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Our ref: IM-70865
Contact officers: Janet Li and Nigel Vise
Contact phone: (02) 9102 4024, (03) 9290 1468

23 September 2020

Dear Interested Party

Re: Request for submissions: Woolworths Group Limited's proposed acquisition of PFD Food Services Pty Limited

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of a 65% shareholding in PFD Food Services Pty Limited (**PFD**) and 26 freehold properties used as distribution centres by the PFD business by Woolworths Group Limited (**Woolworths**) (the **proposed acquisition**).

Woolworths and PFD are both suppliers and buyers of food and grocery products in Australia. PFD is one of the major wholesale food distribution businesses in Australia. Through its Woolworths supermarkets, Woolworths is one of the largest food and grocery retailers in Australia. Further details regarding the parties can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- whether and how Woolworths and PFD compete in the supply of food and groceries
- whether there are alternative wholesale suppliers of food and groceries with similar geographic reach and product range to that of PFD
- whether the proposed acquisition will increase Woolworths' position as a wholesale buyer of food and the possible impacts of this.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 9 October 2020**. Responses may

be emailed to mergers@accc.gov.au with the title: *Submission re: Woolworths/PFD - attention Janet Li / Nigel Vise*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Janet Li on (02) 9102 4024 or Nigel Vise on (03) 9290 1468.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Sheridan de Kruiff
A/g General Manager
Merger Investigations

Attachment A

Woolworths

Woolworths is an ASX listed Australian and New Zealand retailer. Its operations include supermarkets, liquor and general merchandise stores as well as licensed premises. Woolworths is Australia's largest grocery retailer. It provides the retail sale of grocery products to consumers both in-store and online.

In addition to its retail operations, Woolworths also supplies food and groceries to businesses via its Australian Grocery Wholesalers business (**Woolworths AGW**) and the Woolworths at Work platform. Woolworths AGW's customers include Caltex as well as charitable organisations and two ready meal/meal kit businesses in which Woolworths has a financial interest. Woolworths at Work is an online platform by which business customers can purchase products from Woolworths' supermarkets. The platform allows for multiple shoppers from businesses to place orders, have multiple delivery locations and consolidated monthly invoicing.

PFD

PFD is a privately owned wholesale food distribution business in Australia.

PFD supplies and delivers an extensive range of fresh, frozen and dry goods to over 39,000 business customers across Australia. It services two broad customer groups: Quick Service Restaurants including major national franchisee brands; and other food service business such as hotels, supermarkets, restaurants/cafes, petrol and convenience, bakeries, airlines and institutions. PFD operates nationally via a network of distribution centres and its own logistics fleet.

In response to the short term impact of COVID-19, PFD recently launched an online service called PFD2Home, which allows non-business customers to purchase from it (with a minimum order spend of \$200).

Attachment B

1. Please provide a brief description of your business or organisation, including any commercial relationship/s you may have with either of Woolworths or PFD.

General

2. Please discuss the extent to which you consider Woolworths and PFD to be competitors in the supply of food and groceries, or may be competitors in the future (without this proposed acquisition).
3. Please explain who you consider to be the main competitors in the wholesale supply and distribution of food and groceries. If you consider that particular competitors have particular strengths or attributes (for example, the categories of food they distribute, their geographic reach, their pricing and terms of supply, etc), please describe those.
4. Please discuss whether prices to Woolworths and PFD's customers may increase, brand options may decrease, or service levels may decrease due to the proposed acquisition, for any food or grocery products you procure in Australia.
5. Please discuss how Woolworths and PFD operate in their procurement of food from manufacturers and suppliers. What are the similarities and differences in how manufacturers and suppliers deal with Woolworths and PFD?
6. Please discuss whether prices to Woolworths and PFD's manufacturers and suppliers may decrease or required service levels may increase due to the proposed acquisition, for any food or grocery products you supply in Australia.

Customers of PFD and/or Woolworths

7. Please identify the categories of food and grocery products that you procure in Australia.
8. Please identify your current suppliers of food or groceries. In your view, do your suppliers compete more with PFD, Woolworths, or both?
9. Please describe how you procure food and groceries – for example, through purchase orders, formal tender or other methods. In your response, please state how long contract(s) are typically awarded for, the frequency at which you place orders, the size of the orders you place, and whether or not any discount is offered by the suppliers.
10. Please identify the key alternative suppliers capable of servicing your needs. In your response, please have regard to factors such as the range of products, scale of supply, the geographic reach, delivery options, number and location of distribution centres etc.

Manufacturers / suppliers / distributors to PFD and/or Woolworths

11. Please identify:
 - a. which of the following categories of food products you supply to Woolworths and/or PFD;
 - i. condiments

- ii. frozen chips
 - iii. fruit/vegetables tinned
 - iv. pasta/noodles/soup
 - v. poultry
 - vi. pies/pasties/pastries
 - vii. seafood
 - viii. bakery/desserts
 - ix. grains/sugar/nuts/spices
 - x. dairy/eggs
 - xi. any other (please identify)
- b. your annual supply, by volume and value, for each of the above categories
- i. in total (to all customers)
 - ii. supplied to Woolworths
 - iii. supplied to PFD
 - iv. that would be supplied to an aggregated Woolworths/PFD
- c. any other food or grocery customer you supply to, and the categories of products you supply to those customers.

12. Who are the main competitors to PFD in wholesale food distribution? How are they different from PFD, and what are their advantages and disadvantages compared to PFD? If you also supply to these other distributors, outline the nature of your supply arrangements with them and how it differs from your arrangements with PFD.

13. Please describe your contractual arrangements with Woolworths and/or PFD. In your response, please outline how the contractual arrangements are negotiated, whether the arrangement is exclusive, whether any rebates or discounts are provided to the purchaser (and the basis for them), the typical duration of the arrangement, and when your contract with Woolworths and/or PFD is due to expire.

14. Please discuss the extent to which the proposed acquisition may increase Woolworths' position as a wholesale buyer of food and the possible impacts of this.

Competitors of PFD and/or Woolworths

15. Explain whether you compete with PFD, Woolworths, or both. If you compete with a Woolworths business other than supermarkets, please explain which business you compete with and what segment that business operates in.

16. Please describe the:

- a. industry/market that you operate in
- b. geographic area you service
- c. types of customers you service
- d. range of products you supply and who your suppliers are.

17. Please explain how easy/difficult it is to expand:

- a. the geographic area you service
- b. the types of customers you service
- c. the range of products you supply and the volume of products you supply
- d. your operations (if you are currently servicing only retail consumers or businesses) to servicing both retail consumers and businesses.

18. Please explain the importance or otherwise of having national coverage in servicing your customers.

19. Please describe how important distribution centres (and location) are in the way you supply your customers and compete in the market.

20. Please explain whether any of your customers compete with both PFD's customers and Woolworths' regular supermarkets or 'Metro' stores.

Other information or competition issues

21. Please provide any additional information or comments relevant to the ACCC's consideration.