



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

Dear Sirs

**OFFICE CHOICE LIMITED APPLICATION FOR AUTHORISATION
A91058**

We refer to your letter addressed to Grant Harrod dated 18 July 2007.

**We would like to make a number of comments in relation to the above
authorisation application.**

Reservation of Position

- 1. The application relies solely upon extracts from a BIS Shrapnel Report entitled "The Australian Office Products Market 2006-2008" ("The Report"). We do not necessarily take the Report as 100% accurate, and reserve our position, in particular in respect of market definitions and market share. In the time given we have not conducted the comprehensive analysis that would be needed to properly put a position. Nonetheless, we have endeavoured in this response to make a few observations.**

Key assumption as to lack of competitiveness

2. The application is predicated on the assumption that without authorisation to allow joint negotiation by the applicants (defined as the “Collective”), the Collective and its members will be unable to effectively compete. The application states that: “collective bargaining will assist the Collective’s franchisees to compete more efficiently with retailers that have more buying power and enhance competition...” , “collective bargaining will assist Members to compete more efficiently with retailers that have more buying power and will enhance competition between Members and other retailers” and “Arresting the decline of independent retailers will increase choice and competition for consumers....”.

To our mind, the effectiveness or efficiency of a company, and therefore its ability to compete in its market, is gauged by its profitability. The Collective however has not submitted any information as to, not only the revenues, but also the margins, operating expenses and ultimate profitability of either the Collective or its members (or franchisees). Without this information we find it difficult to verify the accuracy of the fundamental assertion underlying the application, namely that the Collective and its members are, and will be in the future be, unable to effectively compete. To the contrary, we note that:

- a. When we have acquired a business which was a Collective member we have almost always found it to have been more profitable than our business, and able to sell products at significantly higher margins that we are able to.
- b. On top of this, the operating expenses have been significantly lower than ours. We have found that the businesses we have acquired successfully operate with significantly less overheads, infrastructure investment and corporate expenses.
- c. We have found these smaller businesses have an inherent flexibility which allows them to quickly respond to competitive pressures at a local level.
- d. We have found smaller local businesses win business simply as a result of being locally owned and operated. Local loyalty, particularly in regional areas of Australia, is significant.
- e. The Report, which is so relied upon by the applicants, itself states that the “well managed small local dealer” “will continue to succeed in the future office products market”! To the extent that this application assumes to the contrary, it seems to be shielding any not so well managed local dealers from future competition.

f. The website of one of the applicants, namely Office Choice Limited, claims as follows (we have not added any emphasis):

“Office Choice Limited is Australia's pre-eminent independent office supplies dealer group. We are 100% Australian owned, and we pride ourselves on delivering products and solutions that are just right for the job, at the most cost-effective price.

The Office Choice group has a strong history of growth in Australia , with the group now representing more than 80 dealers nationally and employing more than 750 people.

We deliberately differentiate ourselves in the market by offering a local alternative to the large multi-national owned office products suppliers. *Our competitive advantage is based upon service – which is more important to us than scale and homogenised offerings.*

Plus, when you talk to staff in our stores, it's likely you will be dealing with the business owner, who takes customer service seriously. Because our business owners care about the integrity and reputation of their business, they will ensure that you are receiving the right product for your needs, at the best price available.

Our staff are expertly trained as office products specialists, with expertise in technical IT, business machines, furniture fit-out, and others. We can assist with technical advice to help your business operate smoothly and more effectively.

And We Offer Low Prices

*Combining a service ethos with low prices is a challenge for most businesses which cannot manage the balance between the two. **At Office Choice, service and low prices are not mutually exclusive.***

We are aligned with other independent office dealers worldwide, and we belong to the global dealer group BPGI - a dealer network and buying group comprising 2400 dealers with coverage across Australia, USA, Canada, UK, Ireland, New Zealand and Europe. Put simply, we enjoy massive buying power.

With this global reach we can source the best quality products at the most competitive prices.

We source and stock all of the brands you know and trust, along with the added option of our high quality and cost effective own-brand products. We constantly add new products to our range to ensure that we always offer you the latest improved products to help you to perform better.

Our product offering is first class, delivered to you at the lowest possible prices – with personalised service that has been lost in other parts of our industry.

Back To The Local Community

As we all know, a formula-based approach to marketing and distribution has infiltrated many sectors of the economy over the past 20 years. However, the voice of the customer is now being heard - and the community focus in industries such as banking and now office products is coming to the fore.

Office Choice is community based, with each business providing employment opportunities in and around their local areas. Our staff are specialists, who thrive on offering you professional customer service and support which is the cornerstone of our guiding principle:

Small Business Service,

Big Business Buying Power

We note the assertion that Office Choice enjoys the “most cost effective price”, the “most competitive prices”, “massive buying power”, “lowest possible prices” and “big business buying power”. It even refers to a global alignment delivering massive buying power.

It seems to us that either the application or this website is misleading. They cannot both be correct, and we request that you act on this accordingly.

Key Assumption as to reduced prices

3. The application states that collective negotiation is likely to “result in increased competition between the smaller independent operators and the larger retailers via reduced prices”. Cheaper buy prices would undoubtedly result in greater profits for the Collective and its members, however, this does not mean consumers will receive cheaper prices. Indeed, many of the members of the Collective operate in local areas where there is no significant local competition, and where there never will be any significant local competition (particularly given the investment return needed by a larger business). In a local monopoly situation we find it difficult to accept the assertion that consumers will benefit from increased prices.

Further, even in areas where there is significant local competition, our experience has found that members of the Collective effectively compete regardless of whether their buy price may be more than that of a larger competitor, and even regardless of whether their sell prices are more than those of a larger competitor.

Unfortunately Confidentiality obligations prevent us from giving you specific examples of the many very profitable members of the Collective, however, we realise you can obtain this information directly from the applicants.

Assumptions regarding Corporate Express

4. We have not and do not release information broken up by specific product category. We do release a generic break up of office products and educational products (including the toys and pre-schools range supplied by The Educational Experience), however, to compare this with revenues of the Collective and its members would not be a like for like comparison.

Confidentiality Claim

5. We note that the Collective has claimed confidentiality in respect of the identity of its members. We would challenge the legitimacy of confidentiality when one could go through an exercise of obtaining member details from the respective websites of the applicants.

Yours sincerely

A handwritten signature in black ink, appearing to read "K Forbes". The signature is written in a cursive style with a large initial "K".

Kathleen Forbes
Company Secretary