

Sent via email: retail@pc.gov.au

21 August 2011

Dear Commissioners,

Economic Structure and Performance of the Australian Retail Industry

It is with great concern that I write to you with regards some of the recommendations and findings in your draft report. Specifically, I make the following points, in my opinion –

- The test for lowering the LVT should not be whether the cost of tax collection exceeds tax revenue; it should be whether the cost to the economy for not lowering the LVT exceeds tax revenue.
- Zoning depend on the cooperation between State and local governments.
- Deregulation of trading hours is detrimental to society.
- The protection of workers is paramount in maintaining success to the retail industry.

Lowering the low value threshold

It seems like consumers are getting a better bargain by not paying GST online, but we don't realise that the its harm on the local industry may cost our children's and our own future. As the Commission has found, in economic principle, the low value threshold (LVT) exemption for GST and other duties should be lowered. I sense that Commission, in making its draft recommendation, is concerned as to whether it is cost effective for the Government to do so. However, the focus on performing this analysis has been very restrictive. The Government does not exist to make a profit for itself; it exists to protect the economic prosperity of the entire country. If necessary, it needs to run a loss to ensure that. The cost of the LVT to the Australian economy is colossal. The LVT is effectively a tax on the local industry and a subsidy to foreign imports. Many other developed economies with a similar tax arrangement on imports have significantly lower thresholds than Australia, which shows that Australia is placing itself at a significant competitive disadvantage on a global scale. If the LVT is lowered, Australian consumers will simply, as they have already done, purchase whatever they can find from overseas web-based retailers, at the expense of local demand. This will force retailers, especially small retailers competing on cost, to generate increasing revenue losses, and shed their workforce. It will lower income to the industry, and place unemployment pressures on the economy. Furthermore, it will generate a exodus of local retailers opting to set up web-based vehicles overseas to circumvent the tax. For the economy, the cost driver of a lower LVT comes primarily from the regulatory compliance work businesses have to conduct. This cost can always be lowered with regulation and tax reform, and it should be an entirely separate issue. I urge the Commission to think outside the box when it comes to giving a recommendation on the LVR.

Zoning

The current zoning arrangement in most of the States is that local governments have a great, if not only, say on zoning in local communities. While it gives local councils power in shaping their own future, the relationship between councillors and developers compromise the impartiality of planning provisions

more often than not. Hence, it will be beneficial for the interest and future of the retail industry, especially small businesses, be protected through the introduction of a cooperative framework between both the State and local governments in granting planning and zoning. For example, while Part 3A reforms in New South Wales went to some extent in addressing it, the division of responsibilities under it was perceived to be unbalanced to the expense of local councils. On the issue of zoning, the Commission addressed the direction of reform by various governments but not how they can work together in achieving them.

Trading Hours

Sundays and public holidays exist because they are designed to be occasions on which families and communities spend time together. As a former employee in the retail industry, I have personally experienced the drain having to work on a Sunday or a public holiday. It deprives the family of valuable bonding time, and it interferes with activities employees may otherwise engage in with their communities. If other employees, especially office workers on five-day weeks, can have Sundays and public holidays off, so should retail employees. Making people work on Sundays and public holidays will increase economic output, but it comes at the expense of working our people harder. If that trade-off was ever an appealing one, then it would be equally justifiable to repeal Saturdays for the entire economy.

Workplace Regulations

According to the draft report, “many participants have suggested that provisions the ‘every worker must be better off overall’ test, are increasing the cost and complexity of negotiating enterprise agreements and making productivity improvements more difficult to achieve.” The focus of the Productivity Commission, as its name suggests, is to identify and examine ways in which productivity improvements can be achieved. There is a widespread belief that this can be achieved through depriving privileges from the employee to the employer. Specifically, there is view that granting protection to employees is a zero sum game. In fact, many employees are drawn by the basis better-off-test to work harder and more efficiently for their employers, because they can see that their future in the industry is secure and that they can draw satisfaction that their work is contributing to the success of their employer. From my experience in the retail industry, I can definitely vouch for that. When the WorkChoices legislation was passed in 2005, I felt that I, as an employee, was alienated from my employer, and I could no longer motivate myself to work efficiently. My working days were marred with fear of losing existing working conditions. Many others were worries about the livelihoods of their families. Therefore, the protection of the labour force is a demonstration of the care and value employers devote to their employees, and it improves productivity. Furthermore, productivity gains can be made by investing in employee training and workplace culture. For example, my previous experience in the food industry taught me ways in which I can ensure the food sold by my employer is always fresh. These trainings and the general workplace culture made me appreciate my job and I felt that it was in my and the community’s interest to perform well at my good job. Deprivation of workers’ rights in no way generates propensity or scope for productivity improvement, especially in the retail sector.

Minimum Wage and Unfair Dismissal

Two most important aspects when it comes to protecting workers are job security and pay. Workers will perform below par if they know they can be dismissed unfairly at any time. Workers will perform below par if they know they are paid little for their work. They do so at their employers’ expense. Workers can only feel valued if they are paid adequately for what they do. Their career aspirations can only be satisfied if they can see a definitely future for themselves with their employer and feel that the success of

their employer relates to their own success. Unfair dismissal laws exist to ensure that workers can feel that they can be successful by making their employers successful. If they feel at any time that they are not necessarily making themselves successful by making their employers successful, they won't. The economic argument against the imposition of unfair dismissal laws and minimum wages is that they interfere with the labour market, thereby making it less efficient. However, it is often ignored that employers have more market power than employees when it comes to labour. By granting more power to employees through either legislative protection or workers advocacy, the power and information gap between suppliers and demanders of labour can be reduced, to the benefit of the market as a whole. I encourage the Commission to investigate into this.

Rostering

Rostering is another contentious issue for the retail industry. A stable manageable roster is important for workers and their families. Many of them need to plan for basic things like driving their children to school. These family activities can only be planned if workers have certainty in their rosters. Also, it is important that when workers are rostered, they are rostered to work for a fair length of time. It is pointless for them to drive to work if they are rostered for only one or two hours. The transport and time cost for workers to physically attend work is not worth the wage gains in coming in for only one or two hours. If such rostering arrangements are introduced, they will simply find another employer. The loss of existing workers and their skills is always detrimental to the employer.

Performance Based Pay

There are also moves in the retail industry towards performance pay. The philosophy behind performance pay is that workers can only be motivated to do a good job if they are paid extra in doing so. This assertion is unsound if not absurd. Workers are motivated to do a good job because they are good people, and they believe that doing a good job is a basic element of being a good person. Performance pay alienates those who cannot be as efficient as others, due to congenital physical restraints of their bodies for example. Furthermore, it replaces the focus on moral necessity of doing a good job with pecuniary benefits associated with doing a good job. This mentality is very unhealthy, as we have seen in the lead-up to the Global Financial Crisis, and performance based pay is the last thing we need in the retail industry.

I hope that you find my points useful in completing your final report.

Yours faithfully,

Chao Qiao