

DAVID JONES LIMITED

**PUBLIC COMPLIANCE
COMMITMENT**

ABN 75 000 074 573

**PUBLIC REGISTER
VERSION**

**(DAVID JONES HEREBY AUTHORISES THE ACCC TO
DELETE THE WORDS 'PUBLIC REGISTER VERSION'
UPON RELEASE)**

JUNE 2000

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Introduction

As part of the New Tax System ("NTS"), the Commonwealth Government has enacted legislation to prevent business from exploiting the tax reform process to increase profits (Part VB of the *Trade Practices Act 1974 - Price Exploitation in Relation to A New Tax System*). The ACCC has also formulated Pricing Guidelines titled '*Price Exploitation and the New Tax System*' dated March 2000 ("Guidelines") for when prices for regulated supplies contravene the prohibition on price exploitation (section 75AV).

This Public Compliance Commitment is a voluntary statement by David Jones Limited ("David Jones") recording its commitment to abiding by the new legislation and the Guidelines in keeping with its history of conducting business in accordance with the law.

GST Implementation Project

David Jones has taken a structured approach to implementing the systems and process changes necessary under a GST regime. This has involved a significant investment in terms of management and staff resources, in addition to the hiring of external consultants and purchase of new equipment.

This Compliance Commitment forms part of the David Jones GST Implementation Project.

The key stages of the GST Implementation Project (made up of over 30 individual projects) are:

- i) **Project start-up** - including planning, resourcing and initial training;
- ii) **Analysis** - of business processes and systems for GST readiness;
- iii) **Price changes** - identification of savings and price modelling;
- iv) **Development** - of processes and system changes required;
- v) **Implementation** - and integration of processes and systems into the business; and
- vi) **Communication and training** - to all staff, customers and shareholders.

Core Commitments

David Jones is committed to complying with the *Trade Practices Act 1974*, including new legislation enacted by the Commonwealth Government to prevent business from exploiting the tax reform process to increase profits (Part VB of the *Trade Practices Act 1974 - Price Exploitation in relation to A New Tax System*).

This commitment reinforces the existing David Jones trade practices compliance program, and David Jones' policy of conducting its business in accordance with the law.

David Jones commits to:

- i) Complying with the *Trade Practices Act 1974*, in particular Part VB regarding price exploitation;
- ii) Not engaging in price exploitation in relation to the NTS;
- iii) Complying with our interpretation and understanding of the intent of the ACCC's Guidelines;

- iv) Passing through to consumers in price any net cost benefits realised as a result of the NTS changes;
- v) Advertising and displaying GST inclusive prices in a way that is not misleading or deceptive; and
- vi) Ensuring there is an effective on-going compliance program in place.

Impact of New Tax System Changes

As a major retailer with 36 stores nationwide and approximately half a million products, David Jones is profoundly impacted by the NTS changes. David Jones, and the retailing sector in general, face significant upheaval to everyday business as a result of the GST and NTS. In particular, David Jones faces pricing, procedural, systems and transitional issues.

David Jones has a dedicated GST team working on meeting all its obligations in relation to the GST. This has involved the allocation of significant resources.

Cost Changes and the Pass Through of Savings

David Jones expects to receive some savings as a result of the NTS changes and the removal of WST and other indirect taxes. These savings will be a combination of direct savings due to the elimination of WST on products purchased, and indirect savings from suppliers who receive cost savings from the NTS reforms.

Our approach in relation to cost savings and their pass through into prices is as follows:

General principle

Any changes in prices charged by David Jones relating to the GST will include a full offset for indirect tax reductions and other NTS related benefits.

David Jones undertakes to reconcile actual savings realised with estimated savings on a 6 monthly basis in order to ensure that the full impact of all savings actually realised are passed through to consumers in prices charged on merchandise. David Jones is currently not in a position to understand what the effects of these reviews may be. They may result in price increases, decreases or maintenance of existing prices at the time. David Jones will undertake these reviews until a cut off date of June 2002. David Jones' 6 monthly reviews will occur in line with its seasonal timeframes (ie. February and August).

Pass through of supplier savings

Savings associated with the NTS will be passed through to customers if and when they occur in the form of reduced prices on merchandise resulting from new price lists received from suppliers. These savings will be passed on at the first delivery date following the effective date stated on the supplier's price list (ensuring that savings are passed through as David Jones realises the savings). David Jones is requesting that all suppliers provide written confirmation of their compliance with their obligations under the *Trade Practices Act 1974*, especially in relation to prices charged for their goods and services.

Product categories

David Jones will maintain its net product dollar margins for its stores at department level. Savings will be passed through into prices on the same basis. Within David Jones, a department refers to a category for managing the buying, sales and profit of similar items.

A list of departments within David Jones is attached.

Assessment of implementation and compliance costs

In assessing the net effect of the NTS on costs, David Jones will include only those implementation and compliance costs reasonably incurred and directly attributable to the introduction of the NTS, and offset any compliance cost reductions from the removal of the previous tax system. In other words, David Jones will only recover in its pricing the net incremental costs of GST compliance resulting from the introduction of the NTS. This will ensure that David Jones complies with the 'net dollar margin rule'.

Where these costs are of a capital nature, David Jones will spread the additional costs over a number of years in line with generally accepted accounting depreciation rules.

Supplier program

David Jones has implemented a program to encourage suppliers to pass on to David Jones all cost savings they realise as a result of the NTS changes.

David Jones is requesting that all suppliers provide written confirmation of their compliance with their obligations under the *Trade Practices Act 1974*, especially in relation to prices charged for their goods and services. David Jones has also requested that suppliers identify those changes in price that are GST and non-GST related.

David Jones is not responsible for monitoring its suppliers' prices.

Consumer information

David Jones has undertaken an extensive consumer information program. This has included the creation and distribution of in-store signage, brochures, a GST Hotline, an informative advertising campaign and staff training.

This program is consistent with David Jones' commitment to its customers and ensuring that they are fully informed.

Complaints handling

In regards to GST related complaints handling, David Jones is building a process to specifically deal with GST and incorporating it into our existing incident reporting process in order to ensure that all complaints are identified and dealt with in a timely and efficient manner.

Specific ACCC queries

Specific ACCC queries will continue to be dealt with at senior levels of the organisation including the Compliance Committee.

Compliance Program

David Jones has an existing compliance program and structure in place. The compliance team is overseen by the General Manager Risk Management. This team is responsible for compliance across the organisation on an on-going basis, and will also review all GST compliance issues.

Price display

David Jones is committed to displaying the GST inclusive prices of the products it sells in a manner that is not misleading or deceptive.

During the transition period, David Jones will ensure that its customers are fully aware of its re-ticketing and re-pricing arrangements. David Jones will have extensive signage in store explaining the re-ticketing process to customers. The in-store signage wording is as follows:

"Customers, the price tickets in this area are currently being adjusted to include GST. All items will scan at the register with the new GST inclusive price from 1 July 2000. During this changeover period, you may find the marked price different to the price at the register. If you wish to verify the price you will be charged, our sales staff will be happy to assist."

From 1 August, all prices within David Jones will display a GST inclusive price.

Total prices shown on tax invoices will be GST inclusive. The register receipt will display a hash (#) next to every individual item that has attracted GST.

Liaison with the ACCC

It is the policy of David Jones to conduct its business in accordance with the law. As part of this conduct, David Jones will liaise with the ACCC to ensure that complaints made and issues arising in relation to the GST are dealt with expeditiously and with the full cooperation of the company.

David Jones has appointed the General Manager Risk Management as the first point of contact for the ACCC in relation to these complaints and issues.

Reporting and information provision

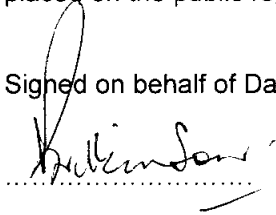
David Jones confirms that its project processes have been audited by Deloitte Touche Tohmatsu (our internal auditors) for the purpose of confirming the effectiveness of those processes.

Disclaimer

David Jones intends to fully comply with the terms of this Commitment. However, the Commitment itself is not legally binding.

David Jones is willing to discuss with the ACCC as to which portions of the document may be placed on the public register.

Signed on behalf of David Jones Limited (ABN 75 000 074 573)

A handwritten signature in black ink, appearing to read 'Peter Wilkinson', is written over a horizontal dotted line.

Peter Wilkinson
Chief Executive Officer
23 June 2000