

Inquiry into Australian Retail Industry
Productivity Commission
GPO Box 1428,
Canberra City ACT 2601

9 April 2011

Dear Sir/Madam,

As an Australian expatriate now living in the UK, I became aware of the moves towards this Inquiry late last year, and the motivation for its setting-up, at the same time that I was looking to obtain a copy of a then recently-published book dealing with an aspect of the history of the Royal Australian Navy during World War II.

My motivation for this submission is perhaps somewhat at a tangent to the Commission's and its instigators' primary concerns, connected as they are with the loss of GST revenue to Treasury on account of on-line purchasing from overseas sources by Australian residents, but nevertheless raises the issue of whether Australians are being treated fairly by wholesalers and retailers based in their own country.

The book in question, Mike Carlton's *Cruiser – the Life and Loss of HMAS Perth and her Crew*, is a wholly Australian product, written, published (in August 2010, by the local arm of the international publishers Random House), and printed and bound there. Its Australian RRP is \$55, but given that books are subject to GST in Australia while free of value-added tax (VAT, equivalent to GST) in the UK, for the sake of argument I will regard it as \$50. At the time of purchase, the effective exchange rate was about A\$1.65 to the pound, although it is now nearer to A\$1.60. The book's UK RRP is £24.99.

Having thought initially that it would be difficult to find here (I've yet to see a physical copy in bookshops here in England's west, even in a major centre such as Bristol), enquiries in October or November to the on-line operations of Dymock's and the now nearly defunct Australian incarnation of Borders suggested that one would be charged full Australian RRP, plus post and packing, only Myer offering a discounted price while still subject to p&p, and no hint from any that as an export, the purchase would be discounted to the extent of the GST component otherwise payable. Dymock's in particular made it very clear too that overseas shipments would only be made via DHL rather than Australia Post, at a minimum cost of \$45 for up to 1 Kg, bringing the total to at least \$100, a level at which I would certainly tend to blanch regardless of a book's quality and interest to me! As this fairly hefty tome in fact weighs in at 1.2 Kg on its own without packaging, Dymock's are certainly doing little to encourage use of their services.

Turning then to UK-based on-line retailers, Amazon at the time had the book available only as an electronic download, although I see that they are now offering the hard copy too at around 5% off UK RRP, with free delivery if combined with other purchases to bring the total up to a threshold level, but none at present in stock. However, WH Smith were offering it at £17.49 (currently £18.49, possibly reflecting changes in exchange rates), and Book Depository at £19.16 (the rationale for the 16p isn't immediately apparent!), both within 3-5 days and free of delivery charges. Smiths, having taken and acknowledged the order, were mucking me around, insisting that despite what was clearly stated on their web-site it hadn't yet been published, so after a couple of weeks I cancelled and obtained it instead through Book Depository, who incidentally also offer free delivery to Australia and elsewhere outside the UK, although whether by air or sea is not clear. The other major UK book chain, Waterstone's, charge full UK RRP on-line, again with free delivery, so presumably also in-store if available at all.

The crux of my submission is thus that Australians are effectively paying far more in their own country for a 100% home-grown product than we overseas purchasers have to pay, despite any additional costs such as shipping and distribution within the UK. For my part I am hardly complaining! I bought the book, delivered within two days of order, for the equivalent of about A\$30, 55% of its Australian GST-inclusive RRP, and potentially from Smiths if they had played the game, at barely 50%, with no doubt the relevant margins having gone to all concerned at every step along the way. The UK RRP too is effectively around 80% of the Australian figure net of GST, again presumably predicated on those same margins and including the added costs of export.

Although a far smaller discrepancy, I can perhaps also mention in this context the fact that I have been able to buy coffee beans here, by telephone order from one of only two or three outlets in England of Gloria Jean's, an Australian-based chain of coffee shops, with postage and handling added, but still at pretty much the same delivered price as I would pay over the counter in Sydney for those same beans, the bags indeed marked with the company's Castle Hill address, i.e. the equivalent of A\$40 for 1.2 Kg of assorted types of bean, when their Australian retail at the time of our leaving Australia in October 2009 would have been around \$42 to \$48.

I can even add here that a 220 gm jar of Vegemite, the standard size readily available from major UK supermarket chains such as Tesco and Sainsbury's at £1.98, equivalent to about A\$3.20, is currently offered by Coles Online at A\$3.73. For some reason Woolworths don't seem to offer that size, so I cannot include them for comparison purposes.

Accordingly I believe that this Inquiry should consider not only the impacts on Australian-domiciled business and Australian government revenue of on-line purchases from overseas by Australian residents, but also why it should be that Australian products, let alone other goods, are readily available at surprisingly reduced prices to both overseas and Australian consumers if bought from outside the country (not that I can imagine Australians indulging their passions for either Vegemite or a particular brand of coffee by looking for them from overseas sources!). In particular it should possibly investigate the extent to which Australian businesses are themselves contributing to this obvious anomaly, and indeed whether Australian consumers may be suffering the proverbial rip-off in the cause of potentially increased exports.

Yours faithfully,

DEREK E ELWELL