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28 November 2008

Mr Darrell Channing
Director
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Sir

Woolworths Limited and Australian Independent Retailers Pty Limited – exclusive dealing notifications N93625 and N93626

Australia and New Zealand Banking Group Limited (“ANZ”) is an interested party in this matter and is grateful for the opportunity to make a submission.

In ANZ’s view any benefit to the public from the proposed conduct by Woolworths Limited and Australian Independent Retailers Limited does not outweigh the likely detriment to the public. The reasons are as follows:

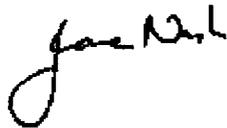
- On the website related to the Woolworths EveryDay Money credit card (www.everydaymoney.com.au), Woolworths identifies the number one issue for customers of Caltex/Woolworths/Safeway is the time it takes to fill up and pay. However the option to save time by paying at the pump will only be available to customers with a Woolworths EveryDay Money credit card. At present this card has no annual fee in the first year and \$49 thereafter.
- The convenience and time saving of paying at the pump at participating Caltex fuel outlets will not be available to customers unwilling or unable to be issued with a (or another) credit card or to customers who would prefer to pay using their own funds through EFTPoS, Visa or MasterCard debit or prepaid cards.
- The convenience of the widest possible card acceptance has been a central pillar of the appeal to consumers of the Visa and MasterCard card schemes. Requiring customers to hold cards specific to particular retailers will add cost for consumers and complexity.
- The proposal is counter to the objectives of the payments systems reforms pursued by the Reserve Bank of Australia (RBA) over the last five years.
 - The RBA saw credit cards as being underpriced relative to debit cards and their reforms have in part sought to realign pricing of various payment instruments so that consumers face price signals that more accurately reflect underlying costs. RBA cost studies (October 2000, November 2007) show that debit cards are a cheaper payment instrument than credit cards and their widespread usage helps lower payment costs across the economy. The Woolworths proposal removes the ability of the consumer to choose the lower cost payment instrument should they wish to pay at the pump.
 - Another objective of the RBA’s payment system reforms was to increase competition in the credit cards payments market. While the Woolworths EveryDay Money credit card is ostensibly a competitor to other credit cards, in an exclusive dealing arrangement, competition and therefore one of the RBA’s reform objectives would be side stepped.

In ANZ's view it is hard to see how the public benefits claimed by Woolworths in its notification can be substantiated when the purpose of the application is to limit the direct benefit to those customers able and willing to hold a Woolworths EveryDay Money creditcard.

In relation to the specific questions raised by the ACCC, in ANZ's view:

- competitors would be encouraged to make value add offers to their customers more by Woolworths' broad acceptance of cards and card types rather than by Woolworths restricting acceptance to the Woolworths EveryDay Money credit card; and
- ANZ does not have any information to assess the costs associated with the development and implementation of pay at the pump facilities. It may be that as the pump uses MasterCard 'PayPass' technology to process the payment that no additional cost is incurred beyond that which would normally be incurred for a merchant accepting contactless card scheme payments. Some development may have been required to allow redemption of fuel discount vouchers using the Woolworths EveryDay Money credit card but this is a cost associated with the reward rather than the payment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Nash', written in a cursive style.

Jane Nash
Head of Government & Regulatory Affairs