

[Address provided]

Retail Industry Productivity Commission

4 August 2011

COMMENT ON DRAFT REPORT

Thank you for the opportunity to comment on your draft report, which has been widely publicised in the new media over the past 24 hours.

Can I please say that on face value you seem to have accepted the assertion put by the retail industry that the solution to their woes is to place a GST on goods ordered overseas via the internet. While the general economic climate seems to have a part to play in this, other structural factors appear to be:

- Higher (by world standards) commercial rent
- Higher (by world standards) wages, and
- A legislative environment that I understand promotes a virtual monopoly for specific products – e.g. Brand X electrical items – where Australian private companies negotiate national distribution rights with overseas manufacturers and become ‘Brand X Australia Pty Ltd’. It is in this area that I believe the Productivity commission may have a role to play.

As I understand Australian law, no one else can import products where there is an existing commercial arrangement between an Australian distributor and a parent overseas manufacturer. With a legally enforceable monopoly, these ‘sole-source’ distributors are then in a position to set their own prices for retailers, on whatever they believe the market is prepared to bear.

My proposition is that in the face of an open and fair import market, the distributors of products who have an arrangement with overseas suppliers should have the right to source products from the manufacturer as cheaply as the manufacturer is prepared to sell to anyone else. In theory therefore they should be able to match (or better) the price that any importer can source the same products for overseas. Only such a free and open market does not seem to exist in Australia.

I submit therefore that your draft report should include recommendations to change the law to allow parallel importing of all products. In theory then, BigW for example, should be able import and sell the same products offered by Panasonic Australia – so long as it is prepared to meet its legal requirements regarding warranties etc.

Another consideration would be to change the law allowing exclusive distribution agreements between manufacturers and contracted distributors in Australia. Under this system, any one should be able to import products from the parent manufacturers and on-sell to commercial retailers.

I believe only with a free and open market will Australians be able to enjoy the low prices that citizens of other countries enjoy for the same products. No doubt you were besieged with price

comparisons, so I take it that you accept the proposition that under current arrangements the cost of living to Australians is comparatively high. I believe consideration of the above represents one or two ways this can be fixed.

Thank you

Steve Butterworth