



Andrew Reitzer
Chief Executive Officer

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Executive Summary

This submission is prepared by Metcash on behalf of the IGA National Board of retailers & its members, other retailers supplied by IGA>D and Campbells Cash & Carry. Metcash supply an extensive national footprint of 2700 independent supermarkets and thousands of convenience sized stores. These include IGA branded stores, Foodworks Lucky 7, and many others. Within this extensive footprint, there is a wide range of IT systems. Store owners choose their software. It would be very onerous and costly to our retailers if this Unit Pricing change is legislated and made mandatory in the short term.

Metcash understands the debate for Unit Pricing and note that some of our competitors are currently capable of implementing it, whilst some are not. Although we are not convinced of the level of published benefits to consumers (Unit Pricing RIS), if government is to legislate, Metcash will give assistance to our customers to facilitate compliance. We would appreciate that the following information be considered, and concessions allowed so as not to unduly impose burdens on independent retailers. Any legislation proposed should be a national standard, not differentiated by state. This will ensure consistency, and keep compliance costs to a minimum.

As opposed to the major chains, retailers supplied by Metcash currently have over 30 different software systems operating in our retail supermarket environments that must be modified to meet the new Unit Pricing requirements. Metcash also have to modify our current I.T systems (currently being deployed) as well as 3 mainframe legacy systems that must be made compliant for data entry, and data file generation. Small stores that do not operate software and do not scan at the checkout will have no means to electronically generate shelf edge labels. They will find it extremely difficult to comply with any unit pricing legislation.

Costs to comply with this legislation in a 12 month time frame are estimated to cost our independent supermarket sector approx \$10m. This estimate would increase if every small store was forced to comply. A significant increase in cost would also result if the shelf ticket size was mandated to increase from the current size. This is due to shelf stripping in all stores requiring replacement. Depending on the standards established, stores with Electronic Shelf Edge labels could also require replacement resulting in even further costs being imposed on the independent retail sector.

Metcash suggest that the grocery industry should adopt and implement Unit Pricing in large supermarkets $>1200\text{m}^2$ using a phased approach by December 2010. This will ensure that the cost to implement Unit Pricing is kept to a minimum (by progressively making changes) and further cost is not built into our supply chain (costs that would ultimately need to be passed on to the consumer and which could possibly reduce the competitiveness of independent retailers).

As a minimum, we believe that any store that has a trading area below 1200m^2 should be excluded from any mandatory legislation. Proposed compliance should focus on stores where consumers would do their “main shop”. This would include stores such as our Supa IGA branded stores, but exclude our IGA branded stores and anything smaller. These IGA size stores (less than 1200m^2) would also encounter the most difficulties in meeting compliance as they are not resourced to the extent of the major supermarkets.

It will remain Metcash’s goal to facilitate an automated Unit Pricing solution for our customers but at the lowest cost ensuring prices are not increased due to the change. This means shelf edge labels could be updated as part of the normal ongoing product change process rather than all at once resulting in a significant cost to the industry.

Costs to all parties in the independent sector are significant but could be dramatically reduced if time frames allow for an extended period before compulsory compliance is required. As with the Scanning Code of Conduct, Metcash can facilitate technical solutions that will be made available to the market though cannot ensure compliance by individual retailers. If legislated Metcash will do all it can to ensure our retail customers comply.

A handwritten signature in black ink, appearing to read 'Andrew Reitzer', enclosed within a large, hand-drawn oval scribble.

Andrew Reitzer