



SUBMISSION TO THE HOUSE OF REPRESENTATIVES
Industry, Innovation, Science and Resources Committee

*Inquiry into impacts on local businesses
in Australia from global internet-based competition*

Prepared by the National Retail Association and NORA
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About the Submitters

The National Retail Association (NRA) is a not-for-profit industry organisation providing professional services and critical information and advice to the retail, fast food and broader service industry throughout Australia. The Queensland-based NRA is Australia's most representative retail industry organisation, representing more than 24,000 stores and outlets.

The NRA's membership is comprised of members from all sub-categories of retail including fashion, groceries, department stores, homewares, hardware, recreational goods, newsagents, fast food, cafes and personal services like hairdressing and beauty. It also includes both large and small businesses, including the majority of national retail chains, as well as independent retailers and franchisees, and other service sector employers. The NRA has represented the interests of retailers and the broader service sector for almost 100 years. The NRA's aim is to help Australian retail businesses grow.

As part of its services to members, the NRA has been heavily involved in making applications to the Queensland Industrial Relations Commission under the provisions of the Trading (Allowable Hours) Act 1990. Indeed, no other organisation has been involved in as many applications before the Commission in relation to trading hours. For this reason, the NRA believes it is uniquely positioned to advise the Review Panel on the complexity of the current trading hours regime and to recommend changes to a more inclusive and efficient system.

NORA is an influential business network providing a fresh outlook and a balanced, optimistic view of New Retail in Australia. NORA's community is made up of all kinds of businesses – small to large pure-play and multi-channel retailers, multi-nationals, as well as service and solution providers. NORA helps its members improve their business performance through the sharing of best practice and a range of unique, educational, and hands-on events. NORA's community is a great place for retailers to network with their peers and for solution providers to share thought leadership and support the New Retail ecosystem.

Penalty Rates

Without doubt, the single greatest disadvantage Australian retail businesses confront in their efforts to compete with overseas businesses is penalty rates – both the level of rates and the times at which they apply. With the advent of the modern award system, employers in the retail space have felt the impact of penalty rates more acutely than many other sectors. Some retailers have been forced to pay penalty rates for the first time, while others have faced much higher penalty rates. This additional cost impost makes trade outside normal business hours unprofitable in many cases. In other instances, employers will open their doors but staff the business themselves or with family – in order to avoid the problem.

There is an indisputable link between the cost of wages and a business's ability to hire more workers or give staff additional hours. There is clear evidence that many shops and cafes close their doors on Sundays and public holidays because of the high cost of employing staff at those times, while others will rely on "unpaid" labour such as business owners and their families. Current levels of penalty rates and the times at which they are applied are clearly hurting businesses' ability to create employment.

While the most recent review of the Modern Retail Award has agreed to a gradual adjustment (not of Sunday penalty rates (not the wholesale abolition of weekend penalty rates as is so often claims), these sensible and modest measures are under threat. Overseas retailers do not pay double time to their staff on Sundays. In fact in many cases staff in these businesses receive no penalty rate at all, even on a base rate that is significantly lower than the applicable Australian rate. So the first thing that the Federal Parliament can do to assist with international competitiveness is to respect the decision of the independent umpire on Sunday penalty rates – a decision made after two years of deliberations and many thousands of pages of evidence. Legislation that reimposed the double-time rate for Sundays would be devastating for Australian businesses and their ability to compete globally, and would fly in the face of all the evidence presented to Fair Work Australia in the Modern Award Review.

As part of that review, retail industry associations have engaged *Deloitte Access Economics* to undertake a study of both workers and employers to gauge attitudes to working or operating a retail business outside of standard business hours. The research found:

- Different Australian workers have different preferences, with casual and part-time workers having a stronger preferences for working Sundays. Many other workers are unwilling to work atypical hours regardless of penalty rates;
- A strong desire to work hours that suit family or personal routines – e.g. 86 per cent of females aged 25-34 preferred evening or night work. Others (for example, university students) prefer to work on the weekends rather than during “standard” hours as it does not interfere with their other commitments;
- There is declining participation in historically typical weekend activities such as church attendance or weekend sports participation;
- A majority (54 per cent) of Saturday workers indicated they had either no problem or only minor problems with weekend work. A similar percentage of Sunday workers (53%) also reported no or minor problems.

Company Tax

Australia’s company tax regime is a major impediment to local businesses seeking to compete with overseas competitors. While arguments for lowering company tax are often, simplistically, derided as a “tax break for billionaires”, the fact remains that the only thing that matters for business owners at the end of the day is the amount of money that goes into their pockets in return for their efforts. Lower tax rates in competitor jurisdictions overseas mean that rival businesses can retain the same level of net income from a lower profit margin. This in turn means that they can charge lower prices for their goods, giving them a competitive advantage over Australian businesses. This argument is not about tax breaks for billionaires, and to classify it in that way is to take a simplistic and dismissive view of a gravely serious issue for Australian business owners.

The retail industry asks very little of Government. It is one of Australia’s largest employers, yet it has no dedicated Minister or Department at either state or federal levels, unlike other large employers that rely on Government support to drive jobs and growth. Retail simply gets on with creating jobs, particularly at the entry-level, and a cut in company tax would enable large retail outlets to provide many young Australians with a foot in the door to paid employment. The NRA and NORA firmly believe that cutting the company tax rate is a viable and rapid way to increase the international competitiveness of local businesses.

Regulated Trading Hours

There is no greater frustration for a business than being forbidden by government to open your doors and trade, while your international on-line rivals are free to do as they please. Yet this is the circumstance many Australian businesses find themselves in. While the NRA and NORA recognise that some days of the year are considered sacrosanct, there are many other times at which retailers in some states are prohibited from trading simply due to their location, their size, their product range or even their ownership structure.

The current regulations in several states are a major cost impost on Australian retailers and a major obstacle to their ability to compete internationally. That is not to say that full deregulation is automatically the only way forward. There are strong grounds for retaining some public holiday restrictions on community interest grounds and most states do so. In those states which still apply trading hours restrictions on Sundays or at certain times of the day or in certain geographic zones, there are often immediate steps that can be taken, which do not necessarily amount to full deregulation, that can still substantially free up retailers to compete.

The Productivity Commission – most recently in the Harper Review, has twice addressed this issue in comprehensive reviews. In order to boost competitiveness of Australian businesses, we urge all levels of government to implement its recommendations.

The Tourist Refund Scheme

While many foreign businesses enjoy relative competitive advantages over Australian retailers, as outlined above, there is one area in which Australian retailers have an advantage over foreign internet businesses, and that is in selling to international tourists visiting Australia. While foreign businesses bring Australian shoppers to their market via the internet, Australian businesses have access to international buyers via tourism, when those shoppers are in our country. One of the impediments to foreign buyers making large purchases in Australia, however, is the complicated nature of the Tourist Refund Scheme (TRS).

The NRA and NORA support industry efforts to simplify tourism shopping arrangements in Australia, in order to strengthen local businesses. Specifically, we support industry calls for the TRS to be opened to private refund providers, who would have a commercial interest in driving retail sales among international visitors. Recent years have seen a decline in inbound tourism and a rapid increase in outbound tourism, partially driven by the high value of the Australian dollar. The NRA and NORA believe a review of the TRS could drive new and innovative shopping arrangements for international visitors to Australia. Private providers are a feature of the Singaporean tourism shopping scheme, and those providers actively promote Singapore as a tourism shopping destination around the world. A similar arrangement in Australia would give local businesses a boost in competitiveness.

Rise of global online retail

Less than two decades ago Australian retail was often referred to as ‘treasure island’, where land locked consumers only ever had finite options. Fast forward to 2018 and the rise of global online retail has meant that shoppers are now spoilt for choice and their connection with one another via mobility and social networks, means that they have unprecedented access to information.

The emergence of online goliaths such as eBay, Amazon and Alibaba, who can provide shoppers with a product at the click of a button and at rock bottom prices, pose a genuine challenge to small business owners. However, the anxiety felt by the retail sector a decade or so ago, when these waves of global brands began opening in Australia, has been replaced with a 'don't get mad, get even' response. Some of Australia's larger vertically integrated brands such as Cotton On, Country Road and kikki-K are making big outbound inroads.

Moreover, Australian retail's pure players are taking an even more robust approach with fast launch consumer direct global plays. For instance, consider the rise and rise of brands such as Mon Purse, Shoes of Prey, Fame and Partners and TinyMe as a few examples of locally founded brands that are booming globally by harnessing personalisation technology and a borderless approach.

In addition, well designed and executed export initiatives have helped to turn ingredient brand businesses such as Blackmores, Swisse and Bellamy's into billion-dollar enterprises. Outstanding lifestyle businesses are building quickly, especially out of regional Australia, optimizing niches from lavender bears to emu oil, to aloe and paw paw creams. And the opportunity is not only outbound with several local entrepreneurs now partnering with global retail brands to build velocity in Australia, and potentially the region. For instance, JD Sport's recent local launch by the Next Athleisure team.

The rise of global online retail obviously poses a significant challenge to Australia retail. However, both the NRA and NORA see reason to be quite bullish about how the Australian landscape has the potential to be a real springboard for innovative Australian centric brands that develop locally, scale globally. 'Brand Australia' is a powerful global proposition, combining the very best of that clean green southern hemisphere proposition with the quirkiness of a uniquely Australian experience.

Australian retail is well placed to capitalise on the explosion of global tourism, particularly among the booming Chinese middle class. Experiential travel includes some solid retail therapy, and tourists who have enjoyed an Australian vacation would continue to hold some connection to the premium store and brand experiences they might have enjoyed. Less about the brands they stock, which are available globally, but rather a connection to a holiday, an experience, a memory, where quality and authenticity is also never in doubt.

Australian retail is at a critical moment where the industry is undergoing significant change. Importantly though, Australian retail knows that it has a lot to gain by expanding its focus beyond the borders of our domestic twenty-three million market to a global market consisting of seven billion consumers. The paradox confronting the industry is that in order hold on to our 'Australian retail' we simultaneously must let it go.

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