

**Record of Meeting Between
ACCC and Metcash Trading Limited**

Metcash Notification N92852, 21 June 2007, Freehills, MLC Centre, Sydney

Attendees:

Metcash Greg Watson, Legal Counsel
 Pat Smith, Retail Technology Operations Manager
 John McDonald, Marketing & Commercial

Freehills Lisa Emanuel, Senior Associate
 Jacqueline Cachia, Solicitor

ACCC Scott Gregson, General Manager, Adjudication
 Gina D'Ettorre, A/g Assistant Director, Adjudication

Scott Gregson advised that the Australian Competition and Consumer Commission (ACCC) was in the final stages of considering the third line forcing notification lodged by Metcash. Mr Gregson advised the purpose of the meeting was to obtain further clarification in respect of a number of outstanding issues.

The conduct

The conduct the subject of the notification involves Metcash, from 1 July 2009, supplying or offering to supply Data to retailers on condition that they acquire and install one of eight software brands specified by Metcash (the Software Brands).

If a retailer does not acquire one of the Software Brands Metcash will continue to supply the Data to the retailer. However, Metcash does not guarantee the Data will be compatible with all software.

Key points

The following is a summary of the key points made by Metcash.

Rationale

1. Metcash explained the rationale for the proposed conduct is to enable retailers, in particular IGA retailers, to more effectively compete in the retail grocery market. Further, it is IGA retailers driving the proposed conduct.

2. Currently IGA retailers are less capable of offering similar promotions (including loyalty offerings, fuel deals, gift cards and other programs) to those offered by their competitors because of the diversity and limitations of many of the software systems in use. Metcash stated that to develop software that would provide that capability and would operate with the myriad of software systems used by retailers is currently prohibited by the time and costs involved.

Review Process

3. Metcash described the review process undertaken in respect of current in-store software systems and the subsequent selection process to determine the specified Software Brands. Metcash advised it ran a process that involved opportunity to participate for all software providers that Metcash identified as having ever hosted Metcash data, and a short listing process with objective criteria.

Effect on Non-accredited software vendors

4. Metcash advised that non-accredited software vendors will not be excluded from becoming accredited software providers. That is, it will remain open to them to become accredited software vendors provided they can deliver software enhancements in-line with IGA/Metcash requirements/functionality and can offer a high quality product. The minimum standard required to be an accredited software vendor will progressively increase as software is enhanced. A review by IGA IT Committee (which is made up of predominately IGA retailers) would be required to provide accreditation to any non-accredited software vendor.
5. Metcash confirmed it will continue to provide non-accredited software vendors with file specification codes, but will not guarantee host integration services or support in relation to the Data.

6. [RESTRICTION OF PART OF PUBLICATION CLAIMED]

Effect on retailers not using one of the Software Brands

7. Metcash advised that retailers who do not use one of the Software Brands may still order and receive invoices and currently provided data. To this end, Metcash advised that no retailer will be worse off than at present should they choose to continue to operate non-accredited software. However, it cannot guarantee retailers' software will be capable of reading the advanced data to be provided for new software, and ongoing, this retailer may fail to meet IGA's brand requirements.
8. Metcash understand retailers' concern that the software may not be compatible with all hardware and note that it has encouraged all Software Brands to interface with all major hardware brands. Metcash emphasised the extended transition period provided by Metcash.

Benefits

9. Metcash is of the view that the major benefit arising from the notified conduct will be to retailers, in particular IGA retailers, who will be in a better position to compete with major supermarket chains by the enhanced use of technology and marketing programs.
10. Further, Metcash expect the review process will result in a significant improvement in the quality of software systems, and speed to market with new enhancements in the independent grocery retail sector generally.