

OIFIG AN AIRE POST,
FIONTAR AGUS NUÁLAIÓCHTA

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OIFIG AN RÚNAÍ AIRE

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27th February 2015

Richard Bruton TD
Minister for Jobs, Enterprise and Innovation
Department of Jobs, Enterprise and Innovation
23 Kildare Street
Dublin 2

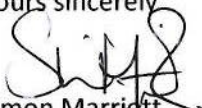
Dear Minister

RE. Submission to the Department of Jobs, Enterprise & Innovation on the draft Grocery Goods Regulations

Further to the publication of the draft regulations for the grocery goods sector, please find attached a submission from BWG.

Should you require any further information, or clarification, BWG would be happy to provide it.

Yours sincerely



Simon Marriott
Trading Director

Submission by BWG to the Department of Jobs, Enterprise & Innovation on the draft Grocery Goods Regulations

February 2015

1. Introduction

BWG operates 1,175 SPAR, EUROSPAR, SPAR Express, MACE and XL symbol stores across Ireland and Britain, as well as a chain of 22 Value Centre cash-and-carry outlets. It had a turnover of approximately €1.2 billion in 2013 and employs over 1,000 staff directly, and 20,000 people in its stores, including owner-run franchise outlets. BWG is a member of the SPAR South Africa Group, whose shares are quoted on the Johannesburg Stock Exchange under the SPAR Group name.

2. General observations on the Regulations

BWG has a number of general observations on the Regulations and some specific comments on particular provisions, which are set out below:

2.1 Definition of Grocery Goods

BWG believes that the current definition of grocery goods is insufficient and is too vague, in that it excludes household cleaning products and toiletries. It is hard to understand why such a significant category of goods is excluded, and it is the opinion of BWG that the definition should be broadened to include this category.

2.2 Definition of Grocery Goods Undertaking

The Regulations have been prepared to deal with the relationships between suppliers and large retailers / wholesalers, but BWG believes that this area requires significant further consideration and amendment.

Within the grocery wholesale channel, there are a number of larger customers, serviced by wholesalers, which would fall within the current thresholds. BWG believes that the Regulations should not apply to grocery goods contracts between wholesalers and retail customers, and that such trading relationships should be excluded from the scope of the application of the Regulations.

2.2 Supplier Obligations

BWG has always supported the concept of fair relations in the supply chain, as long as the obligations on retailers are reasonable and balanced. The Regulations as drafted retain a singular focus and burden on retailers and due consideration should be given to the obligations of suppliers.

Under the draft Regulations, there are no obligations on suppliers and this imbalance must be addressed, given the size and scale of many of the multinational suppliers which operate in the

grocery sector. BWG believes that a reciprocal obligation on suppliers is required and that suppliers should have the same obligations imposed on them in their dealings with retailers / wholesalers. These obligations should include complying with the terms of their agreements including in the areas of price, promotional activity, payment terms and other normal trading practices.

Given that any issues which arise under the Regulations are likely to be bi-lateral contractual disputes where there are two versions of the same event, suppliers should also be subject to the same record maintenance requirements as proposed under these regulations for grocery good undertakings. This would lead to a speedier and more effective resolution of any potential dispute or issues.

2.3 Overly Restrictive Regulations

The size and scale of the suppliers to BWG varies enormously, from multi-national suppliers with turnover in excess of €100 million to small, cottage industries producing artisan products supplied to a small number of local stores. The resources and skills available to these suppliers varies enormously, and the requirement that the terms of business arrangements between BWG and each of these suppliers is captured within a formal contract is extremely onerous; the introduction of the Regulations would potentially have a significant impact upon these suppliers,

The expectation that each of the suppliers will have the capacity to cope with the new Regulations is misguided; the bureaucratic impact of the Regulations should not be underestimated, and the associated supplier costs would be a huge burden on the small supplier sector in particular.

2.4 Compliance Cost Implications

The compliance reporting requirements within the proposed Regulations are extremely onerous and will inevitably incur significant costs. While it is extremely difficult to estimate the true cost of the Regulations to BWG, it is likely that compliance provisions (specifically relating to provision of training, maintenance of records, compliance reports, legal advice, responding to disputes, responding to enforcement audits etc.) would run to hundreds of thousands of Euros per annum.

BWG would not be in a position to absorb the significant cost attached to a more bureaucratic way of working, and the recovery of such costs may result in higher retail prices.

BWG is available to elaborate further on any of the observations contained within this submission.