

ACCC

- When Kevin Rudd made the commitment to establish the website prior to the last election, he said: 'Surveys will be conducted in all states, in both metropolitan and regional areas, and will provide the ACCC with the pricing information it needs to identify whether there are indications of breaches of the Trade Practices Act that require further investigation.' (11 July 2007)
 - While you were running the website, did any of the pricing information you received suggest any breaches of the Act?

No.

- Now that the GroceryChoice website is no longer in existence, can you provide to the committee details of the list of stores sampled and the details of the products for which data was collected?

No. Prior to commencing data collection, the ACCC advised that only average grocery basket prices for each supermarket group would be published in each region. The ACCC also advised that the individual supermarkets surveyed and products/ prices would not be made public.

- Could you detail what sort of stakeholder consultation activities you undertook when developing the website? What feedback and advice did you receive about the website from various supermarket groups and industry representation bodies in your meetings with them? How frequently did these meetings occur?

The ACCC consulted informally with a range of parties in relation to different aspects of the proposed monitoring of grocery prices.

Advice was received on a range of issues including: methodological approaches, product selection, supermarket selection, 'like-for-like' quality comparisons, treatment of various pricing issues, access to stores, accuracy of data collection, and presentation of data.

Consultation was held throughout the development of the website on an as required basis.

- NARGA claims that the ACCC undertook to seek 'expert advice' on the issue of collecting accurate data for comparison of fresh food prices. From whom did you seek advice on this matter?

A number of the parties made representations relating to the comparison of fresh food prices during the consultations identified above.

- Did you pass on details of your consultations with industry to CHOICE when responsibility for the website was transferred?

No.

- Based on feedback and criticism you received from industry stakeholders and/or consumers, what changes or adjustments to the website did you make while it was under your control?
 - Apart from the separate listing of basket prices for the Supabarn supermarket chain in the ACT and Inner Sydney West regions, could you give examples of other adjustments that you made to the website based on feedback you received?

(a) In addition to the separation of Supabarn in the ACT and Inner Sydney West regions, the ACCC made a number of amendments to the website in response to user feedback. These amendments included;

- The addition of further factual information to the website to better explain the survey methodology and how to interpret results;
 - Amendments to the website maps to improve the graphical representation of the regions; and
 - IT programming amendments to improve user experience.
- Were there any suggestions for improvement of the website that you believed would enhance the website but would have caused you to run over budget? Or were you concerned more about limitations in your capacity as a regulator to implement suggested enhancements?

Following the launch of the GroceryChoice website, the Government decided that it wanted to give consumers more information through the website. The ACCC advised that as the regulator it was limited in the amount of additional information that it could present on the site. In particular, the ACCC advised that the addition of new features, such as the inclusion of 'specials', would create conflicts of interest for the ACCC whose responsibility it is to respond to complaints about false or misleading representations in advertising.

- Regarding your survey methodology, it is understood that you wanted to keep the specific products and supermarkets confidential to the ACCC to prevent manipulation by supermarkets. However, didn't this prevent the average consumer getting real

benefit out of the website, as they would not have known which specific store offered the cheapest prices, nor whether their desired items matched what was in the 'mystery' baskets?

The Grocerychoice website was designed to improve transparency in the grocery market and to help consumers locate the cheapest *overall* grocery prices and supermarket chain in their area without having to compare a large number of prices themselves. Data from the Australian Bureau of Statistics, and that supplied by the supermarkets to the ACCC Grocery Inquiry, was used to create a list of 500 products typically purchased by the average Australian household.

- In developing GroceryChoice, did you draw on any experiences from the ALP's 'price watch'? (i.e. the then Opposition Leader, Kevin Rudd, referred to the ALP's 'price watch' prior to the last election, with local members commissioning volunteers to conduct their own surveys of grocery prices and publishing the results).

No.

- Could you provide the details of all consultancy contracts that you had in place during your involvement with GROCERYchoice?

Company	Description of Service	Amount Expended (GST exclusive)
Bailey Group P/L	Develop field data collection process and undertake surveys on periodic basis.	1,455,042
Symbio Alliance	Undertake like-for-like testing of survey product items.	13,999
Getronics	Website design, development and hosting services	1,433,428
Cogent Business	Provision of advice on system architecture, design and technical project management.	87,147
Minor services	Legal advice on contracts; data protection software	41,983

Note: Bailey Group and Getronics contracts were transferred to Department of Treasury on 5 January 2009.

- What were your contract arrangements with The Bailey Group in relation to the website? Your list of Consultancy Contracts during the 2007-08 financial year lists them as having conducted a research survey on grocery prices for \$5,135,650.

. The Bailey Group Pty Ltd was contracted by the ACCC to undertake a monthly survey of approximately 500 grocery products from 600 supermarkets across Australia and to quality assure the data collected. The Bailey Group contract was for 2 years at a total contract value of \$5,135,650 (GST incl.) or \$4,668,772 (GST excl.). The ACCC expended \$1.46m (GST excl.) prior to the transfer of the contract to Treasury on 5 January 2009.

- What were your contract arrangements with National Field Services Millward Brown in relation to the website? Your list of Consultancy Contracts during the 2007-08 financial year lists them as having conducted a research survey on groceries for \$43,890.

Nil. The National Field Services Millward Brown contract was for work on the ACCC Grocery Inquiry.

- The FAQ on the website said that 'the 61 regions have been selected to ensure the survey is conducted across geographically identifiable areas, which are relevant to the lifestyles and shopping practices of Australian consumers.' How could the regions be said to be relevant to the 'shopping practices' of Australian consumers when some of them spanned distances of hundreds of kilometres?

. The selection of supermarkets was necessarily focussed on major regional centres in the larger regions to ensure that prices could be obtained for a sufficient range of products.

The stores in different regional and rural areas have many similarities, including on the one hand the higher cost of transporting dry grocery products from central warehouses, and on the other the ability to locally source fresh produce.

- How did the contracted price surveyors collect information independent of the supermarket chains?

Each price collector would make themselves known to the supermarket owner/manager prior to entering to the store. Following this they would independently collect the prices of the approximately 500 products using wireless 3G PDAs.

- You stated on the website that 'the sample of supermarkets included within the survey will be rotated on a regular basis.' Did this occur while the website was under your control? How often was it supposed to occur?

A number of supermarkets were rotated in and out of the survey on a monthly basis.

- How do you respond to NARGA's claim that small shops under 1000 square metres were included in the survey (some as small as 270 square metres, it is claimed)?

The selection of supermarkets for the Grocerychoice survey was *generally* restricted to those with a total floor area of greater than 1000 square metres. A small number of exceptions to this were required where a sufficient number of supermarkets of this size

did not exist, however, the survey was not aimed at collecting information from 'convenience' or 'express' stores.

During the process of initial data collection, a handful of the 600 stores surveyed were identified by industry as being smaller than desirable and removed from the survey list.

- Did you model the GroceryChoice website on any other grocery price comparison websites that are in operation elsewhere?

No.

- In your view, was the budget allocation to GroceryChoice sufficient to be able to provide information to consumers on supermarket prices in a meaningful and timely way?

The Grocerychoice website was designed to improve transparency in the grocery market and to help consumers locate the cheapest overall grocery prices and supermarket chain in their area. The budget allocation was sufficient to undertake a monthly survey of approximately 500 products from 600 supermarkets across Australia and to develop and maintain a dedicated consumer website on which to publish the results from the monthly survey.

- Would you have preferred to have implemented a website that had included a greater number of supermarkets and more regions?

Including a greater number of supermarkets and more regions would have required larger budget allocation which would have been a policy decision for Government.

- The GroceryChoice website noted that an 'independent product tester' had been engaged to ensure that the grocery products in each of the baskets are of the same quality. Could you elaborate on the role of the product tester in determining quality? Who did you contract to undertake the testing?

Symbio Alliance was contracted by the ACCC to undertake product testing. The bulk of the testing undertaken by Symbio Alliance involved an analysis of ingredients, nutritional information, weight and drained weight, and sensory evaluation.

- NARGA expressed a concern that the CHOICE-run version of the website could over time result in price-matching upwards and become anti-competitive – i.e. a retailer would not have an incentive to keep prices low if nearby competitors were selling a product at a higher price. What is your view of this? Was this the reason that your version of the website used 'mystery baskets' to prevent gaming by retailers?

(a) The ACCC has insufficient knowledge of the details of the intended CHOICE website to form a view. (b) The primary reason for not identifying the list of products in the survey was to maintain the independence of the price survey and to prevent manipulation of the results by the supermarkets.