

History: Blackman Bicycles opened for business in 1975. Since 1975 the business has grown and operates out of three locations: Parramatta, Blacktown and Penrith in NSW. Blackman Bicycles caters to customers, covering product from Bicycles, Parts, Service and Repairs. Our inventory level stands at approximately \$2 million dollars.

As a business and as the founding person of that business I can speak with firsthand experience on what effect the international internet sales is having on our business from a dollar point of view and the effect the mentality of the consumer is having on our business.

While the internet has had an effect for the past 10 years, it has really started to take effect at an exponential rate in the past three years. The economic indicators as to why, we are all aware off. This effect is felt primarily in the following ways.

1. **Gross Sales:** We are loosing approximately 25% of dollar turnover to the internet through international sales. This figure, I have determined through closely monitoring product that is being brought to our establishments for assembly and service.
2. **Time:** Approximately 10% of the people we serve each day are people coming into our establishment and wanting my staff to educate them on a product that they wish to purchase. That is, they want us to educate them to a level where they feel confident enough to go and buy that product on the internet. When qualifying that person as a customer, often we will get told, "No I am buying on the internet as it is cheaper". When we do manage to qualify a person prior to educating them, that person then makes statements like "you are a rip off, I can buy it cheaper on the internet". Not realising that the provider on the internet does not have to comply with Australian Laws regarding taxes etc.
3. **Reduced staff numbers.** For the past twelve months my company has been carrying staff numbers. That is, not reducing the number of employees, to match the downturn in sales. I have been doing this as many of my staff have worked for this company for many years. From 5 to 25 years. Their knowledge and experience cannot be replaced over night. However I have had to face the economic reality of this burden. We employ fifteen full time people and employ nine casual staff. These jobs are seriously being threatened.

Fraud:

Over the past few years, I personally have witnessed many cases of fraud being carried out by consumers and providers of product on the internet. In several cases we have had whole bicycles brought to our stores for assembly. This is necessary, as most bicycles come to the consumer in CKD form and need to be assembled using the correct tools and knowledge of assembly. When discussing these purchases with the owner or importer of the product, I am told the following. "You simply pay for the product via direct deposit or via credit card, and the provider of the product places a false invoice in with the goods, to the value of less than \$1000.00" In many cases some of these bicycles cost many thousands of dollars.

Media:

Not a week will go by, without a form of media discussing how to buy your goods cheaper, on the internet. The consumer will be told to go to the retail outlet and gain the necessary information you require to select your product and then ask the retailer to match the price or buy it on the internet.

This is an impossible task as in most situations this product is sourced via avenues that are not authorised by the manufacturer. In a lot of cases, these internet providers source

product through small manufactures, who buy the product OEM for assembly and pass the product onto providers at a small percentage on top of factory price. OEM is always less price than wholesale.

Great, another story where someone creates an "us and them situation". The only problem is that, us is them and them is us.

Smuggling:

This form of purchasing is nothing more than modern day smuggling. People are bringing goods into the country without paying the necessary government taxes and charges. How can this be allowed when one party via law has to abide by the rules, regulations and laws of the country and yet another party, the consumer, does not have to abide by those same laws.

We have had a series of governments over the years, that have not had the necessary political fortitude to deal with the problem before it becomes catastrophic. Well in my humble opinion, that time is just around the corner.

Trade Deficit:

I wonder if there is a government department that is keeping count on the number of dollars going out of the country through this practise. Are these dollars being added to our trade deficit?

Greed:

Unfortunately people through greed will not stop this practice. This needs an authority to establish the ground rules for the benefit of the country. Let's start bringing low paid labour into the country and pay the imported people \$10 an hour with no holiday pay, sick leave, superannuation and watch how the public responds. This is what is happening to retailers.

Over the past twelve months, I have become away of many practices going on in our community. All using the \$1000.00 per trip limit. Some retailers are buying product on the internet, selling the goods through their store and pocketing the transaction. That is not showing the transaction in their GST return. Thus avoiding GST, company tax and personal tax. 100% net profit. There are also many individuals bringing goods into the country and selling them on "online sites", through sporting and social groups, and not declaring the income.

AM I THE ONLY PERSON THAT IS SEEING WHAT IS GOING ON. I DONT BELIEVE SO. HOW ABOUT SOMEONE WITH THE FORTITUDE STEP UP AND CORRECT THIS SITUATION.

Conclusion:

A few years ago, we had a "Buy Australian" campaign. The idea of this campaign was to keep the manufacturing industry in Australia and to maintain employment in Australia. When the government of the day done away with tariffs and taxes on imported goods, our manufacturing went off shore. The manufactures were accused of doing so, for the sake of profit and we lost skills and jobs. What happened was the manufactures did not have a level playing field.

The economic reality of competition on the same level playing field will always allow consumers to be able to access goods, service and price at competitive rate, while maintaining employment and tax contribution.

What if all the retailers and local wholesalers just sold their goods without paying GST, PAYG, STAFF SUPERANUATION AND COMPANY TAX. What would be the governments reaction to such a protest. Arrests, fines and civil disorder.

I, as a consumer, have never purchased any product on the internet. I believe in giving the citizens of this country a job. I want to be able to ensure that my grandchildren have a job in this country at the standards that this country has developed for its citizens.

This is what is happening to the retail industry today.

I DO NOT BELIEVE THE RETAIL INDUSTRY IS LOOKING FOR SPECIAL TREATMENT. THE INDUSTRY IS LOOKING FOR A LEVEL PLAYING FIELD. WE CANNOT COMPETE WHEN OUR COMPETITORS DO NOT HAVE TO ABIDE BY THE SAME RULES AS LOCAL RETAILERS.

There are many pages I could put down on this matter, however this is just one of the many submissions you will receive, so I have kept it short.

I will add that the \$1000.00 threshold was introduced so as people who were travelling overseas many years ago could bring back goods cheaper as they did not have to pay the taxes from the country of purchase nor when they landed back in Australia. OK, like it or not, that has now turned into anybody bringing goods into the country without paying those taxes under the old logic.

Today, people just get on the aeroplane, only now that aeroplane is called the computer and not the aeroplane and head off overseas every day. When they return from their overseas trip each night, there are no customs official going through their baggage to ensure they are not SMUGGLING goods into the country and complying via the rules. Oh yes, that was \$1000.00 a trip, under the old system. NOW ITS \$1000.00 EVERY TIME THEY LOG ONTO THE INTERNET. And how many times a day, 24-7.

Today, we have a cancer situation going on. Local retailers are being forced to drop prices normal operating profit levels in order to maintain cash flow. This is being done below any realistic profit level. Our sales figures are down by 40% for the same quarter last year. We the retailers of Australia cannot keep going on the playing field that exists at the moment.

Please someone wake up to the situation, what is going on and step in and repair it. There would be little need to increase and create new taxes if only we ran the system correctly. Australia is just around the corner from facing a disaster.

Graham Blackman