

Executive Summary

The GROCERYchoice website was launched on 6 August 2008 by the Australian Competition and Consumer Commission (ACCC). Later that year, the Government announced that the consumer organisation, CHOICE, would take over responsibility for the website. CHOICE was to launch a new version of the website in mid-2009. However, a few days before it was due to launch, the Government announced on 26 June 2009 that the website project would be abandoned.

This inquiry has revealed that the Government's GROCERYchoice initiative was characterised by waste and mismanagement. It was designed to fulfil a hollow election promise to put downward pressure on grocery prices. However, it is clear that the aims of the website were not going to be achievable. The poorly-designed ACCC website collected data in 61 regions across Australia, some of them covering tens of thousands of square kilometres, bearing no resemblance to real-world consumer shopping patterns. The difficulties in making like for like comparisons across fresh produce and different private label products also undermined the ACCC website's effectiveness.

This inquiry into the GROCERYchoice website has also raised questions about the legitimacy of the tender process run by the ACCC.

The committee has serious concerns about the thoroughness of the ACCC's evaluation process for the GROCERYchoice data collection contract. The time pressure that the Government placed on the ACCC to launch the website clearly led to hasty decision-making and little consideration of the potential saving to the taxpayer of \$2.7 million (the cost differential between the two data collection bids).

It appears that at least \$2.7 million could have been saved if the Government had been more flexible and kept its eye on the ball. The launch date for the website was arbitrary and politically motivated.

While not suggesting a lack of integrity on the part of Retail*Facts, the company that won the contract, the committee is disappointed by the ACCC's apparent indifference to the risks inherent in Retail*Facts' simultaneous data collection activities for Woolworths.

Recommendation 1

The committee recommends that the Commonwealth Auditor-General investigate the tender process undertaken by the Australian Competition and Consumer Commission in relation to the data collection contract for the GROCERYchoice website.

The ACCC's decision not to undertake any in-field checks of Retail*Facts' price collection, as authorised by the contract, is particularly concerning to the committee.

This lack of due diligence on the part of the ACCC leaves open the possibility that the integrity and secrecy of the GROCERYchoice data may have been compromised.

Recommendation 2

The committee recommends that the Australian Competition and Consumer Commission take more care in the future to monitor and assess the performance of contractors that undertake data collection on its behalf.

When the Government announced on 26 June 2009 that it was abandoning the GROCERYchoice website, the Minister for Competition Policy and Consumer Affairs, the Hon. Dr Craig Emerson MP, stated that the Government would hold discussions with supermarkets about the possibility of an industry-operated grocery price data website. Since then, neither the Government nor the major chains have reported any further developments on such a website.

Recommendation 3

The committee recommends that the Government reveal its plans for an industry-operated grocery price data website.

The committee also believes that Dr Emerson demonstrated a lack of professionalism in his decision to announce the scrapping of the GROCERYchoice website, just days before its scheduled re-launch, without having forewarned CHOICE or provided an opportunity to respond. His behaviour lacked a clear sense of transparency or fair play, having not had the courtesy to speak to representatives of CHOICE prior to publicly announcing that the Government was terminating its contractual arrangements.

Recommendation 4

The committee recommends that the Government note the unfair manner in which its contractual arrangements with CHOICE were prematurely terminated by the Minister for Competition Policy and Consumer Affairs, the Hon. Dr Craig Emerson MP, without affording CHOICE a right of reply, and ensure that such unprofessional and discourteous conduct does not occur again.

The committee is also of the view that the generalised information disseminated by the ACCC through the GROCERYchoice website was prejudicial and unfair to independent retailers, which do not and cannot operate to the same economies of scale as major chain supermarkets.

The *Mercury* published an article the day after the launch of GROCERYchoice, comparing the costs of grocery baskets at the major retailers and independents. The article also reported that the Chairman of the ACCC, Mr Graeme Samuel, had said that the website only compared supermarkets that were 1 000 square metres or larger. However, this inquiry has heard evidence that much smaller independent supermarkets had been included in the ACCC's surveys.

Recommendation 5

The committee recommends that both the Government and the Australian Competition and Consumer Commission note that the operation of the GROCERYchoice website was prejudicial and unfair to independent retailers.

Recommendation 6

Additionally and specifically, the committee recommends that the Australian Competition and Consumer Commission apologise to Tasmanian Independent Retailers for unfairly comparing small independent retailers to major chain supermarkets in its price surveys for the GROCERYchoice website, thereby disadvantaging smaller operators and contributing to undeserved negative press in the *Mercury* on 7 August 2008.

The committee is also concerned about the potential for breaches of the *Trade Practices Act 1974* in the role played by the Australian National Retailers Association (ANRA) during negotiations with CHOICE about the GROCERYchoice website and believes the matter warrants further investigation.

Recommendation 7

The committee recommends that the Australian Competition and Consumer Commission investigate any potential breaches of the *Trade Practices Act 1974* in relation to the role played by the Australian National Retailers Association in negotiations with CHOICE on the GROCERYchoice website.

Overall, the committee believes that GROCERYchoice was a shocking waste of taxpayers' money, clearly demonstrating the Government's apparent disregard for obtaining value for money. Public funds should not have been spent on GROCERYchoice without having a clearer idea of the goals of the website and the practical feasibility of attaining them. GROCERYchoice has provided little information of use to consumers, as can be seen by the sharply declining drop in website use. The total cost to date of this failed experiment is \$7.7 million with an estimated contingent liability of \$700 000, although this may vary depending on the deliberation over the Government's unilateral termination of the CHOICE contract. The status of any possible further litigation by CHOICE or other contractors remains unclear. The Government appears not to have learnt any lessons from the failed FuelWatch experiment.

Recommendation 8

The committee recommends that the Government learn from this episode of waste and mismanagement and ensure that such inappropriate and careless spending does not occur again in the future, noting that now, more than ever, value for money for the taxpayer should be a top priority.

