



August 16 2018

Senior Commissioner Joe Dimasi  
Independent Competition and Regulatory Commission  
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Dear Commissioner Dimasi

**Re: SUBMISSION by National Retail Association in response to: “Issues Paper: Container Deposit Scheme Price Monitoring”.**

The National Retail Association (NRA) welcomes the opportunity to provide feedback on the Independent Competition and Regulatory Commission (ICRC) Issues Paper in relation to the Container Deposit Scheme Price Monitoring in ACT. NRA is supportive of the Environment Minister’s objective to reduce litter, with retailers and customers alike sharing the concern about the harmful impact of littering on the environment.

Under this scheme, consumers who return empty eligible beverage containers to Return and Earn collection points receive a 10-cent refund per container. Only the containers likely to end up as litter are eligible – generally bottles, cans and cartons in sizes that are often consumed outside the home.

We understand that the ACT Government has asked ICRC to monitor and report on the impacts of the CDS over the first year of its operation. However, it should be noted that the existence of a charge payable by suppliers would naturally result in an increase to the price of goods, even though every effort is being made by retailers to keep prices low and stay competitive.

## **Background**

The National Retail Association (NRA) is Australia's most diverse retail industry organisation, servicing close to 20,000 stores and outlets nationwide. We are a not-for-profit organisation built on strong relationships with our members.

We exist to help retail and service sector businesses comply with an ever-changing and growing regulatory environment. Our services are delivered by highly trained and well-qualified in-house experts with industry specific knowledge and experience. We provide professional services and critical information right across the retail industry, including the majority of national retail chains and thousands of small businesses, independent retailers, franchisees and other service sector employers.

Members are drawn from all of the sub-categories of retail including fashion, groceries, department stores, household goods, hardware, fast food, cafes and personal services like hairdressing and beauty. NRA has represented the interests of retailers and the broader service sector for almost 100 years. Our aim is to help Australian retail businesses grow.

## **Price Factors**

For most retailers and suppliers, a review of pricing would occur once every three, six or twelve months depending on the retailer, supplier, the agreement, the products in question etc. We believe that this is an important consideration when reviewing retail pricing, as the difference of pricing over time may not be a like-for-like comparison of the current handling fee. However, competitive forces operate so that all efforts are made by retailers and suppliers to offer the most competitive price possible.

The NRA is dubious about the looking at beverage pricing in isolation as there are no conclusions that could reliably be drawn from such an analysis.

A retailer will often change the prices of the various products they stock in order that they might realise the greatest margin for the business. This will necessarily involve a number of products and a range of moveable prices. It will not always involve beverage products and could, for example, be the case that a convenience store has kept soft drink prices the same, while chocolate bars have increased in price. This proposal assumes that retailers would only seek to offset lost margin by increasing prices in similar products (ie beverages).

Further, it is a dangerous assumption to assume that retail pricing strategies are coordinated across all beverage categories. Whilst that may be an ideal scenario, many of our members are simply not that coordinated and will run promotions and offers ad hoc as they see fit for any number of reasons.

## Other price factors

Outside of specifically reviewing the impact of the CDS, ICRC should be aware of other factors that influence pricing on such products:

- **Product makeup and changes:** many factors influence price, including the ingredients that are included in the product itself. Given that the price of these raw ingredients may change over time due to a variety of external factors (which suppliers and retailers often address by way of average pricing to avoid the need to fluctuate supply and retail pricing), the retail price may subsequently change as well.
- **Product costs by jurisdiction:** while many national retailers attempt to align the retail price of products from one state or territory to another, some situations mean that this cannot happen, and that the price will be different. This may be for a variety of reasons, such as the costs of logistics to move product (which would vary from one jurisdiction's geography to another), the volume that is traded in various jurisdictions of a particular product (affecting economies of scale) or the level of competition within one area or another. As a result, it is important that ICRC does not compare prices for ACT products to other jurisdictions, given the multitude of differences that may impact prices.
- **Promotional activity:** The highly competitive nature of the beverage industry is reflected in the fact that promotional activities on various products is par for the course for most retailers, some of whom may have sold products at a discounted price during the holiday period (when most other stakeholders are increasing their prices to a higher amount due to the CDS). These promotional activities on specific lines are temporary, however, with prices then returning to a more workable amount at a later date. Consideration is needed for this practice, as while it might appear to be a significant increase in price after the CDS has been implemented, it is actually a correction with the intent of offering a competitive price to a consumer.

## Promotions

The beverage sector is heavily reliant on promotional activity and it is not uncommon for beverages to be sold at half price to promote customer activity. In the case where price plays a role, the sensitive consumer may choose to purchase a lower cost brand rather than going without. Given this distinctive market behaviour, there would be no way of accurately accounting for any change in consumer behaviour in the short time the scheme has been in operation.

We understand the Government's concern about possible price gouging in the wake of the introduction of CDS, but we expect that a price comparison will show prices have risen by less

than 15 cents per unit in most cases. Due to the very competitive nature of consumer goods retailing, at least some of the cost will be absorbed by the retailer and supply chain. Even if the price changes are greater than 15 cents per unit, this would still not allow any reliable conclusions, given that a number of factors impact the pricing decision, and timing of changes.

Finally, this analysis would not on its face identify those retailers who may have had the planning and financial capacity to buy large amounts of stock from suppliers at the price before the CDS charge was implemented. Those retailers could continue to sell at a lower retail price, or rather they may be the ones who are benefiting most as they increase their retail price but continue to sell stock at supply prices which exclude the CDS levy.

Sincerely,

A handwritten signature in black ink, appearing to read "D Stout", written in a cursive style.

**David Stout**  
Manager Policy  
National Retail Association