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Productivity Commission
GPO Box 1428
Canberra City, ACT 2601

RECEIVED

- 8 JUL 2011

1 July 2011

Dear Commissioner,

Economic Structure and Performance of the Australian Retail Industry

Thank you for the opportunity to provide a submission to the Productivity Commission's inquiry into the Economic Structure and Performance of the Australian Retail Industry.

Lovisa Pty Ltd is a privately owned retail business, selling women's fashion jewellery and accessories. Lovisa currently operates 45 stores covering each State in Australia and employs a team of approximately 300 employees. This submission by Lovisa Pty Ltd is in support of the submissions made by the Australian Retailers Association (ARA) and Fair Imports Alliance to the Inquiry, specifically in respect of the cost advantage received by overseas retailers as a result of existing legislation around GST and import duty.

Retailers in Australia are currently experiencing slower sales growth while costs of doing business have become increasingly more onerous. In times when trading levels are deflated it is imperative for businesses to remain cost effective, yet there are a number of factors affecting the productivity and competitiveness of the retail industry in Australia, and therefore creating an additional burden for retailers as they trade through these challenging economic times.

Australian retailers now face increased competition from international brands. The strong Australian dollar and weak US economy has seen many international retailers ship products to Australian consumers as they seek new markets such as Australia as a platform for growth. They compete head to head with Australian retailers, but it is evident that they are not competing on a level playing field.

Australian retailers are significantly disadvantaged by overseas retailers not having to charge and pay GST on any purchase under \$1,000 by an Australian customer; they are also not required to pay



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import duties which, on most products into Australia, are around 5-10%. Therefore Australian retailers have to charge an extra 15-20% over and above international retailers to cover this additional tax. This duty and GST loophole places overseas retailers with a clear advantage to local retailers.

Other economies such as China, UK and Canada have created a level playing field by ensuring that all overseas retailers are subject to the same VAT and duty regulations as local retail players. There is no reason why Australia should not implement a similar policy to create a neutral competitive retail system.

Without the Government taking action on this inconsistency in the tax and duty regime, the impact on retailers and the economy as a whole will be significant. We will see many more retailers going out of business and a significant loss of jobs in the retail sector. It is our recommendation to the Productivity Commission to revise the current system to allow Australian retailers and e-tailers to compete on par with their overseas counterparts and to create an efficient and fair retail economy.

Thank you for the opportunity to respond to the issues currently under review by the Commission. We hope that you will consider the matters that we raise, and we look forward to the findings of the Commission.

Yours sincerely,

Iain Sadler
Chief Financial Officer
Lovisa Pty Ltd