

S.D.Muller

C/O SCV Bicycle Imports

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To: The Productivity Commission

From: Bicycle Parts Importer

We are a Bicycle parts importer. We import parts from Taiwan, USA, Canada, Japan, Italy and China.

Most of the products are of a commodity type and are available worldwide. Most overseas Manufacturers prefer to appoint distribution agencies for their products and very often these agencies hold exclusive agreements with these manufacturers. Since we are now in this global economy the exclusivity is no longer able to be enforced, as in the past. Although suppliers do strongly support the local distributor (importer) and therefore prefer to conduct business in the conventional way i.e. Wholesale/Retail, we realise that the on-line stores are probably the way of the future.

As an importer we recognise the necessity for retailers to supply at world competitive prices, unfortunately not all retailers recognise this (this will balance out in time). In saying that - we have to recognise that the retailer is at a serious disadvantage. Your very well prepared document (Retail Industry Inquiry) understands the costs associated with running a Retail store as opposed to an online store, and in particular the uneven playing field that our retailers are working in.

The loss of GST to the Govt Revenue must be calculated in the millions. Every Bike Shop in Australia (over 1000 stores) can testify to the loss of sales due to overseas online stores.

Although Duty and GST can't make up all the difference, it must be said that 10% on the retail price plus duty would keep things moving in the proper direction. If it is the LEGAL responsibility of Retailers to charge GST, then it should be the LEGAL responsibility at all levels for GST to be charged, including overseas purchases.

Not only is the Govt losing Millions of GST revenue, but as the retail sector declines, profits fall and unemployment grows - further revenue will be lost.

The inquiry discusses the cost of recouping the duties on overseas purchases as being uneconomical under \$1000. It is the law for an Australian retailer to charge GST on an article, the price of that article does not determine if GST should be charged or not. The law should not be altered for the sake of convenience and to the detriment of the Australian Retailer.

Normally when an item is bought, the cost of that article is cost plus, the same should apply to overseas online purchases? i.e. whatever it costs to recoup duties and GST should be added to the cost of the article. The GST would be collected and paid by the freight agency (Mail, FedEx etc.)

The inquiry mentions the need to observe what other countries are doing and decide if these measures are appropriate for Australia. Since the Australian dollar has strengthened so dramatically in the last few months, it is imperative that we consider what is best for Australia. The rising dollar is the worst situation for an importer or retailer. The stock in our warehouse has been devalued by as much as 20-25%. It will take some time for the stock turnover to balance the losses. Also, as the prices fall, so too does turnover. Less turnover means less margin equals loss of profit. This will clearly effect Govt revenue as well.

We would like to see the Govt acting with strength on this matter, rather than watching the continuing losses to our shrinking economy. We have already lost our Manufacturing base to overseas (which includes skills, technology, investment and employment) We must protect our Retail Industry from the ravages of overseas traders before we have no industries left to employ our ever growing population.

I was involved in the manufacturing industry for over 35 years and have watched it ever decreasing since the early 90's , we must not allow history to repeat itself and watch our wholesale/retail industries be decimated by the online overseas traders.

Yours Sincerely

S.D.Muller

Director-SCV Bicycle Imports