8 July 2008

Committee Secretary
Senate Economics Committee Department of the Senate
PO Box 6100 Parliament House
Canberra ACT 2600

Dear Secretary

Re: Inquiry into the Unit Pricing (Easy comparison of grocery prices) Bill 2008

Woolworths welcomes the opportunity to provide the following submission to the Senate Economics Committee inquiry into the Unit Pricing (Easy comparison of grocery prices) Bill 2008.

As a leading grocery retailer in Australia, Woolworths supports a nationally consistent framework for the introduction of unit pricing for all grocery-focused retailers. Simple unit price measurements of 100 ml or 100 g applied meaningfully will enable consumers to compare items within product ranges and across stores.

Scheme design is essential in ensuring the timely introduction of unit pricing at least cost to business and consumers. Scheme requirements must be sufficiently flexible to allow retailers to introduce unit pricing within their current store designs and using their current technology platforms. An overly prescriptive model will place an unfair burden on business and hinder the benefits available to consumers. This is particularly the case for the large retailers with in excess of 20,000 items that would be impacted by these changes.

Woolworths believes a self-regulated model with broad parameters set by government is the best approach. This will enable retailers to cost-effectively introduce unit pricing, quickly.

We have a number of practical concerns about the proposed scheme design outlined in the Bill and urge the Committee to consider the business implications of any decision.

If you have any questions regarding the matters raised in the submission, please contact me on 02 8885 3446 or nsamia@woolworths.com.au

Yours sincerely

Nathalie Samia
Group Manager – Government Relations
Woolworths Limited

WOOLWORTHS LIMITED

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Inquiry into the Unit Pricing (Easy comparison of grocery prices) Bill 2008

7 July 2008

1 Executive summary

Woolworths Limited is made up of some of the most recognisable and trusted brands in retailing, serving millions of customers every day with great choice, low prices and excellent quality. As a group across Australia and New Zealand, Woolworths Limited has more than 3000 stores and 180,000 employees.

Woolworths supports the introduction of unit pricing in supermarkets to help consumers compare prices and determine value. We have introduced unit pricing across our New Zealand supermarkets and are trialling the system in our Baulkham Hills store. This is not an insignificant task. Appendix 5.2 shows a sample label featuring a before and after comparison of unit price sizes. Efforts to configure our labelling systems to increase the unit size have taken four months. This is an ongoing effort and we will continue to make improvements so these sizes can increase. Based on the success of this trial, we intend on introducing unit prices across our Australian supermarkets.

We believe the best outcome for consumers will be achieved in a self-regulated model. Setting broad parameters and then allowing grocery-focused retailers to manage the implementation according to their store design and technology systems will ensure a rapid introduction at least cost. In contrast, implementing the current changes within our supermarkets business under the proposed amendments to the National Measurement Act (NMA) would be a time consuming and expensive exercise that is estimated to cost Woolworths $30 million in store redesign and technology upgrades.

Flexibility is particularly important for larger supermarket operators which have in excess of 20,000 items that would be impacted by an overly regulated scheme. Consumers will also benefit from a flexible model. A strict unit pricing regime will make it difficult for retailers to provide last minute marked down prices. Locations that do not allow Sunday trading will be most affected by this change as supermarkets in these locations heavily rely on end of day mark downs to clear fresh produce in packs. These items will ultimately be discarded if they cannot be sold, creating significant levels of unnecessary waste being diverted to landfill.

Broad parameters set by government should include unit pricing per 100 ml or 100 g on items where it is useful. Single item products or products that are not measured in weight should be excluded. Fresh produce should also be excluded as these items are mostly priced by weight and there are few comparisons across categories.

When determining which retailers should be included in the scheme, the government should focus on the purpose of the retailer rather than the size of the outlet. Unit pricing should only apply to outlets whose primary purpose is to sell groceries. The current bill would apply to grocery items sold in our Big W, Dan Murphys and some Woolworths' petrol outlets. These brands operate using different store layouts and IT systems. Upgrading these layouts and systems would cost considerably more with minimal benefits to consumers given these stores are not typically used for grocery shopping.

While unit pricing is a simple concept, implementing the system presents a range of complications that must be considered in any scheme design. Rounding errors, product definitions, the treatment of 'pack' packaged goods, and shelf and label sizes are among

the challenges that must be addressed. More detail on the various considerations has been provided in this submission. Self-regulation will ensure retailers can design a practical system that best suits their unique environment.

The Australian government would be wise to learn from its European peers who allowed for a nine year transition period when introducing unit pricing. Recognising the inherent challenges of a strictly regulated unit pricing scheme, European regulators waived the obligation to indicate the unit price where it was not useful or was possibly confusing.

In addition to designing a practical and effective unit pricing scheme, Woolworths urges the Federal Government to work with its state counterparts to develop a nationally consistent regulatory framework. Multiple unit pricing schemes with multiple enforcement mechanisms would impose an unfair and unnecessary cost to business that will ultimately disadvantage consumers.

2 Important considerations

2.1   Font sizes

The Bill stipulates the unit price font size must be the greater of 10mm or 50% of the font size of the selling price. This requirement is impractical for a number of reasons.

The size of Woolworths' supermarket labels accommodates sale price font sizes of between 5mm and 23mm. Fulfilling the unit price size obligation would force retailers to reduce the size of other items on the label such as description, unit of measure and the true price of the item. Large unit pricing may also confuse customers who may misinterpret the unit price as the actual price with the likely effect of increased customer inquiries. Including a unit price of 10mm will be practically impossible in some cases and confusing in many. A list of our ticket price fonts is included in the appendix.

Font size guidelines may also impede our ability to fulfil our obligations under the Food Standards Code, Standard 1.2.9 pertaining to legibility requirements for packaged foods. This standard states labels must be 'in a size of type of not less than 3mm or in the case of a small package, in a size type of not less than 1.5mm'. This applies to all items on a package, including NIP, ingredients, country of origin, company name, address etc.

In addition, Standard 1.2.11 (country of origin labelling for food that is unpackaged ie bulk) states the label's font size must be at least 9mm (this is in Produce where the tickets are large) or where the food is in an assisted service refrigerated display cabinet, the label's front size must be at least 5mm.

A regulated font size of a minimum 10mm will also cause issues for shelf displays and could ultimately reduce shelf sizes and product ranges. This may have the unintended impact of driving customers to private label or generic branded products, significantly impacting manufacturers of branded products.

In Division 2 18ZZL (3) the Bill references the need for unit price to predominate the price per supplementary quantity. Woolworths requests a clarification on the definition of price per supplementary quantity.

Font size requirements should also accommodate regulations pertaining to tobacco regulations that specify maximum font size, ticket size and wording

2.2   Rounding errors

The Bill requires retailers to provide accurate unit prices to the nearest 0.1 cent for unit prices below $1 and to the nearest 1 cent if the unit price is greater than $1. This requirement has the potential to conflict with the Trade Practices Act. Rounding the unit price down will indicate a sale price that is less than actual, while rounding up indicates a sale price greater than actual. Woolworths has always adopted a conservative approach and rounded up. In any case, rounding has the potential to contravene Division 2 18ZZK (2) which states the unit price indicated by the retailer must be accurate. Greater clarification on the definition of accurate and its relationship with rounding is therefore required.

2.3   Handling items in packs

The Bill notes unit pricing does not apply to an assortment of different items sold in a single package. This area needs clarification to ensure a clear interpretation. For example this exclusion could apply to nested plastic storage containers, hardware such as mixed packs of nails, screws, nuts, bolts, or BBQ packs of meat that include steak, sausages and chops. Each of the individual items has different unit prices when sold separately. The different thickness and paper quality of toilet paper suggests this item should also be excluded.

The handling of pre-packaged fruit and vegetables must also be considered in this context. It is unreasonable to re-pack items such as soup packs comprising carrots, swedes, onions etc. Any legislation must therefore consider how the unit price is calculated on these mixed package items.

2.4   Measuring drained weight

The requirement to provide the unit price of the net drained weight of items is costly and impractical. Net drained weight is currently not required in Australia under the NMA or the Uniform Trade Measurement Legislation. If this becomes necessary, manufacturing process may be significantly impacted to provide a consistent drained weight and include this information on labels so retailers can calculate the unit price.

Moreover, consumers are not familiar with comparing net drained weight items. This requirement will not only be impractical, it will be confusing and unhelpful for consumers.

2.5   Information displays

The Bill requires retailers to display posters and pamphlets explaining unit pricing. Information must be unambiguous, clearly visible and located in multiple locations. To ensure consistent communication to consumers, Woolworths recommends these materials be provided to grocery retailers for placement in their stores.

2.6   Fair handling of breaches

The proposed amendments to the NMA do not exclude or limit concurrent state or territory unit pricing laws. This potentially means that two or more fines could be issued for the same breach. Woolworths believes this is an unfair arrangement and the Bill should be amended accordingly.

2.7   Fresh food implications

Introducing unit pricing for fresh food presents a range of complications primarily because these items are already considered bulk items. These products are also often discounted at the end of the day, particularly in locations that do not allow Sunday trading. Calculating accurate unit pricing at the end of a busy Saturday trade will be largely impossible, creating a disincentive for retailers to pass on discounts to consumers. Inhibiting our ability to move these fresh items at the end of trade will likely increase waste being diverted to landfill. This applies to meat and bakery items, as well as fresh fruit and vegetables.

Pre-packed fresh food will also be impacted, particularly in instances where prices cannot be compared for example frozen corn cobs sold by weight and fresh core cobs sold as an each item.

3 Recommended parameters

Woolworths recommends government set broad parameters that allow grocery retailers to implement the unit pricing system in a way that is most effective for their business. These parameters should apply to all grocery retailers nationally to reduce complexity and the risk of non-compliance. These parameters will also ensure a consistent and familiar experience for consumers. The recommended parameters include:

- Unit pricing per 100 ml or 100 g, which is consistent with nutritional information – a format with which consumers are familiar (see appendix 5.3). These benchmark metrics will ensure comparisons are meaningful, particularly with regards to low-weight products. The current requirement of kilogram, litre and metre would create a nonsensical unit price for an item such as saffron, for example, which would be $133,000/Kg for a 0.1g package.
- Unit pricing to be applied where it is useful for consumers ie single item products or products that are not measured in weight should be excluded.

- When determining which retailers should be included in the scheme, the government should focus on the purpose of the retailer rather than the size of the outlet. Unit pricing should only apply to outlets whose primary purpose is to sell groceries.

These parameters and comments made in section 2 above reflect the situation in Europe where retailers can "waive the obligation to indicate the unit price in the case of products for which such price indication would not be useful or would be liable to cause confusion for instance when indication of the quantity is not relevant for price comparison purposes, or when different products are marketed in the same packaging". Moreover, retailers in Europe were given nine years to transition to the new system.

4 Conclusion

Woolworths supports the introduction of grocery unit pricing in Australia for grocery-dominated retailers. We believe consumers will benefit from a self-regulated model that sets broad parameters and allows retailers to introduce the system at least cost. A self-regulated model will ensure consumers enjoy the benefits of unit pricing sooner while continuing to benefit from end of day markdowns.

5 Appendix

5.1 Ticket price font information

The following table lists the ticket price font information for all labels displayed within Woolworths' supermarkets. The Bill stipulates the unit price font size must be the greater of 10mm or 50% of the font size of the selling price. Given the sale price on many of Woolworths' labels is 10 mm or less, this requirement is likely to cause significant consumer confusion while compromising our obligations under the Food Standards Code

Template ID	Template Description	Sell Price Vaue	Sell Price Font Type	Sell Price Font Size- Scalable	Sell Price Height
L01B	Standard Shelf Label	$0.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$9.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$99.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$999.99	HelveticaNeue Lt 97 BlackCn	Scalable	7mm
		$9,999.99	HelveticaNeue Lt 97 BlackCn	Scalable	5mm
L02B	Small Shelf Label	$0.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$9.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$99.99	HelveticaNeue Lt 97 BlackCn	Scalable	10mm
		$999.99	HelveticaNeue Lt 97 BlackCn	Scalable	7mm
		$9,999.99	HelveticaNeue Lt 97 BlackCn	Scalable	5mm
S34B	Special 4p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	23mm
		$9.99	HelveticaNeue Lt 95 Black	Scalable	22mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	

		$999.99	HelveticaNeue Lt 95 Black	Scalable	
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	
S10B	Special 9p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	19mm
		$9.99	HelveticaNeue Lt 95 Black	Scalable	18mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	18mm
		$999.99	HelveticaNeue Lt 95 Black	Scalable	14mm
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	11mm
S11B	Special 16p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	13mm
		$9.99	HelveticaNeue Lt 95 Black	Scalable	14mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	12mm
		$999.99	HelveticaNeue Lt 95 Black	Scalable	9mm
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	8mm
S36B	Rollback 4p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	24mm
		$9.99	HelveticaNeue Lt 95 Black	Scalable	24mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	
		$999.99	HelveticaNeue Lt 95 Black	Scalable	
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	
S13B	Rollback 9p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	16mm
S73B	Rollback Date 9p/p	$9.99	HelveticaNeue Lt 95 Black	Scalable	16mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	15mm
		$999.99	HelveticaNeue Lt 95 Black	Scalable	12mm
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	10mm
S40B	Rollback 16p/p	$0.99	HelveticaNeue Lt 95 Black	Scalable	9mm
S74B	Rollback Date 16p/p	$9.99	HelveticaNeue Lt 95 Black	Scalable	9mm
		$99.99	HelveticaNeue Lt 95 Black	Scalable	9mm
		$999.99	HelveticaNeue Lt 95 Black	Scalable	7mm
		$9,999.99	HelveticaNeue Lt 95 Black	Scalable	8mm

5.2   Sample unit pricing labels

Below are sample labels comparing Woolworths' original unit price sizes and new unit price sizes. Efforts to configure our labelling systems to increase the unit size without compromising other information on the label have taken four months. This is an ongoing project and we will continue to make improvements so these sizes can increase.

Original tickets labels

WHISKAS MILK PLUS
REGULAR 375ML   *current.*

1.43

06M01   12   653

ea
$0.39 per 100ml

New ticket labels

PETERS LIGHT/CREAMY
ICE CREAM VANILLA 2L   *mock up*

4.99

06M01   6   9841 $0.25 per 100ml

ea

5.3   Nutritional labels

The following nutritional label demonstrates the font size and benchmark metrics with which consumers are familiar.