MAXi
IGA® Supermarkets

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17 April 2007

The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Sir/Madam,

Re: Notification N92852 lodged by Metcash Trading Limited (Metcash)

I write following receipt of your letter addressed to me at Maxi Foods Horsham. I initially received correspondence from Metcash during the Christmas holiday and was astounded that Metcash had elected to remove the Fujitsu host management system from its host support service. I thought the delivery of the notice was untimely, as many supermarket operators would be on annual leave at that time. I attach copy of this notice as Annexure 'A'.

On receipt of the letter from Metcash I immediately telephoned the I.T. department of Metcash only to be advised that as Fujitsu had not completed the application paperwork correctly they were not selected as a preferred provider. I then telephoned Anne Cox of Fujitsu who was totally oblivious to any such process of accreditation or recommendation by Metcash or any decision to remove Fujitsu totally from the Independent Supermarket retail sector. Anne asked me to fax the Metcash letter and accompanying particulars urgently, which I did.

We subsequently received a letter from Fujitsu which I attach as Annexure 'B'.

Having worked in excess of twenty years in the supermarket industry, I remain totally unfamiliar with seven of the eight proposed providers listed in Metcash's preferred supplier list. It is possible that some of the product providers relate mainly to smaller convenience style stores or single supermarket applications. Either way, I have not heard of them let alone been made aware that they are providers of an important component of our business. To select a host provider, a supermarket operator must have confidence in the company and its products. I have confidence in Fujitsu.

The high volume multi store operators rely on Fujitsu's stable and well developed products that continue to operate successfully even after years of service. Such systems are expensive so the decision to acquire Fujitsu products is not taken lightly.

We rely on Metcash for a range of services at prices that may not appear to be competitive. We are happy to work with Metcash as a provider of stock for our supermarkets.

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To be forced into using third party products with limited choice from unknown suppliers lacking in industry credibility and duration for no apparent reason strikes me as odd. What benefit do Metcash gain by removing the industry leader from the system?

Background

I have been a supporter of the Fujitsu back office and register systems for at least fifteen years. The Fujitsu system has always been known as a benchmark product within the supermarket industry, being the register and software of choice for the bulk of the large and multi store operators. My familiarity with the system allows me to maintain confidence in my pricing file, acquire new stores and convert registers and back office systems with apparent ease, transfer data between stores, interchange parts and conduct basic repairs on a cost efficient basis and train new staff to operate both the registers and the back office computer system confidently.

As you may be aware, the Fujitsu systems have been the registers of choice for the Safeway and Woolworths Supermarkets for the past decade.

Most of the large and multiple store operators currently use Fujitsu software and hardware within their stores. The Victorian supermarkets to my current knowledge that use Fujitsu include the 5 Leo Blake stores, 44 Ritchies Stores, 9 Fisher's stores, 2 Boundy's stores, 5 Morgan's stores and my 3 stores. This is an approximate total of some 68 Victorian supermarkets that enjoy the benefits of Fujitsu's products.

Current Operation

I currently have three supermarkets using the Fujitsu products:

Castlemaine	16 register lanes	Scan Manager and Global Store registers
Ballarat	19 register lanes	Scan Manager and 9518 registers
Horsham	15 register lanes	Scan Manager and 9518 registers

Current total   50 register lanes

The Castlemaine installation of Global Store registers, checkouts and back office systems took place a little over twelve months ago at a cost of around $225,000. Does this investment simply become worthless because Metcash chooses not to support it? Will Metcash compensate me for this loss?

We are looking to construct three new supermarkets over the next two years. I have sourced a current quote for the new Ballarat store for 15 lanes which you will find attached as Annexure 'C'. This quote is to be increased to 18 lanes.

We have plans to develop the new stores in Regional Victoria this year, next year and the year after. All stores will have Fujitsu Scan Manager software and Fujitsu Global Store register lanes. These stores are:

Ballarat	18 Register lanes; (new store to replace existing store)
Mansfield	15 Register lanes; and
Bendigo	20 Register lanes.

Proposed   53 Register lanes

Total   84 Fujitsu Register Lanes by 2009.

Such investment does not come cheaply. We rely on Fujitsu as their hardware products are stable and their software is well developed, manageable and re-programmable to suit particular applications.

We trust in the products we know.

Form G

I am also in receipt of the 'Form G' provided with the documents and note to my surprise that under item 3.(b), the claim is made that there are currently 'Zero' persons at the present time to which the conduct relates. The information provided above indicates that there are some 68 supermarkets currently using the Fujitsu brand registers and software. An average 15 lanes per store would allow one to confidently assume that there are no less than approximately 1020 Fujitsu registers operating under the Metcash Host File Management System in Victoria alone.

Item 2.(b) is of greater concern, as it expressly advises the intention of the application is to provide host support data conditionally upon retailers acquiring a third party product to which they have no knowledge or confidence.

We remain unaware of any circumstance that would cause Metcash to purposely and ruthlessly remove the services of Fujitsu products from the independent retailer.

Importance of Host File Management

The supermarket industry receives thousands of pack changes, price variations, bar code changes, new lines and product deletions every week. In addition to the product changes we need to receive information allowing us to provide reduced promotional pricing for short or long promotional periods followed by reversion to regular price points.

Such information is best received in an electronic format allowing us to process the file independently within each store, generate the appropriate pricing ticket, and provide it for the benefit of our customers.

The current version of the Scan Manager software is DOS based. Albeit unusual these days, this DOS based program is remarkably stable. Although we have heard Fujitsu are developing a Windows based version, we are pleased with the stability of the program.

This is why we rely on Fujitsu.

I remain concerned that Metcash has taken this position against a very well established industry leader. The current plans we have to develop new stores and the cost to acquire the necessary hardware to serve our customers puts me in a position of not knowing whether Metcash will or will not support Fujitsu's excellent products and service.

Should Metcash refuse to support Fujitsu's products, we would be most grateful if you would allow us to be compensated for the cost of replacement equipment. Such replacement cost should be estimated at $150,000 plus per store.

Any assistance you can provide in the retention of the Fujitsu products and service would be most appreciated.

I welcome you and your officers the opportunity to view the excellent Fujitsu system in operation at any of my stores at any time.

I thank you in anticipation.

Yours faithfully,

BRENDAN BLAKE

ANNEXURE A

EXCLUDED FROM PUBLIC REGISTER

ANNEXURE B

EXCLUDED FROM PUBLIC REGISTER