



## *Public Competition Assessment*

*11 July 2008*

### *Woolworths Limited - proposed acquisition of Karabar Supermarket*

#### **Introduction**

1. On 25 June 2008, the Australian Competition and Consumer Commission (**ACCC**) announced its decision to oppose the proposed acquisition of the Karabar Supabarn supermarket by Woolworths Limited (**the proposed acquisition**). The ACCC was of the view that the proposed acquisition would be likely to have the effect of substantially lessening competition in the local retail supermarket market in the Queanbeyan region (including Karabar and Jerrabomberra) in contravention of section 50 of the *Trade Practices Act 1974* (the **Act**).
2. The ACCC formed its view on the basis of the information provided by the merger parties and information arising from its market inquiries. This Public Competition Assessment outlines the basis on which the ACCC has reached its decision on the proposed acquisition, subject to confidentiality considerations.

#### **Public Competition Assessment**

3. To provide an enhanced level of transparency and procedural fairness in its decision making process, the ACCC issues a Public Competition Assessment for all transaction proposals where:
  - a merger is opposed;
  - a merger is subject to enforceable undertakings;
  - the merger parties seek such disclosure; or
  - a merger is not opposed but raises important issues that the ACCC considers should be made public.
4. This Public Competition Assessment has been issued because the proposed acquisition was opposed by the ACCC.
5. By issuing Public Competition Assessments, the ACCC aims to provide the public with a better understanding of the ACCC's analysis of various markets and the associated merger and competition issues. It also alerts the public to the

circumstances where the ACCC's assessment of the competition conditions in particular markets is changing, or likely to change, because of developments.

6. Each Public Competition Assessment is specific to the particular transaction under review by the ACCC. While some transaction proposals may involve the same or related markets, it should not be assumed that the analysis and decision outlined in one Public Competition Assessment will be conclusive of the ACCC's view in respect of other transaction proposals, as each matter will be considered on its own merits.
7. Many of the ACCC's decisions will involve consideration of both non-confidential and confidential information provided by the merger parties and market participants. In order to maintain the confidentiality of particular information, Public Competition Assessments do not contain any confidential information or its sources. While the ACCC aims to provide an appropriately detailed explanation of the basis for the ACCC decision, where this is not possible, maintaining confidentiality will be the ACCC's paramount concern, and accordingly a Public Competition Assessment may not definitively explain all issues and the ACCC's analysis of such issues.

## **The parties**

### **The acquirer: Woolworths Limited**

8. Woolworths Limited (Woolworths) is Australia's largest grocery retailer. It operates approximately 777 supermarkets across Australia. Woolworths is also the owner or joint owner of approximately 1058 liquor outlets. Woolworths owns two supermarkets near the target; in the Queanbeyan CBD and at Jerrabomberra.

### **The target: The Karabar Supabarn supermarket**

9. The Karabar Supabarn supermarket (the Karabar supermarket) is an independent supermarket and retail liquor outlet owned by Forager Pty Ltd (Forager). The Karabar supermarket operates under the Supabarn brand via a licence agreement with the Supabarn Group. It is located at the Karabar Shopping Centre in Karabar, a suburb about 2km from the town centre of Queanbeyan, NSW, which lies to the east of the ACT.
10. The Karabar supermarket is approximately 1250 sqm. Its range is considerably smaller than that of a full-line supermarket<sup>1</sup>. The ACCC considered that it does not currently provide a strong competitive constraint on the major supermarkets in Queanbeyan and Jerrabomberra.

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<sup>1</sup> The ACCC's inquiries indicate while some parties disagree on the precise definition of a full-line supermarket, it is generally considered to be a supermarket of at least 2500sqm with a full range of goods including packaged groceries, fresh meat, bakery and deli departments, fresh fruit and vegetables and frozen foods. Some market participants draw a distinction between basic full-line supermarkets at 2500sqm, and larger, major full-line supermarkets of at least 3000sqm and up to 4500sqm.

### **The alternative bidder: The Supabarn Group**

11. The Supabarn Group is not a party to the proposed acquisition but was also seeking to acquire the Karabar supermarket.
12. The Supabarn Group operates three supermarkets in the ACT (Civic, Wanniasa and Kaleen) and one in Sydney (Five Dock) and has further supermarkets planned, including at Sutherland and Sans Souci in NSW.

### **Other industry participants**

13. In the Queanbeyan region the only other full-line supermarket is operated by Coles (Australia's second largest supermarket operator). It is located in the Queanbeyan CBD. There is also an Aldi supermarket in the Queanbeyan CBD which offers a much smaller range of goods. In addition, there is an independent specialty store called Mother Nature's in the Queanbeyan CBD which offers a range of fresh produce and deli products but limited dry grocery items.

### **The proposed acquisition**

14. Woolworths proposed to acquire the supermarket and packaged takeaway liquor outlet located at Karabar Shopping Centre from Forager.

### **Areas of overlap**

15. The main areas of overlap between the activities of the parties are in supermarket and liquor retailing in the Queanbeyan region.

### **Timing**

16. The following table outlines the timeline of key events in this matter.

Date	Event
07-Apr-2008	ACCC commenced review under the Merger Review Process Guidelines.
24-Apr-2008	Closing date for submissions from interested parties.
29-Apr-2008	Timeline delayed by negotiations on confidentiality restrictions.
01-May-2008	Timeline restarted following negotiations on confidentiality restrictions.
14-May-2008	Proposed date for announcement of ACCC's findings amended from 21 May 2008 to 18 June 2008 to allow for consideration of further information and additional market inquiries.
04-Jun-2008	ACCC published a Statement of Issues outlining preliminary competition concerns. Proposed date for announcement of ACCC's findings amended from 18 June 2008 to 25 June 2008.
12-Jun-2008	Closing date for submissions relating to Statement of Issues.
25-Jun-2008	ACCC announced it would oppose the proposed acquisition.

## **Market inquiries**

17. The ACCC conducted market inquiries with a range of industry participants, including competitors, potential competitors, customers and consumer representatives, wholesale suppliers, government bodies and other interested parties. Submissions were sought in relation to the substantive competition issues.
18. The ACCC also exercised its formal information gathering powers to obtain information and documents from a number of interested parties.

## **Statement of Issues**

19. The ACCC published a Statement of Issues on 4 June 2008 identifying a number of competition issues arising from the proposed acquisition. The Statement of Issues identified a likely lessening of competition in the local retail supermarket market (including between the Karabar supermarket and the Woolworths supermarket at Jerrabomberra) as the main issue of concern.
20. The Statement of issues is available on the ACCC website ([www.accc.gov.au](http://www.accc.gov.au)) at the [informal merger clearances register](#).

## **With/without test**

21. In assessing a merger pursuant to section 50 of the Act, the ACCC must consider the effects of the transaction by comparing the likely competitive environment post-merger if the transaction proceeds (the “with” position) to the likely competitive environment post-merger if the transaction does not proceed (the “without” position).
22. Based on strong evidence provided by a number of parties on a confidential basis, the ACCC considered that in the absence of the proposed acquisition it was likely that the Karabar supermarket would be acquired by the Supabarn Group, and be expanded and upgraded to a full-line supermarket. Accordingly, this formed the basis of the “without” position for the purposes of the ACCC’s competition assessment.

## **Market definition**

### **Local retail supermarket market**

23. Consistent with the ACCC’s approach in other matters, the ACCC considered a local retail supermarket market of a 3-5km radius surrounding the Karabar supermarket.
24. The ACCC considered a number of unique geographic factors which were likely to impact on market definition. These included:
  - road barriers between the Karabar supermarket and the Woolworths supermarket located in the neighbouring area of Jerrabomberra;

- the proposed residential development approximately 7km south of Karabar, at Googong; and
  - the proposed extension of the Edwin Land Parkway linking eastern Jerrabomberra with Old Cooma Road, approximately 1km south of Karabar, which the ACCC considered would provide a shorter and more direct route for residents travelling from Jerrabomberra to Karabar and/or Queanbeyan and provide an alternative route for residents of Googong to access Canberra. This road passes approximately 1km from the Karabar supermarket.
25. The ACCC considers market definition using a forward looking, purposive approach. Accordingly, the ACCC took into account the likelihood that a larger, more attractive Supabarn Group supermarket offering a greater range, better quality and lower prices than the current Karabar supermarket would likely draw customers from further away. The ACCC also took into account the likely road developments making travel between Jerrabomberra and Karabar easier.
26. The ACCC concluded that the local market included supermarkets both in the Queanbeyan CBD and at Jerrabomberra. Although there is no supermarket in the area to the south of Karabar (including the Googong area), the ACCC noted that many residents of that area shop at the supermarkets in the relevant local market, and that Karabar is their closest supermarket. The ACCC concluded that this will also be the case for residents of the new development at Googong, such that the catchment area of the Karabar supermarket would include Googong, at least during the 5-10 year period prior to the development of Googong's first full-line supermarket.

#### **Other supermarket-related markets**

27. Consistent with its approach in other matters, the ACCC also considered the effect of the proposed acquisition in:
- the state wide market for the procurement of products sold in supermarkets by supermarket wholesalers from growers and suppliers of products sold in supermarkets; and
  - the state wide market for the wholesaling of products sold in supermarkets.

#### **Liquor markets**

28. The ACCC also considered the proposed acquisition in the context of a number of relevant liquor markets. For reasons similar to those outlined above in relation to supermarkets, the ACCC considered the effect of the proposed acquisition in:

- the local market for the retail sale of packaged liquor for off-premises consumption;
- the state wide market for the procurement of packaged liquor for subsequent sale by retail liquor outlets for off-premises consumption; and
- the state wide market for the wholesale of packaged liquor for subsequent sale by retail liquor outlets for off-premises consumption.

### **Competition analysis – local retail supermarket market**

29. The ACCC considered it likely that if the proposed acquisition did not proceed, the Supabarn Group would acquire and expand the Karabar supermarket to accommodate a large format full-range supermarket. The ACCC considered that, when compared to the “with” situation, the entry of the Supabarn Group would lead to higher levels of competitive tension between the Karabar supermarket and the other supermarkets in Queanbeyan and Jerrabomberra.

#### **Supermarket offering at Karabar without the acquisition**

30. To determine whether the proposed acquisition was likely to lead to a substantial lessening of competition, the ACCC considered the various components of the likely alternative supermarket offer at Karabar if the proposed acquisition did not proceed. The relevant aspects of the supermarket offer considered by the ACCC are discussed in further detail below.
31. Specifically, the ACCC considered that when compared to the situation ‘with’ the acquisition, the ‘without’ position would entail a higher level of competitive tension in the market, resulting in increased competition on pricing and promotions, range, quality of fresh produce, service levels. There may also be an additional competitive response by existing players to the opening of the supermarket by a new operator.

#### ***Pricing and promotions***

32. The Supabarn Group seeks to compete with other full-line supermarkets on everyday shelf pricing by offering prices which are similar to or lower than those of its competitors.
33. In addition, the Supabarn Group runs a number of weekly promotions offering consumers discounts on certain items. Woolworths, Coles and Aldi run similar promotions.
34. Promotional discounts offered to consumers usually differ between each of the supermarket chains so that at any given time, Woolworths is offering promotional discounts on certain items, while the Supabarn Group, Coles and Aldi are offering promotional discounts on other items. Promotional discounts are often deep discounts on a limited range of known value items (KVIs), used to attract customers to a particular supermarket. Customers are made aware of the weekly

discounts through a range of advertising channels including catalogues, newspaper advertisements, television advertisements and in-store advertising.

35. The net result of having access to each of these supermarkets in a local market at the same time, with the ability to shop around for specials, provides a benefit to consumers arising from competition.
36. The ACCC considers that many consumers value the opportunity to shop around at a variety of supermarkets in their local area, seeking the benefits of multiple supermarket offers, including differences in prices and promotions. The ACCC understands that most consumers shop at more than one supermarket each week. The benefits of having access to a larger number of separately owned supermarkets in a local market include the ability to purchase different items at lower prices at each supermarket, since each supermarket has lower prices than its competitors on some items, but no supermarket has the lowest price on every item. Consumers can select their own 'basket' of items, purchasing each item at the cheapest available price, thereby paying a lower total price than they would if they shopped at only one supermarket, even if that supermarket is cheaper on average.

### ***Range***

37. Supabarn Group supermarkets are large format full-line supermarkets that offer a broad range of products that, in number, is similar to or greater than that offered by Woolworths or Coles. In addition, there are a number of differences in the composition of the range of products from those offered by Woolworths or Coles; for example, the Supabarn Group is well placed to supply local and specialty products from suppliers that are either too small or otherwise unable to supply the larger supermarket chains.

### ***Fresh produce***

38. The Supabarn Group promotes itself as providing high quality fresh produce and a different range of produce to Woolworths and Coles and seeks to use this as a point of difference in competition with them.
39. The Supabarn Group provided evidence that it has a short supply chain for its fresh produce, which allows it to offer fresh produce to customers in-store on the same day the as it is purchased from the markets.
40. In addition, the Supabarn Group's procurement and supply arrangements for fresh items differ from those used by Coles and Woolworths. This means that the Supabarn Group is able to offer discounts and specials on some fresh items at certain times while Woolworths and/or Coles are better able to offer discounts on other items. Similar to the benefit arising from promotions as outlined above, the net result of having access to each of these supermarkets in a local market at the same time provides consumers with the ability to shop around and to take advantage of the differing specials on fresh produce.

***Service levels***

41. The ACCC received submissions from consumers and others suggesting that the Supabarn Group offers higher service levels than its competitors. For example, the Supabarn Group promotes itself as employing more staff per customer in each store, meaning that staff are more readily available to customers and checkout queues are shorter.
42. More generally, the presence of an additional strong competing supermarket in the same local market provides a strong incentive for each supermarket to offer shorter queues; customers faced with long queues may leave without making a purchase, and expected queuing time based on past experience may influence the customer's choice of supermarket.

***Bundled liquor***

43. Where liquor licensing laws allow it to do so, the Supabarn Group offers a full range of liquor for purchase adjacent to its supermarkets (as do Woolworths and Coles). Liquor and supermarket shopping trips may be complementary and the Supabarn Group would be in a position to offer such a "bundle" in Karabar, which increases the attractiveness of its supermarket offer to customers seeking a one-stop-shop.
44. The ACCC considers that a combined liquor and supermarket bundle is attractive to some customers and would enhance the competitive offer of the Supabarn Group at Karabar under the 'without' position. The proposed acquisition by Woolworths would reduce the number of supermarket operators offering a combined supermarket and liquor bundle in the Queanbeyan region from three to two, since Woolworths and Coles both have attached liquor stores (Aldi's NSW stores do not sell liquor).

***Additional competitive response to entry***

45. The ACCC's inquiries confirmed that some supermarket operators respond to the entry of new full-line supermarkets (such as the Supabarn Group) in a number of ways, including by offering discounts and additional promotions in their nearby supermarkets.
46. Some of the details of these responses are confidential, but broadly, the ACCC is aware that some supermarket operators distribute catalogues offering discounts on a number of KVIs in the local area surrounding some new supermarket entrants and supermarkets which have been refurbished or upgraded. These competitive responses are additional to the normal promotional activity conducted by these supermarkets and chains.

***Conclusion on supermarket offering at Karabar without the acquisition***

47. The ACCC considered that the Supabarn Group's offer, which includes a large range which differs from those of Coles and Woolworths, a high level of service, high quality produce, and price and promotional competition, is an attractive



bundle to many supermarket customers, and would impose a strong competitive constraint on other full-line supermarkets.

48. The ACCC considered that the entry of the Supabarn Group into the Queanbeyan region, via an expanded Karabar supermarket, would likely lead to significantly higher levels of competition and competitive tension between large format full-line supermarkets in the local market when compared with the likely outcome if the proposed acquisition by Woolworths proceeds.
49. On the basis of this, the ACCC formed the view that the proposed acquisition would be likely to substantially lessen competition in the local retail supermarket market when compared to the 'without' position.
50. The ACCC notes that it conducted its analysis on the basis of the 'without' position, namely that if the proposed acquisition did not proceed, the Supabarn Group would acquire, expand and operate the Karabar supermarket as a new competitor in the local market. While the analysis may differ to some extent if, instead of the Supabarn Group, a different independent operator acquired the supermarket and pursued a similar proposal (i.e. entering the local market at Karabar and seeking to expand to offer a full-line supermarket), it is still likely that the new independent operator would seek to compete via the various components of its offer, as outlined above. While an alternative independent full-line supermarket's offer would differ from that of Supabarn, it would provide an alternative full-line supermarket in the local market and enhance competitive tension.

#### **Additional local considerations**

51. In addition to the analysis of the local market described above, which led the ACCC to conclude that the proposed acquisition would be likely to result in a substantial lessening of competition in the relevant local market, the ACCC considered a number of factors specific to the region which are likely to further impact the level of competition in the local market with and without the acquisition. A number of these factors strengthened the ACCC's view that the proposed acquisition would substantially lessen competition.
52. These include local geographic factors, local road design, the proposed residential development at Googong, to the south of Karabar, and the proposed extension of the Edwin Land Parkway which will provide a more direct link between Jerrabomberra and Karabar.
53. A brief outline of the ACCC's inquiries into these proposed developments and their likely effect on supermarket competition is provided below.

#### ***Proposed residential development at Googong***

54. The ACCC considered the impact on competition of a proposed residential development located at Googong, approximately 7km south of Karabar. The proposed development is likely to consist of 5,500 new dwellings built over the next 25 years. It is likely Googong will eventually be serviced by several retail areas, including one primary retail area containing a large format full-line

supermarket. The ACCC considered that the Googong development is likely to occur but that it may be at least two to three years before construction begins and a further five to ten years before Googong has its own large format full-line supermarket.

***Proposed extension of the Edwin Land Parkway***

55. The ACCC considered the prospect of the proposed development of the Edwin Land Parkway and the effect this would have on competition. It is proposed that Edwin Land Parkway will be extended to link Jerrabomberra to Old Cooma Road approximately 1km south of the Karabar supermarket.
56. While there are a number of processes that need to occur prior to construction commencing, given the information available, the ACCC considers that construction of the Edwin Land Parkway extension is highly likely to occur. The exact timing of the extension is unclear. While construction may commence as early as mid 2009, given the steps still requiring completion, the ACCC considers that construction is more likely to occur either in late 2009 or early 2010.

***Competition between Woolworths Jerrabomberra and the Karabar supermarket***

57. The ACCC considered the effect of the proposed extension of Edwin Land Parkway and the Googong developments on competition in the local market generally, as well as the impact on competition between the Karabar and Jerrabomberra supermarkets specifically.
58. First, the ACCC considered the effect on competition of the current level of road access between the Woolworths supermarket at Jerrabomberra and the supermarkets in the Queanbeyan CBD. Currently, since Karabar is not a full-line supermarket, the closest full-line supermarket to the Jerrabomberra supermarket is located in the Queanbeyan CBD, where Woolworths, Coles and Aldi each have supermarkets. The Jerrabomberra supermarket is located within a 4.5km radius from the Queanbeyan CBD. However, there are a number of barriers that prevent direct access between Jerrabomberra and Queanbeyan. By road, the distance between the Jerrabomberra supermarket and the Queanbeyan CBD is approximately 5.5km on back streets or 6.5km on main roads.
59. In addition, a large proportion of the dwellings in Jerrabomberra are located to the south and east of Jerrabomberra which means that travelling distance to the Karabar supermarket and Queanbeyan CBD for those residents is significantly increased. The ACCC considered that these factors currently limit the possibility and degree of substitution between the supermarket at Jerrabomberra and the supermarkets in the Queanbeyan CBD.
60. However, the extension of Edwin Land Parkway is likely to improve access to the Karabar supermarket, particularly for those residents located in the south and east of Jerrabomberra. This will have the consequence of increasing the ease of substitution, and therefore the potential for competition, between the Jerrabomberra supermarket and an expanded, full-line Karabar supermarket.

61. While the extension of Edwin Land Parkway will also improve access for residents of Jerrabomberra to the Queanbeyan CBD, the ACCC noted that Karabar lies between Jerrabomberra and the Queanbeyan CBD. Following the opening of the Edwin Land Parkway extension, the Karabar supermarket will be the closest competitor of the Woolworths supermarket at Jerrabomberra and will therefore provide a closer competitive constraint than the supermarkets in the Queanbeyan CBD, but only if the Karabar supermarket and Jerrabomberra supermarkets are separately owned.
62. The ACCC also considered the effect on competition of the proposed residential development at Googong. The relevance of this development is that Jerrabomberra and Karabar supermarkets will be the two closest supermarkets to this development and, if they are separately owned, are likely to compete for the business of Googong residents, particularly in the years before Googong has its own full-line supermarket. The proposed acquisition would foreclose the possibility of any such competition because both the Karabar and Jerrabomberra supermarkets would be owned by Woolworths.
63. The ACCC considered it likely that the new road and residential developments, when combined with the entry of a full-line Supabarn Group supermarket at Karabar, will lead to an increase in competitive tension between the Karabar supermarket and the supermarket at Jerrabomberra. Residents of Karabar and Jerrabomberra would no longer need to travel to the Queanbeyan CBD to access a second full-line supermarket, and the Karabar supermarket would provide the closest full-line supermarket for Googong residents during the 5-10 year wait for development of Googong's first full-line supermarket. In comparison, if both the Jerrabomberra and Karabar supermarkets were owned by Woolworths, there would be no incentive for competition between them.
64. Given the location of Karabar between Jerrabomberra and the Queanbeyan CBD, the ACCC considered that the strength of this competitive tension could not be fully replaced even by a new entrant (for example, the Supabarn Group) in the Queanbeyan CBD.

*Conclusion on local considerations*

65. On the basis of the above, the ACCC formed the view that the proposed acquisition was likely to prevent competition between the Woolworths supermarket at Jerrabomberra and the Karabar supermarket.

**New entry in the local market**

66. As outlined in the ACCC's Draft Merger Guidelines, the ACCC considers that if there is a high likelihood of timely and sufficient entry in all relevant markets post-merger, the merged firm is unlikely to have market power either pre- or post-merger and therefore the merger is unlikely to result in a substantial lessening of competition.
67. The ACCC assessed the likelihood of new entry, or the threat of new entry, in the local market and whether any such likely entry or expansion would act as a

sufficient constraint on Woolworths to alleviate the ACCC's competition concerns in relation to the proposed acquisition.

68. The ACCC noted that the Queanbeyan City Council (QCC) has called for expressions of interest to develop one of two sites in the Queanbeyan CBD – either the Queanbeyan Leagues Club Site (also known as the Rutledge St Car Park Site) or the Morrisett St Car Park Site. Following its inquiries, the ACCC formed the view that it is likely that one of these sites will be developed in the foreseeable future, but not both. It is possible that a supermarket will form part of the development of whichever of these sites is chosen by the QCC.
69. However, as developers are responsible for determining the composition of the development proposals submitted to the QCC, there is considerable uncertainty as to whether the successful development proposal will include a supermarket. While a supermarket often acts as an anchor tenant in retail developments, it is possible for a range of alternative retail stores to anchor such developments; for example, a Discount Department Store (e.g. Big W) or cinemas. It is up to each developer to decide whether to include a supermarket in their proposal. As such, the question of whether a supermarket will form part of any development on one of the aforementioned sites will be dependent on the plans of the successful developer following the QCC process.
70. Further, if a new supermarket were developed on the site, there is no certainty that this would be a new entrant rather than an existing supermarket operator.
71. While the QCC included supermarkets on a list of possible developments in its document seeking expressions of interest, it has not indicated a strong preference either for or against the inclusion of a supermarket. It has, however, expressed a desire to construct a cinema complex in the development. The QCC will need to wait until expressions of interest are finalised before making a decision on the preferred proposal.
72. Apart from those sites mentioned above, the ACCC considered it unlikely that any additional sites in the area will become available for a full-line supermarket development in a sufficiently timely manner to prevent a substantial lessening of competition.

### ***Conclusion on new entry***

73. The ACCC considered that while there is some prospect of the development of an additional supermarket in the Queanbeyan region, this prospect is highly uncertain. Importantly, even if a new supermarket were to open, there is no certainty that it would be a new entrant to the local market (like the Supabarn Group) rather than an additional Woolworths or Coles store. Given this uncertainty and the lack of other suitably located and zoned sites, the ACCC considered that access to suitable new sites constitutes a high barrier to entry, and that there was not sufficient prospect of competitive new entry to alleviate the competition concerns raised by the proposed acquisition.

### **Conclusion on competition in the local market**

74. On the basis of the above the ACCC formed the view that the proposed acquisition of Karabar Supabarn by Woolworths Limited would be likely to result in a substantial lessening of competition in the local retail supermarket market.

### **Competition analysis – procurement and wholesale markets**

75. The ACCC considered the effect of the proposed acquisition on competition in the market for the procurement of goods sold in supermarkets from suppliers and the wholesale market for goods sold in supermarkets.
76. Supermarket chains compete with each other and with independent supermarket wholesalers to acquire products from growers and other producers for subsequent retail sale. The proposed acquisition would lead to a small increase in the volume of supermarket products acquired by Woolworths, and a similar decrease in the amount acquired by its competitor Metcash, which supplies products to the Supabarn Group. Similarly, the proposed acquisition would lead to a small reduction in the wholesale volume of Metcash.
77. However, given the size of the transaction relative to the size and number of players in the relevant procurement and wholesale markets, the ACCC considered that the proposed acquisition is unlikely to result in a substantial lessening of competition in these markets.

### **Competition analysis – markets for the retail, procurement and wholesale of liquor**

78. The ACCC also conducted an assessment to determine whether the proposed acquisition would lessen competition in the relevant liquor markets.
79. There are a number of competitors who will continue to impose a constraint on Woolworths if it acquires the Karabar liquor licence. Further, and in contrast to the situation with respect to supermarkets, the “with” and “without” scenarios (whereby Woolworths and the Supabarn Group would respectively operate the liquor store adjacent to the Karabar supermarket) are not substantially different.
80. Accordingly, the ACCC has formed the view that no substantial lessening of competition is likely in the local market for the retail sale of packaged liquor for off-premises consumption, although the ACCC notes that the ability of the Supabarn Group to offer liquor adjacent to its supermarket would enhance its ability to compete with Woolworths and other existing players for supermarket customers.
81. The ACCC’s assessment of the likely impact of the proposed acquisition on the wholesale and procurement markets for packaged liquor mirrors its assessment for these markets in relation to supermarkets. The ACCC considers that no substantial lessening of competition is likely in these markets.

## **Conclusion**

82. On the basis of the above the ACCC formed the view that the proposed acquisition of the Karabar supermarket by Woolworths Limited would be likely to result in a substantial lessening of competition in the local retail supermarket market in contravention of section 50 of the Act. As such, the ACCC decided to oppose the proposed acquisition.