



## Statement of Issues

8 December 2022

### Woolworths Limited - proposed acquisition of the Karabar SUPA IGA supermarket

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#### Purpose

1. Woolworths Limited (**Woolworths**) proposes to acquire the independent supermarket operating as a SUPA IGA in Karabar, NSW (**SUPA IGA Karabar**) and co-located liquor business and associated liquor licence currently trading as Liquor Boss (the **proposed acquisition**).
2. This Statement of Issues:
  - gives the preliminary views of the Australian Competition and Consumer Commission (**ACCC**) on competition issues arising from the proposed acquisition
  - identifies areas of further inquiry
  - invites interested parties to submit comments and information to assist our assessment of the issues.
3. Statements of Issues do not refer to confidential information provided by the parties or other market participants and therefore may not necessarily represent a full articulation of the ACCC's preliminary position.

#### Overview of ACCC's preliminary views

4. The legal test which the ACCC applies in considering the proposed acquisition is set out in section 50 of the *Competition and Consumer Act 2010*. In general terms, section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
5. The ACCC divides its preliminary views into three categories, 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'.

#### Issue of concern – reduction in retail grocery competition in local area

6. The ACCC's preliminary view is that the proposed acquisition is likely to substantially lessen competition in the retail market for the supply of grocery products in the local area surrounding the target. The acquisition increases Woolworths' already high local market share, and customers will lose the competition tension provided by SUPA IGA's differentiated product and service offering - and may also face higher prices (particularly through reduced promotion item differentiation).

### **Issue that may raise concerns – reduction in retail liquor competition in local area**

7. The ACCC is considering whether the proposed acquisition may substantially lessen competition in the retail market for packaged liquor for off-site consumption in the local area surrounding the target. The acquisition would remove the competitive tension provided by Liquor Boss' differentiated product offering on major liquor retailers in the area.

### **Issue that may raise concerns – reduction in chain-on-chain competition**

8. The ACCC is considering whether the proposed acquisition may impact competition between grocery store chains and substantially lessen competition in retail grocery supply in the broader Queanbeyan/ACT area. The loss of SUPA IGA Karabar may impact the marketing efficiencies, awareness and competitive presence of other IGA stores throughout the Queanbeyan/ACT area.
9. Similarly, the ACCC is also considering whether the removal of the Liquor Boss store raises any issues in competition between liquor store chains in the Queanbeyan/ACT area.

### **Issue that may raise concerns – impact on the wholesale supply of groceries to independent supermarkets**

10. The ACCC is considering whether the proposed acquisition may have an impact on the wholesale supply of groceries in the Queanbeyan/ACT region.
11. SUPA IGA Karabar is a customer of Metcash and smaller local and regional suppliers. Metcash in particular provides wholesale grocery products and fresh produce to numerous independent supermarkets in the Queanbeyan/ACT region. We are considering the extent to which the loss of SUPA IGA Karabar as a customer impacts the efficiency and competitiveness of Metcash and other suppliers' wholesale offerings in the region more broadly, which in turn may reduce the ability of all independent supermarkets to exert competitive pressure on Woolworths post-acquisition.

## **Making a submission**

12. The ACCC invites submissions from interested parties, particularly on the following key issues:
  - The extent to which SUPA IGA Karabar provides differentiated retail offer from Woolworths and/or other supermarkets in the area and the importance of this differentiated retail offer to consumers.
  - Any impact SUPA IGA Karabar and its differentiated retail offer has on Woolworths and/or other supermarkets in the local area.
13. Detailed discussion of these and other issues, along with specific questions, is contained in this Statement of Issues.
14. Interested parties should provide submissions by 5pm on 12 January 2022. Responses may be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: Submission re: Woolworths Limited - proposed acquisition of SUPA IGA Karabar - attention Micaela Bassford/Ben Roberts. If you would like to discuss the matter with ACCC officers over the telephone or in person, or have any questions about this Statement of Issues, please contact Micaela Bassford on (02) 9102 4069 or Ben Roberts on (03) 9290 1497.
15. The ACCC anticipates making a final decision on 23 March 2023, however, this timeline can change. To keep up with possible timing changes and to find relevant documents, interested parties should visit the Mergers Register on the ACCC's website at <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews>.

## Confidentiality of submissions

16. The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

## About ACCC ‘Statements of Issues’

17. A Statement of Issues published by the ACCC is not a final decision about a proposed acquisition, but provides the ACCC’s preliminary views, drawing attention to issues of varying degrees of competition concern, as well as identifying the lines of further inquiry that the ACCC wishes to undertake.
18. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders, and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the merger parties and other interested parties with the basis for making further submissions should they consider it necessary.

## The parties

### Woolworths

19. Woolworths is one of Australia’s largest grocery retailers, operating 1,085 stores across Australia.<sup>1</sup> Woolworths currently operates two supermarkets near the Karabar Supermarket, one in the Queanbeyan CBD and the other in Jerrabomberra (see **Figure 1** below).

### SUPA IGA Karabar and Liquor Boss

20. SUPA IGA Karabar is an independent supermarket which sells a range of groceries and liquor in an attached liquor store (trading as Liquor Boss), located in Karabar, NSW. Karabar is a small residential suburb approximately 2.5 km from the town centre of Queanbeyan, NSW, which lies to the south-east of Canberra.
21. SUPA IGA Karabar has approximately 840 sqm of grocery trading area (950 sqm including Liquor Boss) and is considered a mid-sized supermarket.
22. The owner of SUPA IGA Karabar and Liquor Boss also owns the Karabar Shopping Mall in which they are located. Karabar Shopping Mall is approximately 4,500 sqm and houses 15 tenancies. IGA Karabar is its sole grocery offering.
23. SUPA IGA Karabar is part of the Metcash network of supermarket brands. Liquor Boss is part of the Independent Liquor Retailers (**ILR**) network of liquor store brands.

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<sup>1</sup> [Woolworths Group Annual Report](#), 25 August 2022, p 28.

## Other industry participants

### Coles Group

24. Coles Group (**Coles**) is one of Australia's largest supermarket and liquor retailers with 835 supermarkets and 933 liquor stores (operating under Liquorland, First Choice and Vintage Cellars brands).<sup>2</sup>
25. Coles operates one supermarket in Queanbeyan, and two liquor stores within 5 km of SUPA IGA Karabar.

### ALDI

26. Aldi is Australia's third largest supermarket business with more than 570 supermarkets nationally.<sup>3</sup> ALDI also supplies liquor in select stores in New South Wales, Victoria, the ACT and Western Australia.
27. ALDI operates two stores within 5km of SUPA IGA Karabar (one in Queanbeyan and one in Jerrabomberra). Both of these stores supply liquor in addition to groceries.

### Metcash

28. Metcash Trading Limited (**Metcash**) is Australia's largest independent grocery wholesaler and distributor. Metcash supplies groceries to a network of more than 1,600 independently owned stores in Australia that include the IGA, Foodland, Friendly Grocer and Lucky 7 brands. SUPA IGA Karabar is part of the Metcash network and one of their wholesale customers. There is one other Metcash network supermarket – Friendly Grocer Queanbeyan – within 5 km of SUPA IGA Karabar. Another Metcash supermarket - Cannons IGA Googong – sits just outside that radius.
29. Metcash is also Australia's largest independent liquor wholesaler and distributor, through Australian Liquor Marketers (**ALM**).
30. Metcash also operates the Independent Brand Alliance (**IBA**), which is a network of more than 1,800 independently owned liquor stores across Australia and New Zealand. IBA banners include Cellarbrations, The Bottle-O, Porters Liquor, IGA Liquor, Thirsty Camel, Big Bargain Bottleshop and Duncans.
31. ALM supplies to independent liquor stores both in and out of the IBA network, and IBA network stores are free to purchase liquor from other wholesalers in addition to ALM.

### Independent Liquor Retailers

32. Liquor Boss Karabar is part of the ILR network, which includes over 400 independently owned liquor stores on the east coast of Australia. These stores operate under the banners of Local Liquor, Liquor Boss, Liquor & Co and Countrywide Liquor.

### Endeavour

33. Endeavour is a major Australian alcoholic drinks retailer and hotel operator that operates a portfolio of brands including BWS, Dan Murphy's, Jimmy Brings and Langton's. Endeavour also manages over 330 licensed hotels (with more than 12,000 gaming machines) across Australia, through its subsidiary, ALH Hotels.
34. Until 28 June 2021, Endeavour was a subsidiary of Woolworths Group. However, Endeavour has been separated from Woolworths Group via a demerger and is now a separately listed corporation on the ASX (ASX: EDV).

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<sup>2</sup> [Coles Group Annual Report](#), 28 September 2022, pp 35, 37.

<sup>3</sup> ALDI, [About ALDI](#), 2022.

## The proposed transaction

35. Woolworths proposes to acquire 100% of the grocery and liquor business associated with the SUPA IGA banner located in Karabar, NSW from Karabar Property Pty Ltd.

## Future with and without the acquisition

36. In assessing a proposed acquisition under section 50 of the CCA, the ACCC considers the effects of the acquisition by comparing the likely future state of competition if the acquisition proceeds (the 'with' position) to the likely future state of competition if the acquisition does not proceed (the 'without' position) to determine whether the proposed acquisition is likely to substantially lessen competition in any relevant market.

37. On the basis of the information currently available, the ACCC considers that SUPA IGA Karabar would continue to operate as an independent competitor to Woolworths, absent the proposed acquisition (either operated by the current owner, or by an alternative independent purchaser).

## Previous ACCC decisions

### Previous consideration of this site – Woolworths' proposed acquisition of Karabar Supabarn

38. In 2008, the ACCC opposed Woolworths' acquisition of the Karabar supermarket site – then trading under the 'Supabarn' banner and under different ownership (**the 2008 decision**).<sup>4</sup> The ACCC concluded that the proposed acquisition would be likely to have the effect of substantially lessening competition in the local retail supermarket market in the Queanbeyan region (including Karabar and Jerrabomberra). The ACCC considered that the proposed acquisition was likely to prevent competition between the Woolworths supermarket in Jerrabomberra and the Karabar supermarket.

### Previous consideration of a similar transaction – Woolworths' proposed acquisition of Hawker IGA

39. In 2013, the ACCC considered, and did not oppose, Woolworths' acquisition of SUPA IGA in Hawker, a suburb in the Belconnen area of north Canberra.<sup>5</sup> A key consideration in this decision was the conclusion that Woolworths supermarkets in the local market were not close rivals with the Hawker IGA relative to other competitors.

## Market definition

40. As stated in the ACCC's *Merger Guidelines*, the ACCC's starting point for defining relevant markets to assess the competitive effects of the proposed acquisition involves identifying the products and services supplied by the merger parties.<sup>6</sup> The ACCC then considers what other products and services constitute sufficiently close substitutes to provide a significant source of constraint on the combined Woolworths/SUPA IGA Karabar.

41. The ACCC is considering the proposed acquisition in the context of:

- the local retail market for the sale of grocery products
- the local retail market for the sale of packaged liquor for off-site consumption

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<sup>4</sup> [Woolworths Limited – proposed acquisition of Karabar Supabarn](#) (2008).

<sup>5</sup> [Woolworths Limited – proposed acquisition of Supermarket in Hawker ACT](#) (2013).

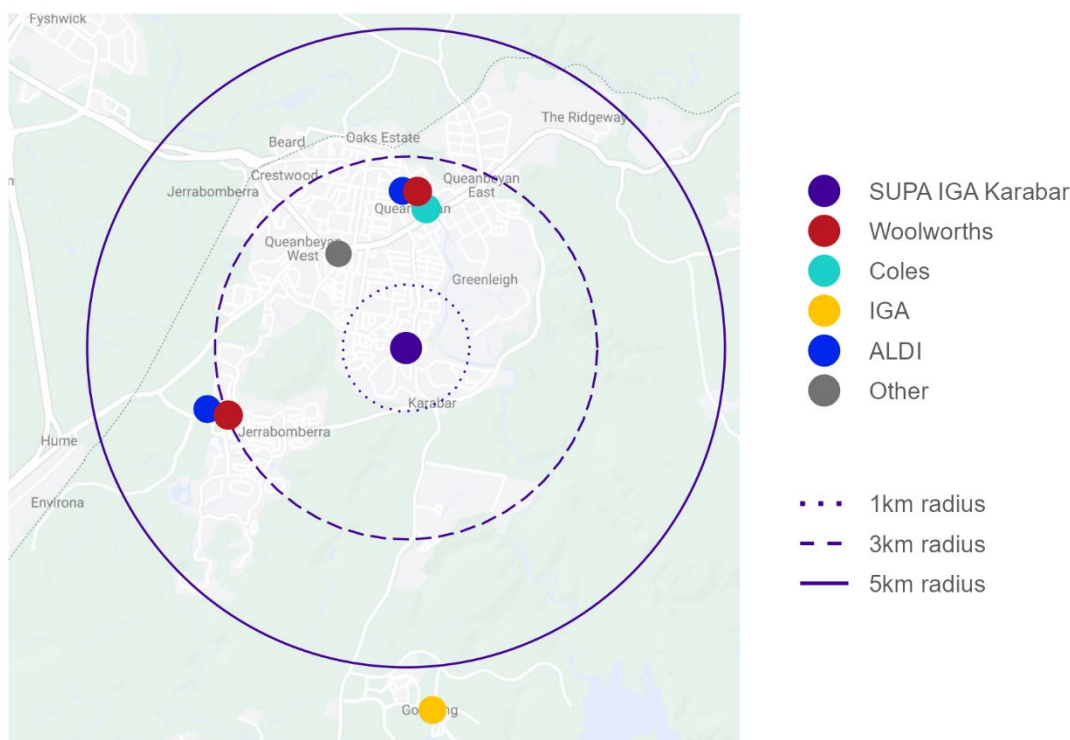
<sup>6</sup> ACCC, *Merger Guidelines 2008* (updated 2017), paragraph 5.17.

- broader geographic markets for the supply of grocery products and packaged liquor (likely whole of ACT and Queanbeyan).

### Local retail markets for the sale of grocery products

42. The ACCC’s preliminary view is that retail markets for the sale of grocery products in both the local area in the vicinity of the SUPA IGA Karabar, and the broader Queanbeyan/ACT region, are relevant to the assessment of the proposed acquisition.
43. When assessing local retail markets, the ACCC aims to identify the competitive constraints on the merged firm’s retail offers at a store level. The ACCC considers that travelling time and distance between retailers of grocery products is an important determinant of competitive constraint as well as product range and/or offering. Our preliminary view is that it is appropriate to consider the effects of the proposed acquisition on a local market with a radius of 3 to 5 km from the target site. The ACCC understands that sales to customers residing further than 5 km are uncommon unless the customer is in the area for another purpose. **Figure 1** below shows the location of supermarkets within this radius.

**Figure 1: Map of supermarkets in Karabar and surrounding suburbs**



44. The ACCC is still considering the extent to which Googong, which sits to the south of Karabar just outside of SUPA IGA Karabar’s 5 km radius, forms part of the relevant geographic market.
45. The 2008 decision found that Googong should be considered part of the relevant local market for at least the 5–10-year period prior to the development of Googong’s first full-line supermarket. As shown in **Figure 1**, Googong now has an IGA supermarket (Cannons IGA) which has been operational since 2018. Cannons IGA is similar in size and product range to IGA Karabar.
46. The ACCC’s preliminary view is that regardless of the precise geographic market adopted, Cannons IGA (or any other potential supermarket in Googong) is unlikely to be a substitute to SUPA IGA Karabar, due to:



- Googong’s isolated location, which means that Googong residents are likely to regularly pass through or near surrounding suburbs of Jerrabomberra and Karabar, but the converse is not true (see **Figure 1**). As such, supermarkets in Jerrabomberra and Karabar are more likely to competitively constrain supermarkets in Googong than vice versa, and
- the similar drive time from Googong to both Jerrabomberra and Karabar. For example, from Cannons IGA, it is approximately 12 minutes to drive to the centre of Jerrabomberra where there is a full-line Woolworths and ALDI, which is only 2 minutes further than driving to IGA Karabar.

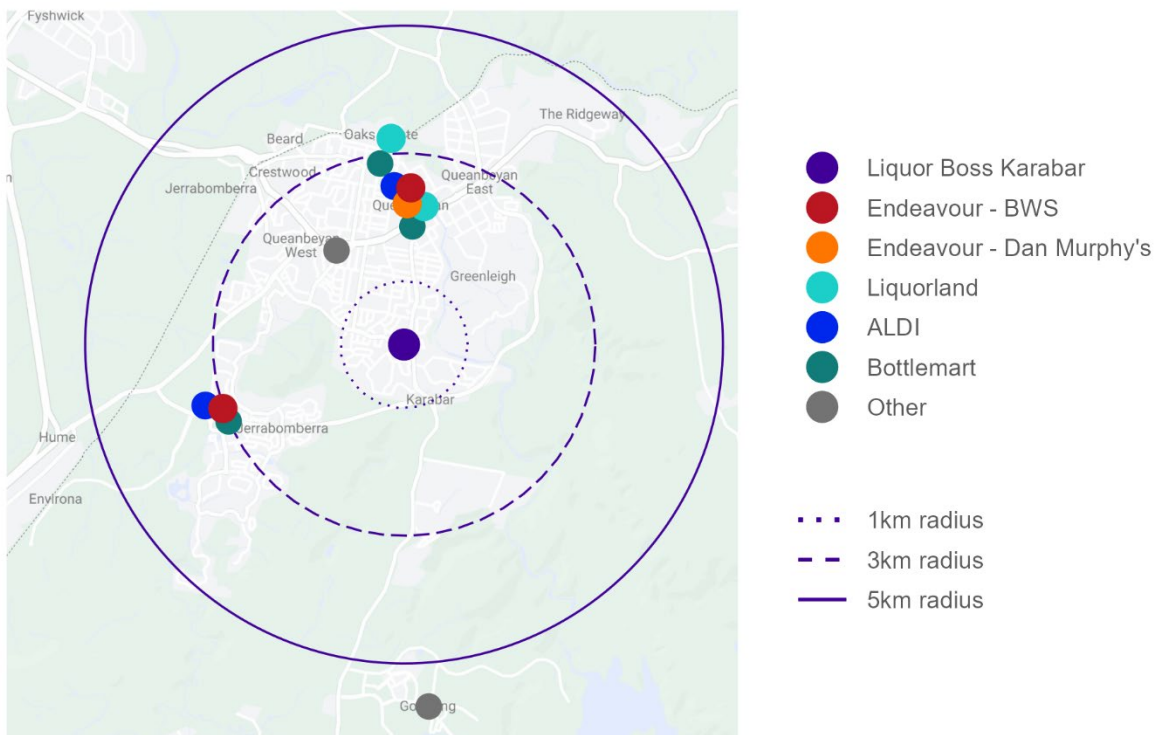
47. While all supermarkets compete locally with other nearby supermarkets to attract customers, we understand that major supermarket chains (including Woolworths and Coles) and banner groups (like IGA) also compete across a wider regional market by offering a standardised retail offering across their stores. For example, setting consistent prices and discounts across all stores in a region. While IGA stores are much less standardised than the major chains, particularly in terms of product range, one element of IGA’s competitive offer is discounts/promotions that are typically standardised and promoted across broad geographic areas.

**Local market for the sale of packaged liquor for off-site consumption**

48. The ACCC’s preliminary view is that retail markets for the sale of packaged liquor for off-site consumption in both the local area in the vicinity of SUPA IGA Karabar, and the broader Queanbeyan/ACT region, are relevant to the assessment of the proposed acquisition.

49. As above, the ACCC’s preliminary view is that it is appropriate to consider the effects of the proposed acquisition on a local market with a radius of 3 to 5 km from the target site. **Figure 2** shows liquor stores within this radius. We are continuing to investigate the geographic scope of the relevant local market.

**Figure 2: Map of liquor stores in Karabar and surrounding suburbs**



### **Broader geographic markets for the supply of grocery products and packaged liquor**

50. The ACCC is also considering the broader geographic impact of the proposed acquisition. We are considering potential markets for grocery products and packaged liquor across the entire ACT/Queanbeyan region.
51. While all supermarkets compete locally with other nearby supermarkets to attract customers, we understand that major supermarket chains (including Woolworths and Coles) and banner groups (like IGA) also compete across a wider regional market by offering a standardised retail offering across their stores. For example, setting consistent prices and discounts across all stores in a region. While IGA stores are much less standardised than the major chains, particularly in terms of product range, one element of IGA's competitive offer is discounts/promotions that are typically standardised and promoted across broad geographic areas.
52. As with supermarkets, major liquor chains including the Endeavour brands and the Coles Group Brands (Liquorland, 1st Choice and Vintage Cellars), and independent brands such as IGA Liquor and Cellarbrations, standardise major elements of their retail offers across all stores in a region.

The ACCC invites comments from market participants on our preliminary views in relation to the relevant markets. In particular, market participants may wish to comment on the following:

- The distance customers typically travel to visit supermarkets and bottle shops in Karabar and surrounding areas and the factors that influence how far a customer will travel.
- The extent to which customers view supermarkets in Jerrabomberra, Queanbeyan, Googong and further afield as substitutes for SUPA IGA Karabar.
- The extent to which customers view liquor stores in Jerrabomberra, Queanbeyan, Googong and further afield as substitutes for Liquor Boss.

### **Issue of concern: reduction in retail grocery competition in local area**

53. The ACCC's preliminary view is that the proposed acquisition is likely to substantially lessen competition in the retail market for the supply of grocery products in the local area surrounding the SUPA IGA Karabar. The market is already highly concentrated (irrespective of the precise geographic radius applied), and the proposed acquisition would lead to a substantial increase in market concentration.
- In Queanbeyan CBD, located approximately 2 km from the SUPA IGA Karabar, Woolworths, Coles and Aldi each operate one supermarket. There is also a Woolworths supermarket and an Aldi supermarket located at Jerrabomberra, within a 3 km radius from the SUPA IGA Karabar.
  - Within both a 3 km and 5km radius of SUPA IGA Karabar, it would reduce the number of operators of supermarkets with a significant size and range from four to three (leaving only Woolworths, Coles and ALDI).
  - The ACCC estimates that Woolworths would have a local market share of over 50% post acquisition.
  - The proposed acquisition would remove the only independent supermarket of a material size in the local market.



## **Level of constraint from alternative suppliers**

### *Coles*

54. Coles offers a similar product range, service and price competition through discounts and promotions to Woolworths. To the extent that Coles does provide competitive constraint on Woolworths in the local area, this constraint is likely to be less than any constraint imposed by Woolworths on Coles, as while Woolworths and Coles both operate stores in Queanbeyan, there is no Coles store in Jerrabomberra.

### *ALDI*

55. The ACCC is still considering the extent to which ALDI directly competes with other supermarkets. Relative to the 2008 decision, ALDI has greater brand awareness and a store in Jerrabomberra that did not exist at that time.

56. However, market feedback in this matter has generally been consistent with observations made in the 2008 and 2013 ACCC decisions - that is that the SUPA IGA Karabar competes more closely with Coles and Woolworths than ALDI. ALDI offers a smaller product range than full-size supermarkets, with an emphasis on basic, regularly purchased items and weekly general merchandise specials. However, the ACCC recognises that for many customers (in particular more price sensitive types of customer), ALDI is a constraint on rival supermarket chains.

### *Cannons IGA*

57. As noted above in relation to market definition, the ACCC is still considering whether Googong forms part of the relevant local market. However, due to Googong's isolated location and the relative proximity of Jerrabomberra (with both a Woolworths and ALDI), the ACCC's preliminary view is that Cannons IGA Googong imposes only a weak competitive constraint on SUPA IGA Karabar, if any.

### *Other supermarkets*

58. Two smaller independent supermarkets also operate within a 2 km radius of SUPA IGA Karabar. These stores are:

- the Friendly Grocer Queanbeyan (previously New Planet in the 2008 decision), and
- Just Grocer (previously Vista Minimart in the 2008 decision).

59. However, our inquiries indicate (consistent with the 2008 decision) that these stores do not impose a strong competitive constraint on SUPA IGA Karabar (and other similarly sized supermarkets). In the case of Just Grocer, which is a very small convenience store offering, any competitive constraint imposed is not likely to be material.

## **Reduction in consumer choice**

### *Loss of differentiated product offering*

60. Market feedback indicates that the range of products stocked at SUPA IGA Karabar differs to stores operated by Woolworths, Coles and ALDI.

61. For example, market feedback noted that SUPA IGA Karabar has a wide range of differentiated products, including imported European goods and local products (such as locally produced bread and honey) not available in national supermarket chains. Market feedback also indicated that SUPA IGA Karabar's deli provides superior service and product quality to similar delis in national supermarket chains.

62. The proposed acquisition would replace SUPA IGA Karabar's differentiated offering with a standardised Woolworths Metro offer (which does not include a deli), which may lead to a material reduction in choice for consumers in the relevant market.

### *Reduction in choice of supermarket chain*

63. While most market feedback focussed on a loss of product choice, the ACCC also considers that loss of consumer choice may be broader than the range of goods offered. As the only significantly sized independent supermarket in Karabar and surrounding regions, SUPA IGA Karabar offers consumers an alternative supermarket brand. This alternative choice allows for the possibility of a different rewards program, different discounts and other differentiated features compared to other national retailers in the region.

### **Service and site amenity**

64. The ACCC is continuing to consider the extent to which separate ownership of supermarket stores may incentivise competition on the basis of non-price factors, such as site amenity or features. The ACCC is concerned that the proposed acquisition would reduce incentives for the SUPA IGA Karabar site and Woolworths' current stores in the local area to maintain and improve their service offering (for example in relation to staffing levels) and to improve the amenity at its stores (for example, less incentive over the long term to undertake refurbishments).

65. In considering this, we are taking into account market feedback that neither SUPA IGA Karabar or the Karabar Shopping Mall (which are under the same ownership) have been updated in some time. However, subsequent to market inquiries, we understand that the Vendor has commenced significant upgrade works to the interior and exterior of the shopping centre. We also understand that Woolworths intends to undertake a significant refurbishment of the supermarket site post-acquisition.

### **Impact on pricing**

66. Market feedback has been mixed in relation to the pricing at SUPA IGA Karabar. Some feedback has suggested that local customers are willing to pay a premium to shop at SUPA IGA Karabar, due to the store's product range, quality and service levels. However, some submissions also asserted that SUPA IGA Karabar offers lower prices than Woolworths, at least for some products, and expressed concern that prices would rise post-acquisition.

67. The ACCC is considering:

- The extent to which independent local competition impacts pricing and/or promotional activity at Woolworths/Woolworths Metro stores.
- The impact on consumers of the loss of lower prices on some items. For example, market feedback indicates that no supermarket has lower prices than its competitors on every item, and there is competitive tension provided by differentiated promotions and sales offerings. Some consumers may choose which supermarket to shop at in the local area on the basis of promotional activity at the time.

The ACCC invites comments from market participants on the ACCC's preliminary views in relation to the supply of grocery products. In particular, market participants may wish to comment on the following:

- The extent to which SUPA IGA Karabar provides differentiated retail offer from Woolworths and/or other supermarkets in the area.
- The value of SUPA IGA Karabar's differentiated retail offer to consumers, and the impact that it has on local Woolworths, Coles, ALDI and small independent stores.
- The type of shop that a customer would be likely to undertake at SUPA IGA Karabar (eg, a full shop, a top-up shop) in comparison to other supermarkets in the area.

## **Issue that may raise concerns: reduction in retail liquor competition in local area**

68. The ACCC is considering the impact of the proposed acquisition on the retail supply of off-premises liquor in the local area surrounding the SUPA IGA Karabar.
69. Market feedback provided to the ACCC suggests that the Liquor Boss store provides a differentiated product offering to Endeavour (BWS, Dan Murphy's), Coles Group (Liquorland) and other liquor stores in the local area. The ACCC is considering whether the loss of this differentiated offer could raise similar concerns in relation to the supply of retail liquor as noted above in relation to retail groceries – including impacts on choice, service levels, price and promotional activity.
70. The ACCC is also considering the extent to which the target exerts a greater competitive constraint on liquor stores that are co-located with supermarkets than standalone liquor stores are able to exert.

The ACCC invites comments from market participants on the ACCC's preliminary views in relation to the retail supply of liquor. In particular, market participants may wish to comment on the following:

- The extent to which the Liquor Boss provides a differentiated retail offer from Endeavour (BWS, Dan Murphy's) Coles Group (Liquorland) and other liquor stores in the local area.
- The value of Liquor Boss' differentiated retail offer to consumers, and the impact that it has on competitors.
- The type of shop that a customer would be likely to undertake at Liquor Boss Karabar (e.g. case of beer, wine, spirits).
- the extent to which liquor stores co-located with a supermarket (such as Liquor Boss Karabar) compete with standalone liquor stores.

## **Issue that may raise concerns: reduction in chain-on-chain competition between supermarkets and liquor stores**

71. The ACCC is considering the impact of the proposed acquisition on competitiveness of the IGA and Liquor Boss banners in the Queanbeyan/ACT region. The competitive strength of these brands is important for consumers to benefit from differentiated price, range and service offerings.
72. The ACCC is considering the extent to which a presence in multiple locations in a region is important to the competitive constraint that a chain can exert. Some market feedback suggests the extent to which independent supermarkets and liquor stores can competitively constrain the major chains in the region is reliant on the breadth of geographic presence and brand awareness.
73. The loss of the SUPA IGA Karabar as a significant IGA store in the region may impact the marketing efficiencies, awareness and competitive presence of other Metcash network stores over the broader region. In part this is due to whole-of-area advertising (for example, advertising pricing through television or radio to all of Queanbeyan/ACT) and the reduction in economies of scale that support brand-on-brand competition.
74. For the same reasons, the ACCC is concerned in relation to the Liquor Boss banner group. There are only three stores that operate under this banner (with the other two located in Fyshwick and Watson in the ACT), and the ACCC is concerned that the

removal of Liquor Boss Karabar is likely to have a significant impact on the competitive presence of the two other Liquor Boss stores, and/or liquor stores in the broader ILR banner network. This may result in the loss of the differentiated Liquor Boss offering, not just in Karabar, but also in Fyshwick and Watson.

75. Furthermore, where competitors make state-wide pricing decisions, any weakening of the constraint provided by the IGA/Liquor Boss brands would also impact local areas in the region where IGA and Liquor Boss are not present.

The ACCC invites comments from market participants on the impact of the proposed acquisition on chain-on-chain competition in the Queanbyena/ ACT region.

## **Issue that may raise concerns: impact on the wholesale supply of groceries to independent supermarkets**

76. The ACCC is considering the impact of the proposed acquisition on the wholesale supply of grocery products to supermarkets and other retailers in the Queanbeyan/ACT region. Woolworths, Coles and Aldi undertake their own wholesale supply to their network of supermarkets. In comparison, independent competitors rely on third party wholesale supply.

77. The ACCC is considering the fixed and marginal costs associated with wholesale grocery supply, including warehousing and distribution costs. The ACCC understands that SUPA IGA Karabar may be an important wholesale customer of Metcash and small regional/local wholesale suppliers. The ACCC is considering the extent to which the loss of the SUPA IGA Karabar as an independent customer would impact the efficiency and competitiveness of wholesale offerings in the region more broadly. This may reduce the ability of all independent supermarkets which receive wholesale supply from Metcash or local/regional suppliers to exert competitive pressure on Woolworths post-acquisition.

The ACCC invites comments from market participants on the impact of the proposed acquisition on the wholesale supply of supermarket in the Queanbeyan/ACT area.

## **ACCC's future steps**

78. As noted above, the ACCC now seeks submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions are to be received by the ACCC no later than 5.00pm on 12 January 2022 and should be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) with the title: Submission re: Woolworths - proposed acquisition of SUPA IGA Karabar - attention Micaela Bassford/Ben Roberts.
79. The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.
80. The ACCC intends to publicly announce its final view by 23 March 2023. However, the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment for the purpose of explaining the ACCC's final view may be published following the ACCC's public announcement to explain its final view.