

 <p>QUEENSLAND CONSUMERS ASSOCIATION</p>	<p>A non-profit, volunteer organisation, advocating to advance the interests of consumers in Queensland</p> <p><i>Secretary: Max Howard PO Box 261 Corinda Q 4075</i></p>
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**SUBMISSION TO THE SENATE ECONOMICS COMMITTEE'S
INQUIRY INTO THE UNIT PRICING (EASY COMPARISON OF
GROCERY PRICES) BILL 2008**

6 July 2008

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RECOMMENDATIONS

1. If slightly modified, the Bill would give Australia a compulsory national, uniform high quality system of unit pricing for pre-packaged grocery items sold at large grocery stores.
2. It is not clear whether unit prices must be provided only if a store sells a **range** of grocery products. This should be clarified and if this is the intention, it should be made clear in the Bill.
3. Modify the definition of unit price for products sold by number to take account of the number of items in a package.
4. As a matter of urgency, the federal government should commission, independent practical research on the most effective presentation of unit price information on shelf labels, on other in store price signage, and in written advertisements (although less important, the research could also cover presentation for internet selling).
5. Rounding of unit prices above and below \$1 should be allowed only to the nearest cent.
6. Voluntary provision of unit prices for grocery products should be required to meet any standards etc for compulsory provision.
7. Section 18ZZI appears to require all retailers to provide consumers with information about unit pricing. If so, the section should be modified to only require this when unit pricing is being provided, including voluntary provision by exempt stores.
8. The words “sold by measure, weight or volume” currently used do not appear to adequately describe what the Bill covers, especially since there is no mention of products sold by number. Possible replacement words are “sold by measure” – implying that by number is also by measure – or “sold by weight, volume, length, area or number”.

BACKGROUND

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.

For many years, the Association has advocated for Australian supermarkets to provide shoppers with the unit price of pre packaged grocery items. The unit price would be provided in addition to the selling price, as is currently required by state and territory legislation for random weight packages of meat and some other foods.

The Association has taken this position because of the numerous and major benefits for consumers and the economy. Briefly, unit prices allow consumers to make better-informed decisions between package sizes, brands, product forms, packaged and unpackaged products and between substitute products. Unit pricing empowers consumers

and can result in substantial savings in money and time and increased competition between manufacturers and between retailers. It can also result in health and environmental benefits. It is not costly for retailers to provide and costs are very low relative to the benefits.

However, despite the efforts of the Association and other consumer bodies, until very recently retailers refused to provide unit pricing and governments were unwilling to make provision compulsory.

To assist the Association's campaign, in 2006 an Association member, Ian Jarratt, obtained a Churchill Fellowship to study unit pricing in the USA and Europe. His study was undertaken in 2007 and is the only detailed Australian study on unit pricing overseas we are aware of. A copy of the report is available from www.churchilltrust.com.au under the business section and an executive summary is provided in Appendix 1.

The report's main recommendation was:

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.

The study found that unit pricing is compulsory throughout the 27 nation European Union. It is also compulsory in several states in the USA where in 1970 Massachusetts became the first jurisdiction in the world to make unit pricing compulsory.

Since the completion of the report and increased campaigning by the Association and other consumer groups, politicians and the public have become much more aware of the benefits of, and need for, unit pricing. This is partly due to submissions made to the current ACCC inquiry into grocery pricing (to which the Association has made four submissions on unit pricing (numbers 38, 142, 196, and 224) available from the ACCC's website www.accc.gov.au, and to Aldi starting voluntary provision in November 2007.

Accordingly, the Association welcomes the introduction by Senator Fielding of the Unit Pricing (Easy comparison of grocery prices) Bill 2008 into the Senate as a private senator's Bill and the Queensland government's recent announcement that it intends to require supermarkets to provide unit prices.

THE CASE FOR A COMPULSORY UNIFORM NATIONAL HIGH QUALITY UNIT PRICING SYSTEM

The Association endorses the case for unit pricing in general and compulsory provision in particular presented in Senator Fielding's second reading speech.

Consumers can use unit prices to make a variety of comparisons when choosing grocery products. For example, they can compare:

- Sizes and brands of a package type within a product type, for example jars of jam
- Sizes and brands between product types, for example butter versus margarine
- Product form within a product type, for example fresh versus frozen salmon steaks

- Product form between product types, for example fresh and frozen salmon steaks versus fresh and frozen barramundi fillets.
- Types of packaging within and between product types, for example unpackaged cheese with pre-packaged.

Unit pricing also assists consumers to recognise when manufacturers keep prices constant but reduce package sizes. Currently, in the USA many manufacturers are using package downsizing to avoid having to increase prices. Consequently, it is likely that more Australian manufacturers will also start to downsize package sizes. In a recent US case, the old package was labelled “big” and the downsized “giant” – hardly consumer friendly. As noted by a US consumer advocate, perhaps the next downsized version of this product will be labelled “Gargantuan”!

Overall, unit pricing increases the transparency of prices and makes it easier for consumers to assess value for money.

As a result, competition between manufacturers and between retailers increases thus helping to reduce price inflation.

Without unit price information, consumers have to do the calculations themselves and understandably few do this and rely on rules of thumb about “value for money” such as larger sizes are always the lowest unit price. Yet, as indicated by our research and highlighted in Senator Fielding’s second reading speech, often, these assumptions are incorrect.

The value of the time consumers can save is also significant. The following extract from a letter published in the Brisbane Courier Mail on 1 July 08 illustrates this very well

I have better things to do with what little time I have left on Earth than stand in a grocery aisle indulging in mental gymnastics. Bring on unit pricing.

Experience overseas is that high proportions of consumers use unit price information and that awareness and usage increase if the information is displayed prominently, easy to read, in user-friendly units, and is accurate.

Consumers will use unit pricing in numerous ways. Some will use it to reduce their expenditure on grocery items thus releasing money for other uses. Others may spend about the same amount but get more for their money. Others may even increase their total expenditure if they choose to buy more products with higher unit prices. But, overall consumers and the economy benefit.

Our research, mentioned in the second reading speech, shows that for 25 pre-packaged grocery items, by buying only brands and sizes with the lowest unit price consumers could reduce a \$94 grocery bill by almost 50 per cent.

Compulsory rather than voluntary provision of unit prices is required for the following reasons several of which are mentioned in Senator Fielding’s second reading speech:

- 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.

In this regard, the Association wishes draw to the committee's attention the fact that Aldi's system and Woolworth's' current trial in a Sydney supermarket, both of which are voluntary, do not fully meet consumer requirements, (see Appendix 2) especially regarding presentation of information and units of measurement.

ASSESSMENT OF THE BILL

Overview of legislation

The Bill appears to amend the National Measurement Act 1960 to:

- Make the provision of the unit price of grocery products compulsory for large stores (small stores and certain other retailers are exempt).
- Define grocery products by broad categories
- Require the units of measure for the indication of unit prices to be per kg, litre, metre, sq metre or cubic metre - if sold by count the unit is per item
- Specify how the unit price information shall be displayed on shelf labels.
- Require unit prices to be shown on adverts, internet etc. showing selling price
- Require retailers to provide consumers with information about unit pricing and how it can be used
- Require unit prices to be rounded to the nearest 0.1c (if less than \$1).
- Provide for penalties, injunctions, etc for non compliance
- Provide for the issue of minimum standards, guidelines etc.

General Assessment

Based on the Association's understanding of it, the Bill would give Australia a compulsory national, uniform high quality system of unit pricing for pre-packaged grocery items sold at large grocery stores.

Furthermore, the provisions appear to fully or partially satisfy all of the Association's 10 minimum requirements for any unit pricing system.

The Association is particularly supports the following features of the proposed system:

- specific minimum standards for the size of the unit price information on shelf labels (needed to ensure that consumers are aware of and encouraged to use the unit prices and to ensure that retailers do not make the size of the unit price information very small relative to that of the selling price)

- the units of measure used to indicate the unit price of products sold by weight must be per kg and if sold by volume must be per litre (Australians are very familiar with these units of measure which also maximise differences in unit prices)
- a unit price must be shown for products sold by number (many packaged grocery products are sold by number)
- the unit price must be shown in advertisements showing selling price and for internet sales (needed to facilitate comparison of unit prices between products and stores)
- retailers must provide information to assist consumers to use unit price information (unit prices can be used in several ways so consumers need help to learn how to use information)
- penalties etc for non-compliance by retailers and setting of standards for retailer performance (needed to ensure that high standards are achieved so that consumers have confidence in the system).

However, the Association considers that the some provisions may require modification or new provisions may be required.

These are discussed below.

Specific Issues

Definition of grocery products and exempt stores

It is not clear from the legislation whether unit prices must be provided only if a store sells a **range** of grocery products. This is the approach proposed for the Queensland government system. Page 6 of the Queensland RIS states:

However, retailers of grocery products will only be captured by the unit pricing scheme if they sell a range of the items identified above, but part of the range must include staple foods. It is not intended to extend the unit pricing scheme to specialty stores such as hardware, pharmacies and pet stores.

If this is the approach intended for this legislation, something similar should be included in the Bill.

Unit pricing of products sold by number

The definition of unit price for products sold by count is for an individual item of the product. Because the number of items in a pack may vary greatly it is desirable to vary the number used for unit pricing purposes according to the number of items. For example for 1 to 9 items in the pack the unit could be per each, for 10 to 99 the unit could be per 10 and for 100 and over the unit could be per 100. Such an approach would be very consumer-friendly for most such products, for example nappies and batteries. It could also be applied to many paper products, for example napkins, tissues, and sheets of toilet paper.

Standards for the display of unit prices

The quality of the presentations of unit price information is crucially important and has huge effects on consumer awareness and use of the information. Consequently, compulsory national standards are needed for the major components of presentation. For example, overseas experience shows that when only general guidance on size of print is

given in regulations, for example “clearly legible”, the size varies greatly between retailers and often is far too small.

The Bill deals well with a key aspect of quality of presentation – size of print - by requiring that on shelf labels the minimum size of the print used for the unit price must be the greater of 10 mm or 50 per cent of that of the selling price. This should ensure that consumers can read easily shelf labels at any height. The 10 mm minimum is required currently by state regulations on unit pricing of random weight packages of some foods.

However, overseas, especially in the USA several other elements of presentation on shelf labels and other in store signage are specified in regulations. These elements include:

- location of the UP info
- coloured backgrounds
- use of words "unit price"
- monetary units (\$ and cents)
- words and abbreviations (per or /, c or cents, etc)

To ensure that Australia has that best system of presentation of unit prices on shelf labels, we recommend the federal government to commission, as a matter of urgency, independent practical research on the most effective presentation of unit price information on shelf labels, on other in store price signage, and in written advertisements (although less important, the research could also cover presentation for internet selling). The principle objective of the research should be to maximise the ability of all types of consumers to be aware of and use the unit price information. Consumers should be involved in the design of the research and there should be public consultation on the results.

Rounding of unit prices

Rounding of unit prices above and below \$1 should be allowed only to the nearest cent (18ZZM). Rounding to the nearest 0.1 cent is not consumer consumer-friendly and is difficult to read.

Enforceable standards for voluntary provision of unit prices of grocery products after the start date for compulsory provision.

Overseas experience shows that some exempt stores will voluntarily provide unit prices. Therefore, to ensure that such store systems meet consumer needs and uniformity, any such voluntary provision for grocery products should be required to meet any standards etc for compulsory provision.

Retailer provision of information about unit pricing

Section 18ZZI appears to require all retailers to provide consumers with information about unit pricing. If so, the section should be modified to require this only when unit pricing is being provided, including voluntary provision by exempt stores.

Titles and object of Act

The words “sold by measure, weight or volume” currently used do not appear to adequately describe what the Bill covers, especially since there is no mention of products

sold by number. Possible replacement words are “sold by measure” – implying that by number is also by measure – or “sold by weight, volume, length, area or number”.

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

APPENDIX 1. 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.

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

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”.

Key findings

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

APPENDIX 2: Minimum standards* for unit pricing of prepackaged grocery items by Australian supermarkets

Queensland Consumers Association

3 June 2008

(Based on results of Churchill Fellowship undertaken in 2007 to study unit pricing in the USA and Europe and discussions with other Australian consumer advocates)

1. Unit prices must be displayed prominently and clearly on all in-store price signs. On shelf labels the font must be the greatest of either 10 mm or 50 per cent of the font of the selling price. Minimum standards should also apply to the presentation of unit price information on other in-store price signs.
2. The measurements used to indicate the unit price must be either per kg, litre, metre, sq metre, cubic metre, or (for products sold by count) per item. (However, the unit used for products sold by count, for example toilet and facial tissues, must be relative to the number of items in the package).
3. The same unit of measure must be used for all sizes of the same product.
4. The unit price must be shown even if the unit price and the selling price are identical.
5. Unit prices must be provided for the maximum possible number of grocery products.
6. Unit prices must be shown for products sold on “special” or other “promotions” as well as at regular prices.
7. Unit prices must be shown clearly on printed advertisements showing the price of a product sold by measurement
8. Unit prices must be provided for groceries ordered on the internet as well as those purchased in-store.
9. Minimum standards must be set and monitored.
10. Initial and on-going consumer education programs must be undertaken.

*To apply to compulsory or voluntary provision.