

Inquiry into Australian Retail Industry  
Productivity Commission

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To whom it may concern

Please find attached comments by the Australian Bureau of Statistics (ABS) on the Productivity Commission draft report "Economic Structure and Performance of the Australian Retail Economy."

Yours sincerely,

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2 September 2011

## **ABS comment on the Productivity Commission draft report “Economic Structure and Performance of the Australian Retail Economy.”**

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**This submission contains NO material supplied in confidence and can be placed on the Commission’s website.**

### **General comments:**

The Australian Bureau of Statistics (ABS) has a long history of producing a wide range of statistical information to support policy development, community debate and assessment of the Australian economy, as well as assessing economic performance of Australian industries including the Retail industry.

The Australian economy, and its links to the global economy, are dynamic and continue to evolve at an increasing pace. This produces an ever changing and more complex world from which data have to be sourced and timely statistics produced that inform the Australian community.

To meet the challenges of a dynamic Australian economy, the ABS received increased funding from the Commonwealth Government in the 2011/12 federal budget. The focus of this funding is to invest in macroeconomic statistics.

In this context, one of the priorities identified by the ABS is to improve the measurement of consumer spending, both from the supply side (Retail trade) as well as the demand side (Household Final Consumption Expenditure (HFCE)). Online retailing is a component of both Retail Trade and HFCE<sup>1</sup>.

Total HFCE is \$699 billion<sup>2</sup> per annum. The ABS notes the Productivity Commission estimate of online expenditure by Australian households (domestically at \$8.4 billion and overseas at \$4.2 billion). At these levels, online retailing is currently a relatively small component of HFCE and the ABS has allocated commensurate resources to research appropriate methods to enable online retailing to be separately identified and monitored over time.

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<sup>1</sup> See attachment A for contribution to Household Final Consumption Expenditure

<sup>2</sup> ABS 5204.0, table 52, Household Final Consumption Expenditure, current prices, 2009-10

## Information on relevant ABS statistics

- The ABS notes the Productivity Commission estimate of online expenditure by Australian households (domestically at \$8.4 billion and overseas at \$4.2 billion). At these levels, online retailing is currently a relatively small component of HFCE (\$699 billion per annum).
- Research is currently underway to periodically measure the value of online retailing. There are various options to achieve this. Some of these are detailed below.
- Measuring employment of pure play and multi-channel online retailing is complex and will require research by the ABS to determine data availability and any impact on businesses required to provide additional information.
- Online retailing by domestic retailers

The ABS Retail Trade Survey currently includes domestic online retailing by both 'multi-channel' and 'pure play' online retailers. Retail trade businesses provide total sales each month to the ABS which includes both bricks and mortar sales and online sales. An individual business is classified to a retail industry class based on its predominant activity. Therefore, as an example, supermarkets that also sell goods online are classified to Supermarkets and grocery stores in the Australian and New Zealand Standard Industrial Classification (i.e. ANZSIC 4110).

'Pure play' online retailers (businesses that exclusively use the internet as their means of sales) are also included in the ABS Retail Trade survey and are classified to Non-Store retailing (ANZSIC 4310). These businesses are separated from traditional store based and multi-channel businesses under ANZSIC. They are grouped together with catalogue and other direct sellers.

Therefore, data from both domestic multi-channel and pure play online retailers are included in ABS Retail Trade aggregates each month and therefore changes in consumer behaviour from bricks and mortar retailing to domestic online retailing will be captured in the ABS Retail Trade statistics.

Research is currently underway by the ABS to identify methods, via the Retail Trade Survey as well as other avenues, that could further disaggregate information for both multi-channel and pure play online domestic retailers.

- Online purchases from non-residents

The ABS notes the Productivity Commission estimate of online purchases from non-residents (overseas) at approximately \$4.2 billion per annum. This represents approximately 2% of the value of goods and services imported into Australia.

All relevant international transactions, whether or not online, are in-scope of the ABS International Accounts. However, at present, the value of online transactions cannot be separately identified due to lack of data sources.

The ABS is investigating how to improve the coverage of low-value goods imports and exports and of services delivered online (e.g. downloads of computer software, audio-visual material, e-books, and the provision of telecommunications and information services). This will include discussion with agencies involved in these transactions such as Australia Post, Australian Customs and Border Protection Service, transport operators and payment agencies. In this light, the ABS notes the recent investigation and resulting data produced by the Australian Customs and Border Protection Service into the Customs low value threshold and air cargo<sup>3</sup>.

The ABS will use the information currently available to include, at the earliest opportunity, an aggregate estimate of low value goods currently not captured in the International Accounts. However, this aggregate estimate will not be separately available and will not equate to all online trade.

The Productivity Commission discusses in the draft report the costs and benefits of changes to the Customs low value threshold (currently \$A1000 for most goods). A reduction in the low value threshold would extend the administrative data source used to compile the International Accounts. This may improve the statistics but would not enable the separate identification of non-resident online retailing. Any improvement in the statistics would need to be weighed against the cost to the government and businesses of obtaining this additional data.

- Measuring employment of pure play and multi-channel online retailers

Research by the ABS would be required to investigate methods and data availability for measuring employment of pure play and multi-channel online. It is likely that multi-channel retail businesses would have difficulty separating employment for online activities from the rest of their business activity. As noted above 'pure play' retailers are classified to Non-Store retailing (ANZSIC 4310). While these businesses are separated from traditional store based and multi-channel businesses under ANZSIC, they are, however, grouped together with catalogue and other direct sellers. The ABS would therefore need to identify online retailers within a subset of this detailed level of the ANZSIC. It is likely that this will prove to be both difficult and expensive.

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<sup>3</sup> <http://www.customs.gov.au/site/low-value-threshold.asp>

**Comments in relation to draft recommendation 4.1:**

- *Recommendation 4.1: The ABS should monitor and report on online expenditure by Australian consumers both domestically and overseas either by upgrading existing surveys or conducting new surveys. The ABS should design surveys so they can disaggregate online spending with 'multi-channel' establishments and 'pure play' online retailers. The ABS should also redesign its surveys to show levels of employment associated with online retail sales as reflected by the size of the workforce of pure play retailers and the online divisions of multi-channel retailers.*

The ABS recognises the interest in online retailing and appreciates the Productivity Commission's articulation of the information needs. However, it is not appropriate for the Productivity Commission to recommend how the ABS should address these information needs. Surveys might not be the most effective and efficient method of providing the required information. As noted above the ABS will consider a number of options when investigating how to improve the coverage of low-value goods imports and exports and of services delivered online. In addition, any recommendation by the Productivity Commission in relation to additional information needs should also recognise that this is likely to require additional funding for the ABS.

Macroeconomics and Integration Group  
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2 September 2011

## Attachment A:

**Table:** Australian System of National Accounts Household Final Consumption Expenditure Series and contribution to Total Household Final Consumption Expenditure (Current prices, 2009-10)

Broad ASNA HFCE Category	\$bn	%	Detailed ASNA HFCE Series	\$bn	%
Food	77	11%	Food*	77*	11%*
Alcoholic beverages and tobacco	25	4%	Cigarettes and tobacco	11	2%
			Alcoholic beverages*	14*	2%*
Clothing and footwear	24	3%	Clothing and footwear*	24*	3%*
Rent and other dwelling services	135	19%	Actual rent for housing	29	4%
			Imputed rent for owner-occupiers	99	14%
			Water and sewerage services	7	1%
Electricity, gas and other fuel	16	2%	Electricity, gas and other fuel	16	2%
Furnishings and household equipment	35	5%	Furnishings and household equipment*	35*	5%*
Health	38	5%	Health	38	5%
Transport	68	10%	Purchase of vehicles	20	3%
			Operation of vehicles	32	5%
			Transport services	16	2%
Communication	18	3%	Communication	18	3%
Recreation and culture	77	11%	Goods for recreation and culture*	28*	4%*
			Recreational and cultural services	40	6%
			Books, papers, stationary and artists goods*	9*	1%*
Education services	25	4%	Education services	25	4%
Hotels, cafes and restaurants	45	6%	Catering*	38*	5%*
			Accommodation services	7	1%
Miscellaneous goods and services	116	17%	Personal care*	13*	2%*
			Personal effects*	5*	1%*
			Insurance services	37	5%
			Other financial services	37	5%
			Other services	24	4%
Total	699	100%		699	100%

\* These series predominately use Retail Trade as indicator series.

■ Highlighted series reflect categories of services where Retail Trade coverage could be extended and/or improved.

Source: ABS 5204.0, Table 52