of economy.

4.6 Metcash, as is evidenced by Metcash's submissions to this inquiry, attempt to present themselves as the saviour of the independent grocery retailer by harnessing the independent retailers buying volumes so as to assist the independents to compete in the retail environment, an example is Metcash's statement on page 6 of its submission, 11 April 2008, *Metcash provides value for its customers through its ability to obtain competitive prices from suppliers, its extensive distribution network, its service and the quality of its support for its customers' businesses.*”, such a ‘lovely’ motherhood statement attempts to justify Metcash's conduct but such a statement flies in the face of fact, in that Metcash's profit growth, far outstrips the profit growth of independent retailers, and even high profile customers of Metcash, i.e. Mr. John Cummings, Chairman of NARGA states that he loses, or ‘breaks even’ at best on major grocery lines that his business is supplied by Metcash !

An insight as to why, is provided in my explained understanding of Metcash's pricing policy to its customers, the independent grocery retailers of Australia, further below.

4.7 Metcash, in Point 3.1, Table 1 (Page 5), of its submission, 11 April 2008, whilst, knowing that this inquiry is in respect to Grocery prices, appear to attempt to reduce the overall total Metcash EBIT by including the EBIT reported by Metcash's wholesale liquor division (ALM), liquor not being within the classification of standard groceries.

5. Metcash pricing to independent retailers

- Please note that ‘dot’ points are commentary to the information being provided.

One of the major issues discussed, albeit evasively, by Metcash in its submission, 11 April 2008, was the wholesale pricing of groceries to independent retailers.

I now provide relevant information in respect to my experience of the wholesale pricing of groceries from Metcash to independent retailers for the consideration of this inquiry.

Firstly, one has to understand that Metcash simplistically projects to, both, its customers, (independent retailers), and publicly, that it (Metcash), makes its income by the fees it collects from manufacturers for carrying out the wholesale distribution of each manufacturers product, and the fees that it charges its customers.

Metcash further publicly imply that 'extra' profit is gained by Metcash through the warehousing function efficiencies (such as reduced labour costs in stock picking, reduced stock holding times, etc) that it (Metcash) can accomplish, and on the surface that is what any commercial thinking person would accept.

But in reality, Metcash has 5 major income streams that feed its bottom line profit, which are :

1. **Fees & charges paid by manufacturers and suppliers** for the wholesale distribution handling by Metcash of their products.
2. **Terms retention** (not passed on to the end users – retailers and consumers) monies and benefits paid/provided by manufacturers and suppliers on/and for the purchasing of their products, e.g. volume discounts, promotional discounts, credit terms etc.
3. **Stock investment** : stock purchased at/on a manufactures promotional price but that price not passed on for all stock on which the promotional price was paid.
4. **Progressive betterment of wholesale trading terms** : not being passed on to Metcash customers.
5. **Fees and charges paid by the customers of Metcash**, that Metcash levy on its customers for the wholesale supply of goods and services.

Certainly no one would argue as to the entitlement of Metcash to make a reasonable profit, and in that consideration, no one could argue as to 1 and 5 above, on the surface, as they are presented, but because there is no disclosure whatsoever by Metcash to either the manufacturers/suppliers, or the independent retailer customers of Metcash, as to Metcash's handling of funds/benefits received from manufacturers/suppliers on the purchase of their products, Metcash is not unaccountable for its use, or allocation of, such terms, allowances, discounts, and rebates.

- It must be remembered that as stated by Metcash, allowances, discounts and rebates paid by manufacturers/suppliers are relative to volumes purchased, therefore the volumes that Metcash are able to purchase are directly attributable to the volumes that Metcash customers, the independent retailers, achieve, thus the earning, and ownership, of such allowances, discounts and rebates has a direct line to the independent retailers, but as it currently stands, the independent retailers are not provided any detailed disclosure by Metcash, as to the benefits, allowances, discounts and rebates that such volumes generate and earn, which in turn does not allow the independent retailers to be able to fully access, or pass on such benefits in their retail prices to consumers, nor are the independent retailers able to make any informed decisions as to the pricing that they pay Metcash.*

Metcash operate on a basis of 'trust us, believe what we tell you' – not exactly the basis of a viable commercial transaction.

Due to the lack of disclosure by Metcash to its customers, the independent retailers, those retailers have no way of identifying, or understanding, the inputs to the cost of groceries to which they pay, this fact was clearly evident in the statements, and evidence provided by Mr. Cummings to this inquiry, in that even though Mr. Cummings is not only an independent retailer who is supplied by Metcash, but he is also Chairman of an organisation that represents 4500 independent grocery retailers, he was unable to clearly explain pricing inputs of groceries in Australia.

It has been stated by one former Metcash customer, that Metcash operate on a 'catch us [out] if you can', but of course, without disclosure no one can !

- It is useful, at this point, to compare Metcash's reported IGA>D, EBIT growth over the last 3 years compared to IGA>D's reported sales/customer numbers for the same period:

	IGA>D EBIT \$	Sales \$	IGA>D Cust. No.
2004	\$ 131 m	\$ 3.96 m	4500
2007	\$ 247.3 m	\$ 5.6 m	2700 **
Change %	+ 88.8 %	+ 41.4 %	- 40 %

**** In the Metcash ACCC submission, 11 April 2008, Metcash state that IGA>D serves 4,500 independent retailers, whilst in the Metcash Annual Report 2007 Metcash state that IGA>D only supplies over 2700 Independent grocery retailers!! –Metcash's Annual Report data has, on a number of occasions proven to be inconsistent, this is of concern.**

Following on from above, as was stated by the evidence that Mr. Michael Rudolf Jablonski, Group Merchandise Director of Metcash, gave under oath, in the matter *Franklins P/l v Metcash Trading Limited*, in the Supreme Court of N.S.W. in regard to the trading terms that Metcash require each and every manufacturer and supplier are required to sign with Metcash, **“... the trading terms that we (Metcash) have in place with the manufacturers are specific between us and the manufacturers..”**; **“those are confidential trading terms and they relate to the relationship that we have..”**; **“The trading term is - encompasses everything we did with them, so it is a document - it is made up of about eight pages and it covers the entire spectrum of our relationship with them. So, in the trading term document are all the allowances and everything that they pay us.”**, **“ They are very, very secure. The original documents are kept in a fireproof safe.”**.

- It is of important consideration at this point to consider the statement made by Metcash in their submission, 11 April 2008, on page 4, whereby they state : **“Metcash's vision to be "the Champion of the Independent Retailer"....its commitment to operating a unique business model which leverages the pooled volume (of individual independent retailers).....”** .

Such a statement infers that Metcash, as the sole national independent wholesaler to the independent grocery retailers of Australia collects and pools the individual volumes of each independent retailer so as to achieve, and provide the independent retailers, that deal with Metcash, with the benefits of all allowances, discounts and rebates that such combined purchasing volume can achieve, but Metcash have been very careful in their submission as to only refer, and only occasionally, that the combined buying power benefit provided to retailers, that Metcash allude to, is only that in relation to the promotional prices that Metcash customers receive from Metcash, that raises the very important question as to what Metcash do with all the other financial benefits that are achieved by the polled buying volumes of the independent retailers ?

The information that has been reported to me, by both manufacturers and Metcash staff, is that, each manufacturer/supplier agreement relates specifically to the allowances, discounts, and rebates that each individual manufacturer/supplier pays Metcash on the purchase of stock, and as to all terms of trade between the specific manufacturer/supplier and Metcash, but that there are some terms recorded in the trading terms agreements that are common to all manufacturers/suppliers that Metcash demand from each and every manufacturer/supplier, in particular, Metcash demand that manufacturers/suppliers guarantee that the wholesale price and allowances, etc that the manufacturer/supplier charges/pays Metcash are the best available in the industry.

- It must be remembered that trading terms not only enshrine allowances, discounts, and rebates paid to Metcash, but also enshrine such matters relating to settlement terms (credit terms), passing of title, insurance, etc*
- It must be noted that all trading terms ultimately impact the landed unit cost to independent retailers, thus resulting in the impact at what price the independent retailer is able to retail grocery products.*
- At this point, I refer to the statements made by Mr. Cummings, to this inquiry (Canberra 9 April 2008), whereby he stated that in respect to the*

groceries supplied by Metcash to his stores, he either had to sell them at cost, or at a loss so as to compete with MSCs.

Further, to the allowances, discounts and rebates, that Metcash receive, that are recorded in the trading terms that Metcash require all manufacturers/suppliers to enter into, Metcash receives other discounts on the stock that it purchases over and above those recorded in the Metcash trading terms document, such as 'one-off' bonus stock deals, etc, those are also, not disclosed to its customers.

Many of the allowances, discounts and rebates are classified, by Metcash, as 'confidential terms' which are not published on the manufacturers/suppliers price lists, even though they are directly referable to Metcash's independent grocery retailer customers' volumes. Metcash have stated that such 'confidential terms' are for their (Metcash's) sole commercial benefit.

'Confidential Terms' values/benefits are received by Metcash in secondary transactions, that is, they are not represented, or detailed, on the actual invoice/statement for stock purchased/delivered, and thus the 'confidential terms' value is received, or taken, by Metcash as either deductions off payments made by Metcash to manufacturers and suppliers; payments made, separately and directly to Metcash; by bonus stock delivered; etc. This means that direct correlation, and identification is made difficult to any external investigation.

- I believe that it would be of great assistance to this inquiry if it obtained the public record transcripts of the evidence given under oath by Mr. Andrew Reitzer, CEO Metcash Limited, Mr. Michael Rudolf Jablonski, Group Merchandise Director of Metcash, and other senior Metcash employees before the Supreme Court of N.S.W. in the matter Franklins P/L v Metcash Trading Ltd, and compare the explanations as to trading terms received by Metcash including 'confidential trading terms' in comparison to the submission that Metcash has provided this inquiry, 11 April 2008.*
- It is blatantly obvious when one reads Metcash's submissions to this inquiry carefully, that Metcash do not discuss, or identify, the confidential trading terms that it receives for the purchase of grocery products from manufacturers /suppliers, and that due to Metcash's withholding of such*

- *confidential terms, as such results in a cost input to the customers of Metcash, (the independent retailer), which in turn raises the prices to the Australian grocery consumer.*

It has been stated that the confidential (unpublished) trading terms paid by manufacturers/suppliers are greater in value, than the net profit that a retailer makes on the sale of a grocery products, therefore if a retailer is denied the financial benefit if the confidential trading terms, obviously those retailers cannot, profitably bring competitive price tension to the retail marketplace.

- *This fact as to Metcash's retention of the 'confidential terms' could be supported and evidenced by several issues before this inquiry :*
 - i) *The statements of Mr. Cummings as to the lack of profit that a retailer makes on stock supplied by Metcash*
 - ii) *The fact that price surveys prove that IGA supermarkets are the most expensive over a mixed basket of standard groceries.*
 - iii) *The extraordinary EBIT growth of Metcash compared to sales increase and reduced customer numbers.*

In respect to Figure 12 and Table 5 (page 35/36) of the Metcash submission, 11 April 2008, Metcash attempt to persuade this inquiry, by implication, as to the pricing inputs of groceries from manufacturers/suppliers, but they don't say to whom (wholesaler or retailer), and nor does it make any reference whatsoever as to confidential allowances, discounts, and rebates that Metcash executives have discussed so publicly in other forums, and nor does it discuss the fees and charges that Metcash impose on independent retailers for the supply of stock.

The following table shows the 5 different levels of cost available from suppliers and/or wholesalers, (note: Level 5 includes “*all confidential terms & payments*”)

5 LEVELS OF COST EX WHOLESALERS – ACCEPTED WITHIN THE GROCERY INDUSTRY

1. Manufacturers Published List Price
2. Manufacturers Published List Price **LESS** "OFF" INVOICE (Published) DISCOUNTS
3. Manufacturers Published List Price **LESS** "OFF" INVOICE (Published) DISCOUNTS & CASH TERMS [CASH OR NET]
('Net Cost')
4. Manufacturers Published List Price **LESS** "OFF" INVOICE (Published) DISCOUNTS & CASH TERMS (CASH OR NET) & ADVERTISING ALLOWANCES.
('Net Net Cost')
MARKETING
5. Manufacturers Published List Price **LESS** "OFF" INVOICE (Published) DISCOUNTS & CASH TERMS [CASH OR NET] & ADVERTISING ALLOWANCES & ALL CONFIDENTIAL TERMS AND PAYMENTS.
('Strip Net Cost')
MARKETING &

Metcash, in its submissions to this inquiry, has stated (pg 13 – 11/4/08) that *“sophisticated wholesalers such as Metcash try to replicate the MSCs’ networks and the benefits of vertical integration while maintaining an independent retail model...”*, and it appears from evidence that Metcash do in fact achieve, through the combined volumes of the independent grocery retailers, the same pricing as the MSCs, but clearly it appears that the information of, and financial benefits, are withheld from the independent retailers whose volumes are directly referable to the achievement of such benefits.

I think that the latest evidence as to the retaining of allowances, discounts, and rebates by Metcash for its own benefit, that it achieves on the volumes directly referable to its customers, is the report by Franklins supermarkets, of posting its first profit since it commenced operating in 2001, after just 2 years since commencing its own wholesale distribution, (Franklins was originally supplied at wholesale level by Metcash), but after their stated concerns as to the failure of Metcash to pass on discounts and allowances referable to Franklins stock purchases, Franklins built an vertically integrated wholesale distribution model. Franklins is also pursuing legal action against Metcash for the alleged failure to pass on various discounts and allowances.

Another fact that is informative as to Metcash's conduct and treatment of its customers, the independent grocery retailers, is that whilst Metcash advocates the benefits that it provides the independent grocery retailers of Australia, through its monopolistic position that it hold in the wholesaling of grocery products in Australia, is the fact that whilst Metcash advocate the cost/price benefits that it achieves for its customers , many of Metcash's charges and fees that it levies on its customers are far greater than those levied by smaller grocery wholesalers, for example, below is the comparison of two charges which are both levied by Metcash's IGA>D, and the much smaller, Tasmanian Independent Retailers (T.I.R), as reported by T.I.R :

	Maximum Service fee	Weekly Price file updates
T.I.R	5%	\$11
Metcash	10%	\$55
Metcash Difference to T.I.R., as %	+ 100%	+ 400%

- *Clearly, if as Metcash claim, that Metcash customers benefit from the scales of economies that Metcash achieve through the volumes of the independent retailers who are customers of Metcash, then this fee comparison raises many concerning questions as to Metcash's statements, and would indicate that until an intensive investigation is made of Metcash's conduct within the Australian grocery industry no one will be able to fully understand and appreciate the impact that Metcash has on the pricing of grocery products in Australia by independent retailers who are supplied by Metcash.*

6. My personal commercial experiences in dealing with Metcash

As an independent grocery retailer for over 20 years, I can state that there are many issues in the Australian grocery industry, and for the independent grocery retailers, that are directly impacted by Metcash and its commercial conduct.

These matters will be fully addressed in my forth coming confidential submission.

7. Conclusion

My considered opinion, based on my industry experience and knowledge, along with the submissions and evidence provided to this inquiry, is that, outside of the MSCs, only isolated streams of competitive tension is being brought into the retail pricing of groceries in Australia, namely through ALDI, Franklins, and a number of smaller independent retailers, who are not supplied by Metcash, but in comparison to the overall size of the Australian grocery market, these 3 competitors are not sufficient either in number, or market coverage to ensure truly national competitive tension in the retail pricing of groceries to the Australian consumer.

The one group, who has both numbers, and coverage, to be able to bring immediate, and ongoing competitive price tension to the Australian retail grocery industry are the independent grocery retailers who are all currently supplied by Metcash, unfortunately, there is sufficient evidence to indicate the great possibility of manipulation by Metcash, through the position that Metcash has been able to place itself in, as the sole national grocery wholesaler, that the wholesale pricing that the independent grocery retailers are forced to pay from Metcash may have the pricing input burden of undue enrichment and profiteering by Metcash.

Due to the serious lack of disclosure by Metcash to its customers, the independent retailers are in not position to be able to neither understand, nor make informed commercial decisions as to the wholesale pricing to which they are required to pay for groceries.

The only avenue so as to allow the independent grocery retailers, who are supplied by Metcash, to bring true competitive price tension into the Australian retail grocery market is to, firstly conduct, a very detailed independent audit investigation as to the pricing inputs that are attributable to the grocery wholesale activities of Metcash, and to legislate, the requirement of full, and ongoing disclosure by grocery wholesalers, to their customers (independent grocery retailers).

Whilst the above may appear to be onerous, one has to realise that the draconian situation of grocery wholesaling in Australia, and the impact that such has on the competitiveness of retail pricing of grocery products to Australian consumers.

Until the independent grocery retailers of Australia are put into a position of control over their commercial dealings, through full and thorough disclosure, they will never be able

to bring true competitive pricing tension to the retail prices of groceries to the Australian market.

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