



The Australian Competition and Consumer Commission and Video Ezy (B–Epilogue)

The introduction of the GST in July 2000 came and went with few hiccups, as people gradually became accustomed to applying the new tax. While the ACCC was busy dealing with the transition, in the months following the introduction of the GST, prices rose by 2.6 percent on average – lower than the anticipated 3 percent.¹ Allan Fels believed that the public education process had played a big part in deflating business expectations, which resulted in most prices coming in well under ACCC guidelines. Said Fels: “In the long run, nothing much happened... Firms realised they’d be in the firing line and that they’d be the subject of fierce media attacks by us and maybe by others, so most of them were very cautious about their behaviour.” The Government was thrilled with the outcome: Costello publicly thanked Fels for a “magnificent job.” ACCC funding also rose from \$57 million in 1999/2000 to \$75 million in 2000/2001.²

As for Video Ezy, the ACCC announced on 26 May that it had instituted proceedings in the Federal Court alleging that Video Ezy engaged in price exploitation under the Trade Practices Act 1974. The ACCC also alleged that Video Ezy engaged in misleading and deceptive conduct. Although the ACCC ended up pursuing 10 other legal actions, it was the only case to be brought under the GST-specific law. The initial directions hearing did not take place until early July, after the GST’s introduction. A second directions hearing was scheduled for August, and after much back and forth between the parties, the case was finally dropped in April 2001. Video Ezy agreed to admit to engaging in

This case was written by Marinella Padula, Australia and New Zealand School of Government, for Professor John Alford, Australia and New Zealand School of Government, as a sequel to case 2004-5.1. It has been prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation.

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¹ F. Brenchley, *Allan Fels: A Portrait of Power* (2003) John Wiley & Sons Australia Ltd, Milton, Queensland, p 114.

² Brenchley, 114.

misleading conduct, offer reduced video hire in Townsville, send letters of apology to customers, review staff training and contribute to the ACCC's court costs.³

The general public and Government were largely pleased with the ACCC, but the aftermath wasn't entirely smooth. Fels acknowledged that the Commission's aggressive stance cost them their good relationship with small business for a period of time: while large companies had always been antithetical to the ACCC's work, some small operators now felt unfairly persecuted. David Cousins, the GST Commissioner, also decided to leave, believing that the hard-line approach to enforcement was entrenched. Another problem was a growing perception within some sections of Government that Fels and the ACCC were becoming too popular and powerful.

Although the Video Ezy case never came to arbitration, it certainly made an instructive example. According to Fels, the massive amount of negative publicity the case generated for the company had an extremely potent deterrent effect: Video Ezy appeared to be the "bad guys" and other businesses were reluctant to risk similar poor public relations by raising prices too high.

³ Brenchley, 111.