

	<p>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</p> <p><i>Secretary:</i> <i>Max Howard</i> <i>PO Box 261</i> <i>Corinda Q 4075</i></p> <p><i>Telephone: 0419 678 395</i></p>
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28 January 2008

SUBMISSION ON PRODUCTIVITY COMMISSION DRAFT
REPORT ON:
REVIEW OF AUSTRALIA'S CONSUMER POLICY FRAMEWORK

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THE ASSOCIATION

The Queensland Consumers' Association (the Association) is the peak body for consumer groups in Queensland. The Association's members work in a voluntary capacity. The Association is a member of the Consumers' Federation of Australia, the peak body for Australian consumer groups.

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The Association is extremely interested in public policy issues at both state and national level. However, due to the severe resource constraints experienced by many such volunteer run consumer organisations (noted in the PC report) the Association must use its very limited resources strategically. Accordingly, generally the Association concentrates its resources mainly on issues for which the Queensland government is responsible and on other state related consumer issues. This meant that the Association was unable to make a submission on the PC issues paper or attend the hearing in Brisbane.

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However, the Association is pleased to make this submission on the draft report and, although vitally interested in numerous other matters in the report, due to resource constraints the submission addresses only one issue – **the need for a compulsory uniform national system to provide consumers with the unit price (\$ per kg/litre etc) of prepacked grocery items sold at supermarkets.**

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THE SUBMISSION

Unit pricing is the only topic in this submission because:

- Although much the draft report deals with broad policy objectives, many recommendations propose changes to very specific policies, institutions, legislation, etc.
- Providing consumers with unit price information would significantly facilitate the achievement of many of the PC's objectives for consumer policy and the implementation of several of its recommendations.

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- A member of the Association has, with the assistance of a Churchill Fellowship, recently undertaken extensive research on unit pricing in the USA and Europe.

The submission consists of:

- Recommendation
- Background on unit pricing
- Relevance of unit pricing to the draft report
- Appendix 1: Executive summary from report of Churchill Fellowship on unit pricing in the European Union and the USA

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RECOMMENDATION

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In its final report the Commission should recommend that the federal government introduce legislation to require major supermarkets to provide consumers with the unit price of all prepacked grocery products sold by measurement (weight, volume, count, etc).

BACKGROUND ON UNIT PRICING

Unit Pricing of prepacked grocery items

Unit pricing simply provides consumers with the price per appropriate unit of measure, for example, \$ per kg or litre, of pre packaged grocery items. It is provided in addition to the total price/price to be paid. It is provided by the retailer, normally on shelf labels. Manufacturers of pre-packaged products are NOT required to change their packages, labels etc.

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Need for unit pricing

The very large number of package sizes, brands, products, and product forms on sale in most supermarkets means it is very difficult for most consumers to calculate unit prices themselves. Consequently, most consumers are unaware of the unit price when making purchasing decisions and as result unaware of the great range in unit prices between package sizes, brands, etc.

Benefits of providing consumers with unit price information

The many benefits from effective unit pricing systems include:

- Simplifying consumer choice between packages of various sizes, between brands, between products, between products forms and between retailers. (Can result in major savings in money and time for many consumers and assist consumers to better assess value for money and quality).
- Promoting competition between manufacturers and between retailers

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If consumers also use unit price information to buy healthier and less packaged products there can also be health and environmental benefits.

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Even if a relatively small proportion of Australian consumers used unit price information to save money, the aggregate savings could be worth hundreds of millions of dollars. For example, at one supermarket recently the cost of 19 items in the Choice shopping basket was reduced by almost 20 per cent simply by choosing the package size with the lowest unit price within the given brand and ignoring items on sale at special prices. The saving

would have been even greater if the unit prices of other brands and of items on “special” had been considered also.

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Monetary savings are particularly significant for low income and other disadvantaged consumers.

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Australian consumer access to unit price information for prepacked grapery items

Retailers are only required to provide consumers with the unit price of some fresh foods, eg meat, in random weight packages. This is required by each state and territory’s Trade Measurement (Prepacked Articles) Regulation.

Retailers are not required to provide the unit price of other prepacked items. Until very recently, despite many years of pressure from consumer advocates, no supermarket chain provided unit price information on these other items. However, in response to the current consumer campaign for unit pricing, in November 2007, the Aldi supermarket chain introduced unit pricing in its stores and Woolworths has announced plans to trial unit pricing in some stores in 2008. Aldi’s system does not fully satisfy the requirements for unit pricing systems developed by Australian consumer organisations. Aldi supports the establishment of a uniform national system.

Unit pricing overseas

Throughout the European Union and in several states in the USA, supermarkets are required to provide the unit price (in addition to the selling price) of most of the pre-packaged grocery items they sell. Compulsory provision is regulated by standards of varying detail and effectiveness. In the other US states, most supermarkets provide unit prices voluntarily and with no regulated standards but in some states voluntary provision must meet legislated minium standards. In New Zealand, some supermarkets provide unit prices voluntarily but there are no legislated minimum standards and the systems have significant deficiencies for consumers. Unit price information is reported to be widely provided by supermarkets in Japan and South Africa.

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Surveys of consumers in the USA and Europe have shown that high proportions of consumers (50 to 70%) use unit price information frequently or occasionally. Knowledge and use appear to be greatly influenced by many factors including the quality of the system provided, especially how well the information is displayed and the units of measurements used. This often varies greatly between and even within jurisdictions. Unit pricing can be the catalyst for major changes in consumer buying patterns, for example in Finland after its introduction 42 percent of consumers changed brand and 33 percent changed packet size.

Costs of introduction and operation are very low relative to turnover for large supermarkets.

Overseas experience shows that competition between retailers does not always result in “best practice” unit pricing systems, uniform systems, or provision at all supermarkets. Consequently, many overseas governments have made it compulsory and set standards which supermarkets must achieve.

Main recommendations from the Churchill Fellowship on unit pricing in the USA and Europe

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In summary, the recommendations were:

- Australia needs a compulsory national unit pricing system that requires supermarkets to display the unit price for a wide range of pre-packaged grocery items on shelf labels, other in-store pricing signs, and internet ordering systems.
- Commonwealth legislation is the appropriate vehicle for a compulsory national unit pricing system and should include standards for matters such as: the units of measurement; the readability, visibility and accuracy of the information; and where and when a unit price must be provided.
- Any voluntary provision of unit pricing should achieve specified minimum standards on key matters.
- Australian unit pricing arrangements should: be developed in consultation with all stakeholders (including consumers); aim for “best practice”; learn from schemes operating in other countries; be accompanied by consumer education programs; include monitoring and enforcement of compliance; and be reviewed periodically.

The main Australian consumer advocacy bodies, Choice and the Consumers Federation of Australia support these recommendations and they are likely to be supported the vast majority of consumers. Whenever the issue is discussed in public, for example on talk back radio or in the print media, the level of consumer support is extremely high.

Further details of the recommendations, key findings, and conclusions are provided in Appendix 1. A copy of the full report can be obtained at www.churchilltrust.org.au in the business section.

RELEVANCE OF UNIT PRICING TO DRAFT REPORT

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1. Unit pricing would contribute substantially to the achievement of the following draft recommendations in the Commission’s report:

Draft Recommendation 3.1

“to promote the confident and informed participation of consumers in competitive markets in which both consumers and suppliers trade fairly and in good faith”.

“The consumer policy framework should efficiently and effectively aim to:

- ensure that consumers are sufficiently well-informed to benefit from, and stimulate effective competition;
- prevent practices that are unfair or contrary to good faith;
- meet the needs of those who, as consumers, are most vulnerable, or at greatest disadvantage”;

Comment

High quality unit price information systems help grocery shoppers to become more confident and informed consumers which in turn stimulates competition between manufacturers and between retailers.

Low income and other disadvantaged consumers have the potential to obtain large benefits from unit price information for grocery items for many reasons including that such purchases often represent a high proportion of their expenditure.

Draft Recommendation 11.1

“When imposing information disclosure requirements on firms, Australian

Governments should require that:

□ information is comprehensible, with the content, clarity and form of disclosure consumer tested, and amended as required, so that it facilitates good consumer decision-making”

Comment

Research has shown clearly that consumer awareness and use of unit price information is influenced significantly by how well the information is presented. (Awareness and use will also be influenced by many other factors including the quality of consumer education programs.)

2. Statements and commentary in the draft report relevant to unit pricing include:

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A greater variety of goods and services

“...it has also increased the investment required to compare alternatives, which may disadvantage some consumers.

Growing product complexity

“Many goods and services have become more complex”

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Comment

Although these statements are made largely in the non-grocery, context and they are very relevant to the challenges faced by grocery shoppers when trying to assess and compare prepacked grocery items.

P 29 volume 2

“Consumer confidence comes from:

....having ready access to information about the characteristics of the products and services consumers intend to purchase”

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Comment

Although not referred to specifically, price is a key characteristic, especially a price which can be compared easily with that of other sizes and brands of a given product, and can facilitate inter product and product form comparisons.

P 7 volume 1

“Finally, and very importantly, the Commission has taken account of the significant linkages and interactions between ‘consumer policy’ and the many other policy levers for enhancing consumer welfare, particularly competition policy. . In some cases these can be reinforcing — for instance, policies that foster more confident and informed consumers, and thereby help them to make better purchasing decisions, can invigorate competition between suppliers and thus promote efficiency and innovation.”

Comment

These are the main benefits from providing consumers with high quality uniform unit price information.

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“..if the information is not presented clearly and accessibly, its beneficial effects on consumer decision making will be diminished or even negated. Accordingly, disclosure requirements work best when they are provided in a clear, comparable and comprehensive manner and highlight the salient features of a product.”

Comment

These are the reasons why Australia needs a compulsory uniform high quality national unit pricing system with enforceable standards. And, if the provision of unit pricing remains voluntary, enforceable community set standards are needed to ensure uniformity, etc.

In addition, it is relevant that a recent UK report on regulated consumer information (Warning: Too much information can harm, BRE and NCC, Nov 2007) noted on page 12 that submissions indicated that “There was a sense that for certain product performance or pricing information it was essential to have a single presentation of the information to ensure comparison of products.” This report also emphasised the need for consumer information to be presented to help consumers make choices and to be accessible.

A weakness of the UK’s compulsory unit pricing arrangements is that retailers are allowed considerable discretion on how the information is presented. Consequently, presentation varies greatly between firms and often the unit price information is small relative to the selling price.

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“However, consumers’ lack of information about some goods and services can expose them to significant detriment. Behavioural biases in their decision making — such as over-confidence and an excessive focus on short term benefits and costs — and information overload can similarly reduce the efficacy of their choices and hence their welfare.

As well as having direct consequences for individuals, such features of consumer markets can weaken competition leading to higher prices, reduced quality and less innovation. This illustrates that competition policy alone cannot always be relied upon to deliver well-functioning markets and the attendant benefits for consumers and the community.”

Comment

The failure of supermarkets to provide consumers with the unit price of most prepacked grocery items on sale results in major detriment to consumers. Providing unit price information will greatly reduce detriment due to sub optimal choices of grocery products.

Providing consumers with unit price information will not cause information overload, consumers are provided with this information when buying prepacked fresh meat and some other packaged fresh foods and there is no evidence that this is excessive information. Indeed, preliminary survey work by the Association indicates that this information is used by a high proportion of consumers of these products - because the unit price is usually constant between package sizes the main uses are to choose between different types and sub type of products, for example between beef and pork and between meat cuts, and to assess quality.

So far, competition between retailers in Australia has not provided consumers with a widely available, uniform national high quality unit pricing system for most prepacked grocery items. This has also been the experience overseas and as a result many governments have made the provision of unit price information compulsory and set standards of performance.

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Ian Jarratt (phone - 07 37195475) ¶
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APPENDIX 1

9 November 2007 (revised version of report dated 2/9/07)

**UNIT PRICING OF PRE-PACKAGED GROCERY ITEMS
IN THE EUROPEAN UNION AND THE USA
- LESSONS FOR AUSTRALIA**

Report by Ian Jarratt – 2006 Churchill Fellow

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Note: This is an extended and slightly revised version of the executive summary in the report on the fellowship submitted to the Churchill Trust to be made available to the public on its website www.churchilltrust.com.au in the business section

EXECUTIVE SUMMARY

Background

The Churchill Fellowship allowed me to travel for 7.5 weeks, from 31 March to 16 May 2007, in the north east USA, Belgium, Ireland, Sweden, and the UK. The aim was to investigate the development, implementation and use of unit pricing (price per unit of measure for example per kg/litre) of pre-packaged grocery products by supermarkets in these countries. All members of the European Union require supermarkets to provide consumers with unit prices as also do several states in the USA. In the remaining US states most supermarkets provide unit prices voluntarily. Supermarkets in Australia are not required to, and most do not voluntarily, provide unit price information¹ for most pre-packaged grocery items.

Unit prices can provide many major benefits including helping consumers make better-informed decisions about what products to buy, especially when presented with numerous package sizes, brands and products. Unit prices can also promote competition.

During my fellowship, I observed and learned about the unit pricing of pre-packaged grocery items sold in supermarkets in a wide variety of situations. I experienced compulsory unit pricing in the US states of New York, New Hampshire, Massachusetts, Connecticut and New Jersey and in the European Union countries of Belgium (while investigating whole of EU issues), Ireland, Sweden and the UK. I also observed voluntary unit pricing in the US states of Delaware, Pennsylvania and Maine and learned about how it operated in several states and countries prior to becoming mandatory there.

¹ However, on 8 November 2007 ALDI became the first major supermarket chain in Australia to provide unit pricing and another (Woolworths) is reported as planning to introduce a trial in some stores early in 2008 (Brisbane Courier Mail 9/11/07). ALDI also called for “a consistent national approach” and “called on the retail sector to adopt uniform unit pricing”.

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President ¶
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I met with 36 government agencies, retail organisations, consumer organisations, and researchers. I also visited 54 supermarkets and other grocery stores.

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Key findings

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1. Unit pricing systems differ greatly on many key matters relevant to Australia's situation and needs.

2. Numerous major benefits can be obtained by providing consumers with high quality unit price information.

3. In the European Union and some parts of the USA, the provision of unit prices is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions.

4. Everywhere I went, the cost to setup and maintain a unit pricing system was considered likely to be very low relative to turnover for large computerised stores.

5. Research and other information shows that accurate, relevant and easily readable unit prices are used by a large proportion of consumers.

6. Well planned, implemented and maintained compulsory unit pricing systems have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.

7. Setting standards of performance and assessing compliance are critically important issues for any compulsory unit pricing system and should be high priorities for an Australian system.

8. Any unit pricing provided voluntarily by Australian retailers should be required to achieve specified minimum standards on key matters.

9. Consumer use of compulsory or voluntary unit pricing systems can be reduced significantly by failure to set and achieve high standards of information presentation for key factors such as:

- Prominent presentation of unit prices on shelf labels and other price signs.
- Provision of unit price information for products on sale on special promotion as well as those on sale at the normal price.
- Provision of unit price information for all products within a product type.
- Type, consistency and uniformity of units of measurement used.

10. To facilitate rapid and widespread use of unit price information by consumers, the introduction of any systems (compulsory or voluntary) in Australia should be accompanied by consumer education programs involving retailers, governments and community organisations.

11. It is important to ensure that:

- Australian consumer organisations can, and do, participate on an on-going basis in the development and implementation of improved unit price arrangements in Australia.
- Individual consumers are aware of standards set for unit pricing and the need to draw

attention to non-compliance and other problems.

Conclusions

1. Unit pricing is mandatory in supermarkets in the European Union and in some states in the USA (in other states it is frequently provided voluntarily).
2. For well-run, computerised supermarkets, the cost of providing unit prices is very low relative to turnover.
3. Unit prices are used by high proportions of consumers in the European Union and the USA.
4. Unit pricing greatly assists consumers to make well-informed choices between products. As a result, consumers save money and time and competition between manufacturers and between retailers increases. There may also be additional health and environmental benefits if consumers use unit prices to change consumption patterns and buy more healthy foods and less packaged grocery items.
5. In the European Union and some parts of the USA, providing unit pricing is considered an important step in the evolution of grocery retailing, consumer protection arrangements, and competition provisions. It is an extremely simple and cost-effective way to reduce problems arising from: increasing use of pre-packaged products, increasing diversity of package sizes and brands, the complete or partial removal of restrictions on package sizes, and increased industry concentration.
6. Decisions by individual retailers on key aspects of unit pricing provision can result in significantly less beneficial systems for consumers and less uniformity between retailers and countries/states.
7. Compulsory unit pricing systems which are well planned, implemented and maintained have many advantages over voluntary systems and are likely to result in greater and more sustainable benefits for consumers and society.
8. Setting and achieving performance standards are essential components of any unit pricing system.
9. Information and education programs are required to promote consumer awareness and use of unit prices.
10. Consumer organisations and individual consumers have important roles to play in the development and on-going operation of unit pricing systems.

Recommendations

1. Australia needs a compulsory unit pricing system which requires supermarkets to display the unit price on shelf labels, other in store pricing signs, and internet ordering systems for a wide range of pre-packaged grocery items. (Supermarkets already must do this for random weight packages of some products like fresh meat and fish.)

2. A compulsory national scheme rather than voluntary provision by individual supermarkets is required to:

- Provide greater and more continuing benefits.
- Give more consumers access to unit prices and increase usage.
- Ensure that measurement units, presentation methods, and product coverage are uniform throughout the country and are consumer friendly.
- Ensure that unit prices are provided for products sold on special as well as regular prices.
- Ensure that unit prices are provided for products sold via supermarket on-line ordering systems as well as in supermarkets.
- Allow standards of performance to be set, monitored and enforced.
- Allow more resources to be provided for consumer education programs.
- Reduce implementation costs.

3. Commonwealth legislation is the appropriate vehicle for a compulsory national unit pricing system for pre-packaged grocery items sold at supermarkets. The system should include specified standards for key matters such as units of measurement, readability and visibility, accuracy, and selling prices covered (unit prices should be provided for products sold on “special” as well as at regular prices). (The legislative options include a prescribed mandatory industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation expected to replace state and territory legislation by 1 July 2010.)

4. Any voluntary provision of unit pricing by supermarkets should achieve specified minimum standards on key matters. (The legislative options include a prescribed industry code of conduct under *s. 51AE of the Trade Practices Act 1974* and proposed new Commonwealth trade measurement legislation.)

5. Australia’s unit pricing arrangements should:

- Be developed in consultation with all stakeholders (including consumers).
- Aim for “best practice”.
- Learn from systems operating in other countries.
- Be accompanied by consumer education programs.
- Include monitoring and enforcement of compliance.
- Be reviewed periodically.

6. Some features² of overseas unit pricing schemes relevant to Australia's needs include:
- Uniform prominent format required for display of unit prices (Massachusetts).
 - Kg/litre/metre/square metre, etc are the basic unit price measurements and with minimum exceptions (Ireland).
 - Provisions for unit prices for products by count (Connecticut).
 - Same unit of measure to be used for all sizes of the same product (USA – Uniform Unit Pricing Regulation).
 - Comprehensive coverage of grocery products, with minimum exemptions (Ireland).
 - Unit prices must be shown for products sold on special as well as at regular prices (Sweden).
 - Unit prices must be provided for groceries ordered on the internet as well as those purchased in-store (UK).
 - Comprehensive and on-going consumer education programs (Sweden).
 - Resources provided and maintained to monitor and enforce compliance (New Jersey).
 - Provisions for exemption for small stores (New York) or stores without computerised labelling facilities (Ireland).

² each feature may occur in several countries/states