WOOLWORTHS LIMITED
A.B.N. 88 000 014 675

14 March 2008

Mr Graeme Samuel
Chairman
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Dear Mr Samuel,

RE: Submission to ACCC Grocery Inquiry by Woolworths Limited on 14 March 2008

Woolworths Limited is pleased to provide the Commission with this submission to assist it in its inquiry into the competitiveness of retail prices for standard groceries.

Woolworths looks forward to continuing to assist the Commission in its inquiry.

Yours faithfully,

WOOLWORTHS LIMITED
Peter Horton
Group General Counsel & Company Secretary

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WOOLWORTHS LIMITED

Woolworths Limited

Public Submission to ACCC Grocery Inquiry

14 March 08

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1 Executive summary

1.1 Introduction

In response to public concern about rising household grocery prices, the Commonwealth Government has required the Australian Competition and Consumer Commission (**ACCC**) to hold an inquiry into the competitiveness of retail prices for standard groceries (**Grocery Price Inquiry**).

The Grocery Price Inquiry is to range widely, assessing the nature of competition at all levels of the grocery supply chain, the competitive position of small and independent retailers, pricing practices and any impediments to efficient pricing. The ACCC's Issues Paper seeks comment on an extensive set of issues.

Woolworths welcomes this opportunity to contribute to a better understanding of the challenges facing Australian food producers and retailers in this time of strong global and domestic cost pressures affecting food products. In view of the extensive set of issues raised, Woolworths is providing a range of information and material to assist the Grocery Price Inquiry.

1.2 ACCC Grocery Price Inquiry: Cornerstone Issues

The ACCC has articulated the following cornerstone issues upon which the Grocery Price Inquiry is founded:

(a) A concern as to whether Australian grocery food prices have increased at a significantly higher rate than the headline inflation rate;

(b) A concern as to whether Australian food price inflation is higher than in many other industrialised countries;

(c) A concern as to whether Australia has a highly concentrated grocery industry; and

(d) On the basis of the above concerns, a resulting concern as to whether Australian retail prices for standard groceries are competitive.

1.3 Woolworths' Response to the Cornerstone Issues

(a) Woolworths' focus

On 26 February 2008, when announcing the Woolworths 2007 – 2008 First Half Year Business Performance, CEO Michael Luscombe said:

> *Woolworths remains focused on providing customers with a combination of greater convenience, freshness, quality, range and consistently competitive prices across all divisions and these core values will underpin the broad range of growth initiatives currently underway.*

Woolworths is able to give this commitment to its customers, shareholders and employees during this period of inflationary cost pressures affecting food products due to its five years of investment in supply chain, logistics and buying improvements. The resulting productivity gains and cost of doing business savings have enabled Woolworths to moderate the cost pressures upon its Australian Supermarkets business.

(b) Rising costs pressures leading to rising prices

The cost pressures facing Australian food retailing reflect a number of factors, including, importantly, the trend of a global surge in commodity prices for the key inputs to many food products, including grains and oils. This surge has been particularly acute over the past year.