

Dear Senators

We refer to the Senate Economics Legislation Committee's **Inquiry into the Competition and Consumer (Industry Codes – Food and Grocery) Regulation 2015**

We are grateful for the opportunity to submit material to the Inquiry. The attached letter was sent by the Metcash Group CEO, Ian Morrice, the Hon Bruce Billson MP, Minister for Small Business. It explains Metcash has not opted in to the Grocery Code at this time.

Metcash supports the efforts of the Minister to ensure better working relationships between suppliers and retailers. The complexities surrounding Metcash's wholesale business model means it needs to clearly understand how the Code will impact its business and that of its small retailers and hundreds of small suppliers before it is in a position to consider the matter on a fully informed basis. Metcash supports small suppliers and retailers at multiple levels. Metcash will run a trial of elements of the Code applicable to its business for 18 months. It is hoped at the end of this, Metcash will be in a position to opt in to the Code.

I have advised the Minister's office that we would be making the letter available to members of the Committee, I commend the letter to Senators.

Yours faithfully

Stephen

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The Hon Bruce Billson MP
Minister for Small Business & Member for Dunkley
PO Box 6022
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Minister

RE: Grocery Code

Following our telephone call earlier in the week, I am pleased to advise that Metcash has resolved to support the Grocery Code ("Code") and to voluntarily adopt the elements of the Code that are applicable to our business.

We will implement a compliance program to align our business conduct to the core principles of the Code. As you know, many of our existing practices are consistent with the requirements of the Code and so the variations will be more administrative rather than substantial. We will operate on this basis for a period, likely 18 months, during which time we will gain an understanding of, and evaluate how, the requirements of the Code will impact our wholesale business as well as the businesses of our independent retail customers and the many manufacturers, small and large, whose products we range. This timeframe is less than the 24 months transitional period nominated by the Code.

As you are aware the wholesale/ independent retail model is significantly more complex than that operated by the self-supply chains. The complexity of the model is required to support a network of over 5,000 independent businesses. In order to support such a diverse network we stock over 50,000 SKUs (products), which is significantly more than the self-supply chains. This wide range of products are procured either nationally, on a state basis or in a large number of instances locally. As all products are not centrally procured there is a large number of suppliers with multiple agreements with Metcash.

Over the coming months we will evaluate the impact of administering the Code (across our large diverse supplier base) not only on our business but also the businesses of our suppliers (large and small) and that of our independent customers.

As we discussed, our model provides the ability for many small and local suppliers to have their products distributed to the largest and most diverse retail base in the country. We are concerned by the potential unintended consequence of opting in to the Code. We are also deeply concerned by the burden of additional red tape for the many small and large businesses we support and adopting this phased approach will allow us to evaluate and inform our position as to formally opting in to the Code at that time.

I would like to commend your Grocery Code initiative and the way you have conducted your consultation. Metcash is fully supportive of a Grocery Code that will improve the relationship between suppliers and retailers. I would also like to acknowledge the efforts made by your staff and Treasury, we appreciate the positive working relationship we have developed with your office and hope that this will continue in the future.

I look forward to further discussions and to providing you and your staff with updates regarding our adoption of the Code. Should your staff or Treasury like to discuss our approach to the Code, please have them continue their discussions with Stephen Woodhill as they have in recent months.

I am of course happy to discuss this further should you wish.

Yours sincerely

Ian Morrice
Group Chief Executive Officer
Metcash Limited