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Sticker shock: Plan to repeal pricing law launches debate

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Businesses and consumer advocates moved faster than a price check Thursday into the debate about how to protect consumers on retail prices, sparked by Gov. Rick Snyder's call to repeal the state's item pricing law.

Snyder, a former business executive, argued in his first State of the State address Wednesday that eliminating the 35-year-old law would let retailers embrace new technology that saves time and money while still protecting consumers.

The law mostly affects retailers that sell many different items, such as grocers and hardware stores, costing them more than \$2 billion annually in labor and materials, according to a report by the Anderson Economic Group that Snyder cited.

"In today's world of scanners, barcodes and automated inventory systems, we are simply adding an undue burden on retailers and consumers," Snyder said. "It's bad for business, and it's bad for consumers."

But consumer groups support keeping the law on the books. Having price labels on every item lets consumers comparison shop and look for the best value, said Adam G. Taub, an attorney with the Consumer Law Group PLC in Southfield.

After hearing Snyder's proposal, "I said, 'Oh no, here we go,'" Taub said. "It's a big present to business, and it's another blow to consumer rights."

"It's a pain for retailers to have to mark everything, but so what?"

Pro-business groups hailed Snyder's proclamation as a victory.

"Putting individual price tags on items is hugely labor intensive," said Michael Rogers of the Small Business Association of Michigan. "It's a big cost for our small party stores and grocery store owners."

Wal-Mart Stores Inc., the state's largest retailer by revenue, contends the law raises the cost of doing business in Michigan and hurts customer service, said spokesman Lindsay Huddleston, who has worked on repealing the law for many years.

In 2006, Wal-Mart agreed to pay a record \$1.5 million settlement with then-Attorney General Mike Cox over allegations the world's largest retailer failed to put prices on 80 percent of items in some stores.

The Item Pricing Act took effect in 1976 to protect consumers from a new and often unreliable technology, the electronic scanner. But critics argue the technology has improved and stickers aren't required on products when there is pricing on the shelves or elsewhere.

To punish unscrupulous retailers, shoppers whose scanned items ring up incorrectly at the register get a refund for the overcharge and can receive an additional payment of between \$1 and \$5 per incident.

Massachusetts is the only other state that still enforces a law on individual item pricing, but only in grocery stores.

"The fear was that a pack of gum would ring up as \$80," said Tom Scott of the Michigan Retailers Association, which has fought the law for years. "But how do people shop in the 49 other states? They don't have any complaints."

The law is a "job killer" because it raises operating costs, said Linda Gobler, president of the Michigan Grocers Association. The repeal of the law would free up money for retailers to make hires, reinvest in their stores or lower prices, she said.

"If you have someone putting little stickers on cans, it takes away from the time they could be spending stocking shelves or providing customers service," Gobler said.

"It is a monumental waste of consumers' money," said Jim Hiller, the owner of seven Hiller's Markets in Metro Detroit.

The issue was not a flash point in the last Legislature, when the governorship and House were controlled by Democrats, who usually support the item pricing law, while Republicans ran the Senate.

Consumer groups worried about a repeal in 2001, when the GOP controlled the governorship, House and Senate, but no proposal was offered. Now the chances for repeal appear better because the pro-business Republicans control the governorship and Legislature and seem more supportive of repealing the law.

Consumer advocates, including unionized food and commercial workers who apply price tags, argue that abolishing individual price tags would hurt consumers.

"From a consumer standpoint, nothing irks me more than not finding a price on something," said Ed Nakfoor, a marketing consultant in Birmingham. "People would be up in arms if gas wasn't labeled."

The penalty for overcharging with scanners imposes a small price on businesses, attorney Taub said.

"I'm not even sure how to characterize \$5," the maximum penalty that can be added to an overcharge refund, he said. "It's ridiculous."

But most states have already abolished item pricing regulations because they're inefficient, said Tod Marks, a Consumer Reports senior editor.

Instead, many state governments are regulating the placement of unit prices — the bar-coded label that lists the price per ounce or other unit of measurement — with steep fines for retailers who don't comply.

"If stores live up to their part and government agencies rigorously enforce visible pricing laws, then the consumer has little to lose," Marks said.