QUESTION ON NOTICE: Liquor

Senator Edwards: Has part of the negotiations with the buyers of wine for your own branded product involved calculating the 29 per cent rebate that those producers will be receiving and, in actual fact, taking that off them?
(Hearing, Canberra, 15 May 2012, p34)

Woolworths has never been party to any arrangement with any of our private label products that resulted in us receiving the WET rebate that the producer was entitled to.

All retailers including Woolworths receive discounts, either directly or via their preferred wholesaler, of various kinds from the suppliers named and from most other suppliers. These discounts can relate to:

- warehouse and distribution allowances;
- volume allowances;
- ullage (spoilt stock) allowances; and
- promotional allowances.

These discounts can be invoiced or in the form of deferred rebates based on scanned sales of a supplier's brands. These rebates are normally paid as partial compensation for a retail price reduction for an agreed period. The rebates are normally paid by means of a credit note, and less commonly in the form of bonus stock.

QUESTION ON NOTICE: Quality Assurance

Chair: Does Woolworths sit on the Global Food Safety Initiative?
(Hearing, Canberra, 15 May 2012, p31)

Woolworths is a member of the Global Food Safety Initiative. Woolworths makes a commitment to our customers that the products we sell our stores are of the highest quality, irrespective of where they are sourced. Over many years, Woolworths has developed world class quality assurance programmes for food and general merchandise. This includes benchmarking our Woolworths Quality Assurance (WQA) program against the standards of the Global Food Safety Initiative. Woolworths also accepts Global Gap as part of our approved supplier programs within WQA.

The WQA scheme now involves more than 2,000 suppliers who must adhere to extensive and rigorous auditing. Achieving and maintaining WQA Certification is a requirement of our trading terms for supply of Woolworths branded food products. Whilst these certifications indicate capability to achieve WQA Certification, our trading terms for supply of Woolworths branded food products require the site also has WQA Certification. Woolworths also conducts an Ethical Compliance audit of suppliers' operations.

The WQA standard encompasses food and consumer products supplied by local and international trade partners. The standard encompasses process control, product specifications, good manufacturing practice, cleaning procedures, product identification and traceability, corrective action, evidence of commitment to continuous improvement and other aspects of product supply.

The WQA Certification Audit process is ongoing and associated audits are carried out on a regular basis. To ensure that the WQA quality management system is functioning effectively, the system is audited on a six monthly basis for all trade partners, unless approved in writing by the WQA team. Special audits are conducted unannounced or announced at the discretion of Woolworths. Additional audits are conducted with any major change to the product or processes used to supply Woolworths.

If the results of an audit indicate non compliance with the requirements of the WQA, or a critical non conformance is found, or certain other aspects of the standard are not satisfactorily met, the trade partner may be suspended or deregistered.

QUESTION ON NOTICE: Harmonisation process

Senator Xenophon:

I understand that Woolworth's implemented a harmonisation process some time back which consisted of changing trading terms with vendors to be the same across all Woolworth's businesses. Can you explain this process?

I understand these negotiations involved trading terms increasing to the highest being charged in any of Woolworth's businesses. So, for example, companies dealing with both Woolworths and Big W had trading terms increased to the higher of the two with no benefit to the supplier. What happened in these negotiations if the supplier refused these increases to trading terms?

Woolworths provides significant volumes of purchases, ships product all around the nation, displays suppliers' goods in thousands of stores and provides access to some 27 million potential purchasers each week.

The 'Harmonisation' process was a subset of a normal program of review of trading arrangements with vendors related to the volume discounts agreed between the parties. Woolworths engaged in negotiations in good faith with a number of vendors who had variations in the levels of these discount provisions between different Woolworths business units.

During the course of the harmonisation process Woolworths placed an obligation on each business unit of our company to ensure the vendor received a satisfactory return for investment. This included ensuring they received recognition for their support, were treated to the same business planning and joint operating initiatives that applied in other parts of the business, and goals were set intended to ensure mutual benefit.

All changes of terms were by mutual agreement. During the harmonisation process there were a number of vendors who declined to participate. They simply continued to trade in the existing manner.