

ARA & NRA SUBMISSION

STRENGTHENING THE UNIT PRICING CODE

September 2025

The Australian Retailers Association (ARA) and National Retail Association (NRA) welcome the opportunity to provide a submission to Treasury's consultation on strengthening the Unit Pricing Code.

The ARA and NRA, which propose to amalgamate to form the Australian Retail Council (ARC), represent a \$430 billion sector, and employs 1.4 million Australians – making retail the largest private sector employer in the country and a significant contributor to the Australian economy.

Our membership spans the full spectrum of Australian retail, from family-owned small and independent retailers that make up 95% of our membership, through to our largest national and international retailers that employ thousands of Australians and support both metropolitan and regional communities every day.

With a significant portion of every dollar spent in retail flowing back to employees, suppliers, super funds, and local communities, a thriving retail sector benefits all Australians. After a uniquely challenging five-year period, which has had significant impacts on the sector, we are united in advocating for policies, reform and collaboration that will drive growth, resilience, and prosperity for the retail sector and all Australians.

EXECUTIVE SUMMARY

Unit pricing continues to play an important role in helping consumers compare value across grocery items. While the Code remains a strong foundation, there is significant opportunity to deliver both a clear increased consumer benefit as well as reduce regulatory complexity for retailers.

We also note that this consultation sits alongside broader government reform efforts under the *National Competition Policy review*, the *Productivity Commission's five-pillar inquiries*, and the *Economic Reform Roundtable*, all of which prioritise cutting red tape and making it easier to do business. Any changes to the Code should reinforce, not undermine, these priorities.

Our key positions are:

- **Scope:** Coverage should continue to apply to large-format supermarkets over 1,000 m²; retailers covered by the Food and Grocery Code; and any retailer with annual grocery turnover above \$5 billion.
- **Display Requirements:** Support clearer, principles-based guidance on prominence and legibility. Oppose prescriptive rules on font size, type or placement, which would require costly system changes, stifle innovation and likely have the unintended consequences of making information less clear for consumers.
- **Consistency of Measurement:** Support greater standardisation of measurement units within categories and across retailers, while retaining flexibility where packaging or product characteristics require it.
- **Shrinkflation:** Responsibility for disclosure should rest with suppliers, with obligations applying consistently across the full customer base of each supplier; retailer signage is unworkable unless supplier notification is required and any obligation is strictly time-limited and confined to supermarkets.

- **Penalties and Enforcement:** Enforcement must be grounded in clear, objective evidence of non-compliance, with emphasis on education, guidance and corrective action. Oppose per-item multipliers and recommend per-store/per-period caps, with safe harbours for good-faith errors.

SCOPE

The Unit Pricing Code currently applies to large-format supermarkets with more than 1,000 square metres of floor space, online grocery retailers, and those who voluntarily opt in.

In considering scope, the ARA and NRA take a principles-based view: less regulation is better than more, and any regulation must be fit-for-purpose and address a demonstrated need.

The core objective of unit pricing is to provide customers with clear, accurate information about the cost of grocery items, enabling them to effectively compare products and pricing. The ARA strongly supports this goal and recommends that coverage of the Code continue to apply to:

- Large-format supermarkets over 1,000 m²;
- Grocery retailers covered by the Food and Grocery Code; and
- Any large retailer with annual grocery turnover in excess of \$5 billion (consistent with the Unit Pricing Code's definition of 'grocery').

As omnichannel retail continues to grow, it is essential that customers can compare prices seamlessly across both physical and digital platforms. Ensuring unit pricing obligations are applied consistently to grocery retailers operating online will promote transparency, competition and convenience, allowing customers to make informed purchasing decisions irrespective of how they shop.

While we acknowledge there are differing views within the industry about expansion, we note that expanding coverage further than this could risk creating unnecessary compliance burdens for small and independent operators, which would run counter to the Federal Government's broader commitment to reduce red tape and simplify regulation.

DISPLAY REQUIREMENTS

Consumers must be able to easily see and understand unit pricing information. The current principles-based framework, which requires that unit prices be prominent, legible and unambiguous, remains the right foundation.

We support clearer guidance to ensure unit pricing maintains visibility across different display formats, including electronic shelf labels, but caution against prescriptive rules on font size, typeface or placement. Mandating such requirements would force costly system changes without clear evidence of consumer benefit and could stifle innovation as digital display technology evolves.

The Code's existing exemptions also continue to serve an important purpose and should not be substantially narrowed. Exemptions for markdowns, bundles and certain product categories avoid clutter and ensure consumers are not overwhelmed with information that is of little use in practice.

CONSISTENCY OF MEASUREMENT

Consistency of measurement is critical to consumer confidence. Inconsistent approaches, for example, pricing some fruit per kilogram and others per item, undermine the value of unit pricing.

The ARA and NRA support greater standardisation of units of measurement within product categories and across retailers, provided there remains flexibility where packaging or product characteristics dictate otherwise. A tiered approach could be considered, setting out preferred default units with permitted alternatives where justified. This would provide consumers with greater certainty while keeping compliance manageable.

SHRINKFLATION

Shrinkflation is a growing concern for consumers, where product sizes decrease while prices remain the same or increase. Importantly, these changes are supplier-driven and sit outside retailer control. Disclosure obligations should therefore rest squarely with suppliers, who determine package sizing.

International models provide useful guidance. In Italy, producers are required to place a temporary notice on packaging where the product size has been reduced but the packaging remains unchanged, with the notice displayed in the main visual field for six months. This type of supplier-led obligation ensures the responsibility lies with the party that controls product sizing decisions.

Applied in an Australian context, such a model would mean suppliers are responsible for notification or labelling obligations, and these would flow through to all retailers they supply. That way, consumers receive the same transparency wherever they shop, without dragging small and independent businesses into the broader compliance obligations of the Code.

If government nevertheless chooses to also impose obligations on retailers, these must be strictly limited in scope and duration. The Hungarian model provides a workable alternative, whereby suppliers are required to notify retailers of downsizing and a central consumer database is maintained. In such circumstances, any retail signage requirements should be confined to supermarkets, placed adjacent to the affected product, where space permits, and displayed for no more than four weeks. Requiring retailers to generate separate signage for every 'shrinkflated' item would impose a significant and ongoing operational burden, particularly across thousands of SKUs and online environments.

Retailer responsibility for notification is unworkable as retailers are on-sellers of someone else's product. The retailer does not determine package sizing. The only way retail signage could become feasible, is if a requirement for suppliers to notify retailers was established, and if it were time-limited, confined to in-store displays in supermarkets, and supported by a central database.

PENALTIES AND ENFORCEMENT

The Government has proposed introducing civil penalties for breaches of the Code, aligning the Unit Pricing Code with other industry codes.

The ARA and NRA recognise the importance of regulatory compliance but have serious concerns with the enforcement framework as proposed. Penalties must be grounded in clear, objective and demonstrable evidence of non-compliance, not on subjective tests such as "reasonable grounds." Procedural fairness and due process are essential.

The emphasis should remain on education, guidance and corrective action rather than punitive measures imposed without due process. Where penalties are applied, they should be tiered, proportionate and targeted at serious or deliberate breaches, with regard to the critical role suppliers play in notifying retailers of changes in a timely fashion, and the resource constraints of smaller suppliers.

We do not support penalty models based on a per-item or per-SKU calculation, which would expose retailers to extreme and disproportionate liability for relatively minor contraventions. Instead, penalties should be capped on a per-store or per-period basis, and breaches arising from a single underlying systemic issue should be treated as a single course of conduct, not multiple contraventions.

Clear safe harbours should also apply for good-faith errors, IT failures or supplier-driven issues that are promptly rectified. This would ensure that the framework deters deliberate non-compliance while avoiding unnecessary costs and uncertainty that could undermine ongoing participation in the Code.

CONCLUSION

The ARA and NRA support reforms that improve transparency and consumer outcomes while ensuring that changes are proportionate, practical and aligned with the Government's broader reform agenda on competition and productivity.

Specifically, we recommend that:

- The Code continue to apply to supermarkets over 1,000 m², Food and Grocery Code retailers, and any large retailer with annual grocery turnover above \$5 billion.
- Display requirements be clarified through guidance rather than prescriptive formatting rules.
- Units of measurement be made more consistent, with flexibility where required.
- Responsibility for shrinkflation transparency rest primarily with suppliers, with obligations applying across their full customer base.
- Penalties be proportionate, based on clear evidence, avoid per-item multipliers, and apply caps on a per-store or per-period basis, with safe harbours for supplier-driven or good-faith errors.
- Any changes to the Code should allow for a minimum implementation period of two years, to give retailers sufficient time to adjust systems, processes and signage.

This balanced approach will deliver meaningful improvements in consumer transparency while maintaining consistency with the Government's commitments to reduce red tape, lift productivity, and make it easier to do business in Australia.

Thank you again for the opportunity to provide comment to Treasury's consultation on strengthening the Unit Pricing Code. Any queries in relation to this submission can be directed to our policy team at policy@retail.org.au.