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Response to the Economic Structure and Performance of the Australian Retail Industry Public inquiry 1/9/11.

Concerns stemming from the draft report released the 4<sup>th</sup> of August 2011.

Yarra Valley Cycles Lilydale and the Push Bike Shop in Pakenham have cited some areas of concern in the latest PC report on the Retail Industry in Australia. Unfortunately, being a business owner, time is in short supply, so I have outlined my concerns briefly below and refer and support the much more elaborate submission put forward by the BIA who have written a much more accurate and detailed submission on the subject.

My first concern and the one that has the biggest impact on our business is that of the Low Value Imported Parcels Tax Threshold.

The PC's report found that this has little impact on business and cited excuses as to why this wasn't able to be implemented such as, the immediate costs of managing the collection of taxes on goods, and inefficiencies of infrastructure and processes for tax collection.

#### **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”. (PC Draft Report, 4/8/2011)**

I see this threshold as a major threat to retail business, and the PC's attitude to this important factor needs to change, no matter how unpopular this may look for the Government.

It is impossible to accurately measure the “exact” tax gain that could be made from implementing an LVT on imported goods, there are too many factors that have an influence on the final figure, plus qualitative factors also come into play. It is safe to say however that without an LVT, productivity in the Retail Industry and in particular the Bicycle sector will decrease. Below I have listed many factors that I deem important for this Inquiry. I begin with the direct potential revenues and losses, and then list some flow on effects that have an even greater impact.

1. The PC must firstly take into consideration the Tax Earnings of implementing a LVT.
2. The PC must also view jobs to be the highest priority for the implementation of the LVT
3. The PC must take into consideration the flow on effects on Taxes, Employment and loss of control by not implementing a LVT, these are widespread and flow on through many organisations, effects start with the unfair loss of business to the retailer who is required to pay at least 10% more for a product and therefore loses sales offshore.
4. Increased sales in-store and decreased sales online will mean there are fewer parcels needing to be processed, and more product sales through the correct retail methods that earn taxable revenue automatically.
5. The loss of additional in-store sales due to increased online international shopping (less foot traffic means less customers see what we have to offer in store = less automatic GST revenue).
6. The loss of employment in the retail sector and any other sector that supplies the retail sector eg. Wholesalers, Shipping, Postage, Point of sale, Rent, other surrounding stores, building contractors that build the buildings we trade from and more. Each of these also have people working for them and pay PAYG and GST taxes as well.

7. The loss of Control over what is sold in Australia (prime example are bicycle helmets that are sold by international retailers that don't meet the Australian standards)
8. The PC should also look at the potential employment opportunity for staff to manage the LVT, customs, GST collection and more, each of these are subject to PAYG tax and are not just a cost.

There is most definitely a trickle on effect from the Potential Non-Implementation of a LVT.

I believe it is vital to our business and to retailers in general. I have already seen stores closing their doors, unfortunately with the speed of technology and delivery, the world has become that little bit smaller.

Fortunately, Australia is an Island surrounded by Water, the Government has the capability to implement a Fiscal Policy that will help protect Australian Businesses that will also earn Australia Revenue and regain control of imported goods.

I Understand that changes cannot be implemented without due process, I do also emphasise the need to implement an LVT sooner rather than later. The task will become harder as time goes on and more consumers go online, therefore I urge the PC to move swiftly and take into consideration the position this may leave retailers in shortly.

I agree with the BIA's Submission and also support any improvements to the handling of cargo mail, we also support the BIA's recommendations that "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" (Peter Bourke, 2011).

Further to this, timeframes in which decisions are made will have a large effect on the retailers most affected by imported goods. In particular for the bicycle industry which is on the back of some of the toughest times we have seen due to the economy and climate.

In Conclusion, I believe it is in the PC's, Governments and Retailers best interest to earn revenue from every dollar spent either domestically or internationally. As Australians, we have voted in leaders that have implemented taxes to benefit and build our country. Until recent years there has been little need to change the way we operate, the dollars heading offshore were not big enough to have a real effect, but now, as we move into the next period of technology, faster delivery and even more countries entering the market (what will be do if the China start retailing more bicycle products, consumers might buy at ¼ the price straight from the manufacturer perhaps?) it is important to get a system in place that earns the income, protects the jobs, controls quality and standards and in essence keeps our retail sector alive.

We are relying on the PC and the Government do something, and if not, perhaps we too won't collect taxes on purchases under \$1000.

Regards,

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