



9 September 2011

Productivity Commission
Locked Bag 2 Collins Street East
MELBOURNE VIC 8003

C/- retail@pc.com.au

Dear Sir/Madam

RE: Economic Performance and Structure of the Retail Industry Draft Report

The Tourism & Transport Forum (TTF) welcomes the opportunity to provide additional comment to the Productivity Commission's *Draft Report into the Economic Structure and Performance of the Retail Industry*.

The Draft Report provides an in-depth discussion of issues affecting the competitiveness of the retail sector in Australia. The tourism industry welcomes the Productivity Commission's recommendations to deregulate trading hours and broaden zoning around activity centres to facilitate greater retail investment. These recommendations have the capacity to deliver retailers the flexibility to adapt to changing consumer behaviour, activate precincts, and allow retailers to capture a greater proportion of visitor expenditure during peak periods.

TTF's additional comments to the review relate specifically to Recommendation 12.1 of the Productivity Commission's Draft Report, namely:

Governments must prioritise efforts directed at the review and reform of regulations that are unnecessarily burdensome and reduce regulatory inconsistency across jurisdictions where that affords net benefits to business and the community.

While TTF's original submission was referenced briefly with regard to the above recommendation (p352), TTF believes this recommendation does not accurately reflect the need to prioritise the Tourist Refund Scheme (TRS) in addressing the price competitiveness of our retail exports. The inadequacies of the TRS in mitigating the impact of the GST will continue to be an issue for Australian retail, with shopping the number one activity for international visitors to Australia and growing in importance amongst our international source markets.

Encouraging greater retail exports: future market projections

TTF notes the Commission’s extensive analysis of the impact of GST-free imports on the competitiveness of Australian retail. TTF would argue the impost of GST on exports is just as important, recognising the current policy approach to retail exports is contrary to the standard GST-free treatment of other export sectorsⁱ.

As mentioned in TTF’s original submission (p3-4), export retail sales generated by international visitors to Australia are a significant source of incremental revenue to Australia, having nearly three times the value of wool exports in 2009-10ⁱⁱ.

Additional TTF analysis indicates over the five years to December 2010, Australian retail turnover grew 29% to \$242.7 billionⁱⁱⁱ. This was outpaced by 32% growth in retail expenditure by international visitors to Australia to \$6.9 billion^{iv}.

Of total retail expenditure by international visitors in 2010, the greatest shares came from China (14%), the UK (13%), NZ (12%), the US (6%) and Korea (5%). These markets also displayed greater propensity to spend on retail, with up to 53% of total trip expenditure dedicated to this activity.

RETAIL EXPENDITURE BY TOP INBOUND MARKETS

Country	Total expenditure	Retail expenditure*	% of total retail expenditure	Retail % of country expenditure	2020 potential total expenditure
China	\$2.5 billion	\$0.9 billion	14%	37%	\$7.4 - \$9.0 billion
UK	\$1.8 billion	\$0.9 billion	13%	48%	\$5.5 - \$6.7 billion
New Zealand	\$1.6 billion	\$0.8 billion	12%	53%	\$3.4 - \$4.2 billion
USA	\$1.1 billion	\$0.4 billion	6%	35%	\$4.5 - \$5.5 billion
Korea	\$1.0 billion	\$0.3 billion	5%	35%	\$2.8 - \$3.4 billion
Total	\$17.8 billion	\$6.9 billion	100%	38%	

* Retail expenditure by international visitors includes shopping, food and drink, motor vehicles and fuel.

Furthermore, Tourism Australia's 2020 Tourism Industry Potential aims to double visitor expenditure to \$140 billion by 2020^v. This will involve targeting key growth markets such as China. Given the contribution these source markets make to Australian retail exports, practical reforms to address the attractiveness and competitiveness of our product holds tremendous potential for the retail sector.

Indeed, tourism’s potential to generate significant revenue for the retail sector has been recognised by Australia’s leading retailers. Myer Holdings Chief Executive Bernie Brookes was recently quoted as saying retail operators need to become more “tourist-orientated” in order to improve their sale performance^{vi}.

Yet the Tourist Refund Scheme – the current policy measure mitigating the impact of the GST on retail exports - remains ineffective in covering a majority of purchases made by international visitors, and is poorly recognised as being available for purchases made within Australia.

The industry is seeking practical reform to the TRS, allowing all purchases made in Australia with a value of \$50 or more to be eligible for GST refund. The current \$300 threshold reduces the propensity of a majority of visitors accessing the scheme. If visitors are presented with an effective way to re-claim the GST, there is the likelihood of encouraging greater expenditure on retail while in Australia.

Given the capacity of tourism to encourage greater expenditure in Australia, TTF believes reform of the Tourist Refund Scheme in mitigating the impact of the GST on retail exports requires specific attention by the Productivity Commission.

Regards

John Lee
Chief Executive

- ⁱ Geoff Carmody & Associates (2009), *Australian Tourism: How Deep the Recession*, pp 58-59.
- ⁱⁱ Australian Bureau of Statistics, *Cat.No.5368.0 International Trade in Goods and Services*, June 2010
- ⁱⁱⁱ Australian Bureau of Statistics, *Cat.No.8501.0 Retail trade*, Australia
- ^{iv} Tourism Research Australia, *International Visitors Survey*, Year Ending December 2010
- ^v Tourism Australia, *2020 Tourism Industry Potential: a scenario for growth*, [click here](#)
- ^{vi} Australian Financial Review, *Tourists help Bernie reject gloomy view*, 06 September 2010