



National Footwear Retailers' Association Limited ABN 54 005 569 184
Website: www.nationalfootwearretailers.com.au

26 August 2014

Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Re: Inquiry into the need for a national approach to retail leasing arrangements

The National Footwear Retailers' Association is a national industry association representing independent and small chain store retail footwear businesses.

We welcome the inquiry into the need for a national approach to retail leasing arrangements to create a fairer system and reduce the burden on small to medium businesses.

In this submission we would like to address the following particular terms of references:

1. A fair form of rent adjustment

From our inquiries and anecdotal evidence it would appear that lessors do not have to apply a standard procedure for the determination of annual rental increases. Some members leasing arrangements are subject to the consumer price index (CPI) value others appear to have rent increases according to their ability to pay based on turnover figures and in one particular instance, the lessor did not use either of the above two methods but just said "this is the rental amount that I want".

These anomalies appear to be particularly prevalent with shops located in shopping centres.

We believe that the initial rental arrangement between lessor and lessee should be based on fair market value per square metre. The annual rental increase should be based on the CPI. Alternatively, a government mandated maximum rental ceiling per square metre within a shopping centre could help in overcoming the inequities and restrictions of location.

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2. Need for a national lease register

The implementation of a national lease register would streamline the tenancy agreements and benefit small chain store operators. The register should include a standard tenancy agreement form which provides clarity and transparency in relation to terms and conditions. This would ensure that all tenants are treated equitably.

As a national industry association we have a reasonable understanding of this industry from a footwear retailing perspective. We would be prepared to provide further information before the committee at a public hearing or a closed (in camera) hearing.

Yours sincerely

David McKenna
Vice President