

We would like to make a comment on a passage from page 560 of the transcripts from the public hearings held in Melbourne.

Mr Gillespie : (ARA) : The sales increases across Australia per square meter are not moving up anywhere in line with inflation, yet rents are exceeding inflation increases...

Dr Bryon : That automatic rent escalation clause basically means a wealth transfer from the owners of the business to the owners of the centre.

Mr Gillespie : Exactly yes. It's being going on, very aggressively, for the last ten years.

Dr Bryon : Okay. That you very much for the comments. I must say there's very little in them I can disagree with.

- With the greatest respect to Dr Bryon and Mr Gillespie, they have both missed the fundamental problem with the market for (shopping centre) retail leases in Australia, and why prescriptive legislation is required.
- The increasing rents are not only a wealth transfer **from** Retailers **to** Shopping Centre Landlords.
- Rent is just another business cost (although a major one), and just like other business costs such as; wages, cost of goods, bank fees, taxes, petrol, etc. - when business costs increase, ultimately these increasing costs flow through to the AUSTRALIAN CONSUMER in the form of higher retail prices.
- Therefore, at the end of the day, the failure of this market, where retail rents in Australian shopping centres increase faster than inflation – this results in a wealth transfer **from** the pockets of AUSTRALIAN CONSUMERS **into** the pockets of the Shopping Centre Landlords – “and this has been going on very aggressively, for the last twenty years”.
- Thus is it any surprise that those representing the vested interests of the Shopping Centre Landlords, spend millions to spread their propaganda “that the market is working well” - As from their perspective, it's working brilliantly.
- This wealth transfer from the pockets of AUSTRALIAN CONSUMERS is a direct result from the failure of the market for retail leases. This market failure is

also the villain responsible for increasing consumer prices, thus pushing up inflation (by giving Australian the developed world's highest food inflation) and placing upward pressure on interest rates – all to the detriment of the nation.

- If the Productivity Commission fails to come up with meaningful recommendations to repair this broken market, to;
 1. Ensure full transparency of effective rents – (face {false} rents are meaningless)
 2. Ensure meaningful pre-lease disclosure statements, to level out the information imbalances between shopping centre landlord & tenant (What is the true extent of the competitive disadvantage ? What is rate of business failure in the centre ? What are the sales benchmarks ?)
 3. To address the “end of lease problem” (the exploitation of a government legislated privilege, through the price gouging of the sitting tenant)
 4. To tackle anti-competitive zoning laws (government legislated exclusive business privilege) that throws up an umbrella of protection for shopping centre landlords to hide behind, where they are shielded from the forces of free market competition.
 5. Restrain the exploitation of market power, obtained through special privilege.

Then ultimately, the Productivity Commission's inquiry will have failed the AUSTRALIAN CONSUMER.