

# Advertising prices—upfront or else

THE GOVERNMENT HAS SIGNALLED ITS INTENTION TO AMEND THE TRADE PRACTICES ACT TO MAKE SURE THAT WHEN THEY ADVERTISE PRICES, BUSINESSES INCLUDE A PROMINENT SINGLE-FIGURE PRICE.

THIS PRICE SHOULD INCLUDE ALL MANDATORY COSTS THAT CONSUMERS HAVE TO PAY TO OBTAIN THE PRODUCT OR SERVICE, SUCH AS GOVERNMENT CHARGES, TAXES (INCLUDING THE GST), LEVIES OR MANDATORY DELIVERY CHARGES. THIS REQUIREMENT ALSO APPLIES TO BUSINESS-TO-BUSINESS TRANSACTIONS.



All Australian consumers have the right to know how much they will be charged for goods and services. Consumers also need to know the final price of goods and services so they can compare competitors' prices and decide which fits their budget. In other words they need to be able to make informed decisions on how they spend their money.

Because of this, businesses need to state prices clearly including all mandatory charges so that consumers know the full price they have to pay. This means consumers won't have to calculate the total price to be paid for goods or services, making it easier for them to compare prices.

The amendment is consistent with GST policy that displayed prices should include any GST.

Since July 2000, when the goods and services tax (GST) was introduced, the ACCC has played a major role in ensuring consumers are not misled about the GST.

GST-inclusive pricing means that a displayed price includes the GST. Prices should not be shown as excluding GST. Advertisements, price lists, or quotes that specify prices without referring to any extra mandatory amounts payable, such as the GST, risk contravening the Act.

However, businesses can draw the consumer's attention to the GST component separately.

It is unlawful to promote part of the price of a product, without also specifying its full cash price, for example, '\$200 plus GST'.

Even before the Act is amended, the best way businesses can make sure they are not misleading consumers, and avoid risking prosecution for breaching the Trade Practices Act, is to state upfront the full price of any item for sale.

The ACCC considers all-inclusive pricing to be best practice for business and good risk management.

## A case in point

In October 2002, after an ACCC investigation, a restaurant meal home delivery service agreed to immediately stop distribution of its menu booklets that did not contain GST-inclusive prices and associated fees.

The company also agreed to amend all its menu prices and associated fees on its website so they were GST-inclusive.

Other measures the company agreed to included corrective advertising in the national press; re-voicing telephone recordings and other operation procedures to alert customers to the fact that GST applied (as an interim measure until all of its booklets contain GST-inclusive prices and associated fees); and an undertaking that future advertising and promotional material would contain GST-inclusive menu prices and associated fees. The company also agreed to implement a trade practices compliance program approved by the ACCC.