

**Retail Industry Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601**

**RE: The Economic Structure and Performance of the Australian Retail Industry
A Personal Submission by Peter Prysten**

Introduction

Like many, I am puzzled by the disparity in the price of goods in Australia as compared with overseas, in particular with that of the United States

Events that sparked my interest in this issue are:

- The parity of the Australian dollar with the US dollar.
- An article in The Age newspaper of 4 December 2010 titled 'Myer Floats Tax-free Website'.
- An Article in The Age Green Guide of 13 January 2011, by Charles Wright titled 'Big Retailers Fail to Put Reputations on Line.'
- A trip to New York in middle of 2010, for my son's wedding.

I am not a committed internet shopper and my preference is to purchase goods in an local store. I prefer to compare items on display, inspect them physically and seek advice from sales staff. However, at times, when the nature of the goods is well known, the price is significantly lower, the desired item is not easy to procure locally and the overseas web site is inviting and technically competent, internet shopping is very attractive.

The Exchange Rate

The exchange rate between Australia and the United States in mid 2010 brought into sharp focus the discrepancies in prices between the 2 countries. Hitherto, the defence of higher prices in Australia rested on the exchange rate, cost of shipping and the smaller volumes of goods sold in Australia.

I believe that Retailers can no longer hide behind exchange rates and I remain unconvinced that the remaining claimed causes can account for such large differences.

The Age, 4 December 2010

This article expressed concerns by major retailers that the Federal Government is missing out on GST because of internet sales. Companies such as the ones mentioned spend large amounts of money on accounting services whose purpose is to minimise their tax exposure. Yet suddenly they have become responsible corporate citizens expressing concerns for the Government's reduced taxation income stream. In reality they are concerned about their loss of sales. These companies claim losses in sales because internet shoppers do not pay GST. Their hope is that if the Federal government tightens the GST paid on imported goods, they will suddenly become the beneficiaries of increased sales. Sadly this is just not going to happen. If I was to add another 10% onto the cost of goods that I had purchased overseas or on the internet, I would still be miles ahead. The disparity in prices between Australia and other countries such as the United States can be in excess of 100%!

The Age, Green Guide article 13 January 2011

Comments made by Charles Wright confirm my opinion expressed above. His comments include:

- That GST has nothing to do with any hardship that Retailers such as Myer, David Jones, Harvey Norman, Westfarmers and booksellers such as Borders and Angus & Robertson claim to be experiencing.
- Most Australians still do not shop on line;
- Most of these companies are extremely poor at exploiting the potential of the internet.
- Confirms the large discrepancy between prices in Australia and elsewhere.
- Suggests that Australian companies fail to make good use of the internet to extend their sales.

Personal experience with prices of goods in Australia vs. that of United States.

Note the following:

- All my shopping was done in person and using the internet in established retail outlets comparable to Myer or David Jones, that I selected for security and service;
- Internet purchases include shipping costs which can be high if the goods are heavy.
- It is easier to shop on the Internet than either visiting stores or using the phone to ascertain availability of products.
- Many overseas sites are very slick and easy to use.

- Whilst I distinguish between US\$ (US Dollar) and A\$ (Australian Dollar) the difference is irrelevant because of current parity.

Internet Transactions:

- I purchased 20 inkjet cartridges from B&H Photo & Video, a well known photographic & electronic store in NYC. The price including shipping costs was A\$15.50 per cartridge. The Officeworks price is A\$30 per cartridge. This disparity is very difficult to explain.
- Recent purchase of silver based photographic paper and an item of equipment were cheaper than if purchased locally, for example at Vanbar’s in Carlton. This order included nearly \$100 shipping costs because photographic paper is heavy and this penalised this purchase. Furthermore the B&H site is a pleasure to use and order from, compared with our local store. See below:

Item	B&H NYC Price	Vanbar Melbourne Price
Patterson Contact proof printer	US\$ 79.95	AS\$ 108.90
150 Sheets Ilford Photographic RC VC Paper	US\$ 143.85	A\$ 265.81
Delivery	US\$ 97.75	A\$ 15.40
TOTAL	US\$ 321.55	A\$ 390.11

- Purchased a Michelin Programmable tyre pressure gauge from Amazon for \$29. As Amazon would not ship to Australia I had it delivered to my son’s home in NYC who forwarded it to me for the cost of US\$15, making the total price for the gauge, US\$44. I purchased a similar item at Peter Stevens Motorcycles a year ago for about \$80. Furthermore, using the Internet, I could not even find this gauge in Australia at all and if it is sold here, no company in Australia claims to have it.
- My son and his future wife opened a Wedding Registry at Macys. I chose a Kitchen Aid Mixer for US\$299; at the time Macys had a special on this item for \$249. The price in Australia, say at David Jones is A\$799.95. I should note that at the time of purchase at Macys white mixers were US\$299 and colour models were US\$399, whereas in Australia all are priced the same. That makes the price here in Australia approximately 2 – 2.5 times higher! Some argue that as Kitchen Aid is manufactured in the US, it would be more expensive in Australia because of shipping costs. I disagree because shipping costs per mixer based on a container full of mixers would be minimal. See later for prices of other manufacturer’s appliances.

Personal Purchases in NYC

Whilst my wife spent much of our time simply walking around the city of New York, we also did some shopping as well as window shopping. Below are some startling examples:

- My wife purchased a considerable quantity of 'Clarins' cosmetics at Macys at what she believed to be ½ price as compared with what she normally pays in Melbourne.
- I purchased 2 pairs of Levy 505 jeans at a Levy store in New Jersey for US\$ 53.88. This was a sale with 30% price reduction; at full price these jeans would have cost US\$80.82. One would pay this amount and possibly more, for a single pair here in Melbourne. On the whole, clothing prices in NYC were less than ½ price compared with Australia.
- Purchased 10 rolls of 120 film at B&H Photo and Video, the price here is nearly double that. Price per roll at B&H US\$ 3.90, price per roll when purchased in lots of 5 is AUS\$ 7.20 at Vanbar's Imaging in Melbourne. As the purchase was made in store, the NY State tax of around 8% was paid on the goods.
- Visits to Macys in NY were highly educational. I mentioned earlier that one explanation of the high cost of Kitchen Aid appliances in Australia is that they are manufactured in the US and we have to pay high shipping costs. A quick scan of Cuisinart appliances at Macys, made in China, renders that explanation irrelevant. All the Cuisinart appliances were at least ½ the price they are in the Melbourne stores of Myer and David Jones. There would be little difference in the shipping costs from China between Australia and United States.
- Generally, the cost of clothing in NY and NJ was enough to make most shoppers ill. It's difficult for me to compare the contents of all my receipts with the equivalent from Calvin Klein and Banana Republic in Australia, but my impression is that prices in Australia are at least double that in NY.
- The cost of electronic goods such as television screens, cameras were significantly lower in the States.
- I purchased a lady's 'Mondaine' watch at the Museum of Modern Art NYC for US\$ 175. A day later we found the same watch at the Conran shop for US\$145. In Australia the price of such a watch is well in excess of A\$300.

SUMMARY

I think that the Government, should they choose to do so, could lower the tax-free threshold on goods purchased overseas, or at least find some way of taxing internet purchases.

But that is not the core of the problem! I cannot speak for other internet shoppers, but I for one, would not bother to use the Internet in order to save 10% GST on my purchases. Under

those circumstances I would rather support my local retailers who, hopefully, would provide support for their product.

Individuals use the internet because:

- Convenience, no need to drive, park etc;
- Much easier to search for particular products and this is an area that the overseas sites excel in;
- Prices of goods purchased overseas, whether by internet or phone or fax are inexplicably much lower than prices in Australia.

I do not have sufficient information on how the domestic retail market functions in order to explain the large disparity in the prices of goods in Australia as compared with, say, the USA. I cannot understand how prices in Australia are often more than double. Is our Retail sector, including distributors very inefficient or are the owners of such distributorships and retailers milking Australian Customers for all they can?

This is THE issue that the Productivity Commission must address because the GST is just a distraction, a furphy! The main reason why people shop overseas is the high cost of goods in Australia. Fix that and the GST issue goes away.

Thank you for opportunity to make my submission.

Yours faithfully,

Peter Prysten