

Fair Imports Alliance



Response to the Productivity Commission's draft report;

The Economic Structure and Performance of the Australian Retail Industry



About the Fair Imports Alliance

The Fair Imports Alliance (FIA) is a coalition of retail and wholesale industry associations providing a united voice on issues relating to the Low Value Importation Threshold (LVIT) and its effects on retail trade in Australia. The FIA was formed to campaign for a fair and equitable regulatory framework and the group strongly believes that the low value importation threshold and its associated compliance and enforcement regimes require reform.

The FIA consists of: Australian Retailers Association (Secretariat), Australian Sporting Goods Association (Secretariat), Australian Booksellers Association, Australian Fishing Trade Association, Australian Music Association, Australian Toy Association, Bicycle Industries Australia, Photo Marketing Association, and the Retail Cycle Traders Association.

Whilst individual member associations of the Fair Imports Alliance may provide submissions to the Commission about a broad range of issues, this submission will primarily focus responding to the sections of the Draft Report which relate to the Low Value Importation Threshold.

RESPONSE TO RECOMMENDATIONS:

DRAFT 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 Fair Imports Alliance supports this recommendation and believes that steps should be taken to implement it without undue delay. With the changing nature of the retail environment occurring at a swift pace, the FIA agrees that there needs to be coordinated activity to track record and report the growth and size of the domestic online and offshore online markets. This will allow governments and regulators to access accurate information and properly deliberate on appropriate policy responses.

DRAFT RECOMMENDATION 6.1

Appropriateness of indirect taxation arrangements

There are strong in-principle grounds for the low value threshold (LVT) exemption for GST and duty on imported goods to be lowered significantly, to promote tax neutrality with domestic sales. However, the Government should not proceed to lower the LVT until it is cost-effective to do so — that is, at a minimum, the tax revenue should exceed the full costs of collecting it.

The Fair Imports Alliance supports this recommendation. The FIA strongly supports the adoption of a tax neutral policy on imports of any value.

The Fair Imports Alliance notes the Productivity Commission's comments in relation to the efficiency of the Customs and Border Protection Service and the handling of inbound parcels by air and sea cargo or international mail. The FIA notes that documents received by the FIA from both Treasury and the Customs and Border Protection Service under Freedom of Information after the deadline for submissions to the Productivity Commission Inquiry, estimate the additional cost of enforcing a reduced threshold of \$500, down from \$1000 at \$38m per annum. The FIA notes that this advice is contradicted by the Productivity Commission and advice quoted the draft report. The FIA draws attention to this discrepancy, not to question the PC report, but to draw further attention to the inadequate and inaccurate reporting and advice of Government agencies on this matter. There is little evidence to suggest that either Customs or Treasury is equipped to properly examine or determine accurate costings or recommend efficiency measures that would allow the threshold to be reduced.

The FIA notes that these are matters which it has been raising with Government at a Departmental and Ministerial level for some time. The FIA does not believe that its previous concerns have been given due consideration. The FIA is pleased that the Productivity Commission has reported on the inefficiencies and looks forward to Government taking steps toward change. The FIA looks forward to Government taking steps to reduce the inefficiencies and the cost of enforcement and thus reduce the threshold.

The FIA is concerned that despite the recommendation from the PC that the threshold should be lowered to promote tax neutrality, there appears to be little evidence in the public comments made by the Government that there is a willingness to lower it. The FIA is concerned that even if parcel handling processes are reviewed and changes implemented to allow a more cost effective process, that the recommendation still may not be implemented.

The FIA strongly endorses the PC's finding of the need for tax neutrality.

DRAFT RECOMMENDATION 6.2

The Government should establish a task force charged with investigating new approaches to the processing of low value imported parcels, particularly those in the international mail stream, with a view to preparing for significant improvements and efficiencies in handling. The task force should be comprised of independent members, with the Australian Customs and Border Protection Service (Customs), Australia Post and the Conference of Asia Pacific Express Carriers providing advice. The terms of reference should outline the criteria that any new system must satisfy including: minimising the costs of processing and delivery delays, user pays, and without compromise to the border protection functions of Customs and AQIS. This review should report to Government in 2012.

The Fair Imports Alliance supports changing the parcel handling processes of both air and sea cargo and international mail, thus reducing the administrative compliance and enforcement costs of administering the LVIT, and allowing it to be reduced. The FIA maintains the position that the objective of any changes must be tax neutrality. The end goal of any changes to these processes should be the implementation of tax neutrality. The FIA is concerned that the lack of efficiency in the parcel handling processes remains a convenient excuse to not implementing a tax neutral level playing field.

The FIA is concerned about the timeframe recommended by the Productivity Commission for the establishment of a taskforce to consider and recommend any such changes. The FIA believes that the current state of the retail industry and consumer confidence is such that the sector would benefit from a more speedy response, whilst still allowing for proper consideration and research.

The FIA recommends that the Productivity Commission recommend to Government, that the task force or other body convened by the Government to report on changes to the parcel handling and enforcement and compliance processes should provide its final report to Government by 30 June 2012. The FIA also recommends that the PC recommend that the taskforce or other body should provide an interim report after three months, thus allowing some advice to be available to Government ahead of any consideration for the 2012/13 Federal budget process.

The FIA is concerned by the public comments of the Assistant Treasurer, indicating that any changes occurring from a task force process would not occur until at least two years after the taskforce report in 2012. The FIA strongly urges to the Productivity Commission to convey to the Government the sense of urgency in creating greater efficiencies in the

handling of inbound packages by air and sea cargo or international mail. The FIA believes that the removal of the competitive disadvantage imposed by the current LVIT should be a priority for the Government and does not believe that the retail sector should have to wait three years before it sees any change.

The FIA is concerned about the proposed membership of a task force, convened for the purposes of examining and recommending changes to the parcel handing processes. The FIA notes the recommended proposed membership of such a taskforce comprises groups or bodies who oppose the reduction of the LVIT. The FIA believes that the membership of any task force should be broadened and contain representatives of the retail sector, industry representatives of wholesale importers and other experts. The FIA believes that membership of the taskforce should be broadened to allow for a greater inclusion of skills and knowledge not available to the public service and to also assist to build the retail sector's confidence in the process. The FIA also strongly urges the Productivity Commission to alter its recommendation and convey to the Government that the only outcome acceptable from such a task force process is greater efficiencies in the handling of parcels and a lower threshold.

Tariffs and Duties:

The Fair Imports Alliance is disappointed that the Productivity Commission did not give greater consideration to its recommendation to reduce Custom's duties or bring forward proposed tariff reductions. Tariffs and duties are not currently imposed on goods imported under the LVIT.

The FIA believe that reducing taxes, duties and tariffs imposed on imports would Australian wholesale distributors, suppliers and retailers would reduce the costs of imports from their place of manufacturer and allow sales to Australian consumers at a cheaper price. The imposition of unnecessary duties and outdated tariffs should be removed and proposed reductions in tariffs should be brought forward.

Government policy responsibility:

The FIA is disappointed that the Productivity Commission did not endorse its recommendation that the Government establish a Minister responsible for the retail sector and appropriate advisory structures.

The FIA notes the PC's acknowledgment of the retail sector's role in the economy, as generator of economic wealth and as an employer and is disappointed that the PC did not recommend that this deserves a greater central policy focus by Government. The FIA reiterates its call for the Minister with responsibility for the retail sector and for appropriate advisory structures. The FIA believes that such advisory structures would provide the Government with a source of policy and strategic advice when it considers the implementation of the PC's recommendations. The establishment of a representative structure such as a Ministerial Advisory Council on retail will provide government a forum to engage with industry and consider policy options to address industry concerns and the changing marketplace well into the future.

Industry Policy and Funding.

The FIA is concerned that the Productivity Commission did not note its opposition to the scrapping of the \$15m AusIndustry Small Business Online (SBO) program from the 2011/12 budget. The FIA believes that Government has a responsibility to assist the sector as it transforms and it was irresponsible to withdraw funding available to business to engage in the digital economy. The FIA believes that the Government has been overly critical of the pace at which the retail sector has engaged with the digital economy but has played no role in assisting the sector. The FIA wrote to Government prior to the 2011/12 budget making the case for the retention of the Small Business Online program and seeking support for retail. These requests were ignored.

The Government's approach to the retail sector is concerning. The retail sector is not supported or acknowledged like other industry sectors despite its significant \$240b role in the economy, as a generator of wealth and as an employer. This is in contrast the positions taken by Government to assist the manufacturing industry. According to the Australian Bureau of Statistics, 88,000 jobs have been lost in retail since 2007, yet there has been no policy response by Government, no assistance and no support provided. Indeed support and funding sources available to the retail sector have been reduced. The FIA is concerned that the PC has not made comment on the lack of consistency in the Government's approach to industry policy.

Contacts

The Fair Imports Alliance is a coalition of nine industry Associations. The Australian Retailers Association and the Australian Sporting Goods Association act as co-secretariat and spokespeople and administer the Fair Imports Alliance.

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