

PERSONAL IN CONFIDENCE\*

29 July 2011

Dear Sir/Madam

**Economic Structure and Performance of the Australian Retail Industry:  
Public Inquiry Submission**

Thankyou for allowing me to make this submission.

I would like to make some sound observations to counter the impartiality of some vested interest groups.

Firstly, many retailers are correct in stating the high costs involved in retailing lead to the high cost of goods and services.

Let's look at real estate.

"The highly concentrated ownership structure of retail property in Australia has resulted in a significant portion of the high prices charged by Australian retailers being acquired as rent by the owners of the retail properties,"

<http://www.theage.com.au/business/retailers-markups-under-threat-from-online-20110524-1f1g7.html#ixzz1ScgtdxUs>

For example, Sydney-based Leasing Information Services recently said the total occupancy cost of a small Australian fashion retailer was between 17 and 25 per cent of gross sales, while the cost for fashion retailers in the US was about 7.6 per cent, citing data from the US-based non-profit Urban Land Institute.

This is certainly part of the reason why Australian retail is uncompetitive. The solution would be Lower retail rents, increase in supply of retail premises, and regulations targeting retail concentration in malls.

We have to question why retailers are arguing for a 'tax on the consumer' based solution to the fact that they can not compete with globally priced rents.

Let's now look at sourcing goods.

Retailers are putting forward an argument that they can not source goods at competitive prices.

The issue with this argument is that, retailers sourcing goods at the best price, is essentially what retailing is about. If the local distributor has a monopoly on the supply of the product, then that is an issue for the ACCC. Why is the retailer not sourcing the goods from a cheaper supplier overseas? This argument is an easy one to sympathise with. Why the government has allowed these anti competitive structures, needs to be addressed. The major beneficiaries of monopoly distribution channels are high wealth individuals. Those with financial capital are able to embed themselves in the supply chain and effectively take a cut for each product. Their profits would be way out of step, with the services they provide.

Also, consecutive governments in Australia continue to promote anti-competitive practices by outlawing parallel importation. Parallel importation solves the problem to some extent, as, if the retailer can buy the product at RETAIL prices in another marketplace, and import them to Australia and sell them BELOW the WHOLESale cost locally, the local distributor loses power and will price accordingly.

One again we have to question why retailers are arguing for a 'tax on the consumer' based solution to the anti-competitive monopoly distribution model.

*[Name supplied]*

\*Note this submission is marked personal-in-confidence as I wish my name to remain private and not be published.