

SUBMISSION to THE PRODUCTIVITY COMMISSION

Review of the Economic Structure and Performance of the Australian Retail Industry

What evidence is there that Australian retail businesses are being adversely impacted by the low value importation threshold? To what extent does the threshold motivate Australian consumers to purchase online from overseas suppliers? What other factors explain the differences in prices between domestically and overseas sourced products?

The whole bicycle industry is suffering at the hands of online mail order businesses based in the US & Ireland. These mail orders are able to achieve low pricing due to their large volume buying. Australian distributors for the most part are unable to purchase the same large quantities due to the smaller population/audience in this country.

In recent times the strong Aus dollar allowed Australian wholesalers to offer lower pricing at their end which results in lower retail pricing. This has helped matters but lower cost of living in the US contributes to wholesalers & retailers in the US working on lower profit margins than their Australian counterparts.

Bicycle consumers in Australia are savvy to these overseas mail orders & have been for many years. The practice of ordering from these websites is well known & their low shipping rates make it easy for consumers to split orders into smaller packages each worth less than the \$1000 tax threshold.

These freight rates are also consistent regardless of the region in Australia the goods are destined for.

Often it can be cheaper to ship an item from Ohio to WA than ship it via AusPost from VIC to WA.

Would a lower or higher threshold be more appropriate? How would any suggested change affect industry, consumers and government? How might people receiving gifts from overseas be affected by a change to the threshold?

A higher threshold would definitely be appropriate. As consumers, each & every one of us would be affected & would no doubt be unhappy about our new clothing, shoes, bike part or camera costing us more. But, it's the simple action of purchasing offshore that slows down retail, loses jobs & closes businesses in Australia.

How many people consistently spend over \$1000 on a single shopping trip? Likely not many but, how many spend \$500 in a single shopping trip? A great deal more obviously & for many kinds of goods purchase those sales could very easily being lost to offshore.

Are there additional measures that could be taken by industry or governments to increase consumer confidence in the security of purchasing online?

Undoubtedly but, consider this; banks in Australia should be providing more protection for businesses operating online businesses from within Australia. If more card fraud protection measures were available (akin to those in the US) then it would allow Australian businesses more confidence to increase their push to sell their goods internationally. That way Australian business could be in effect giving these offshore retailers a taste of their own medicine by bringing sales from their regions into our economy.

Aus Post could & should be contributing to this also by offering more cost effective & efficient international shipping options.

Undoubtedly this whole issue is a serious one. Australian consumers demand the best pricing possible & so they should. Unfortunately there are factors such as the \$1000 GST free purchase which make it impossible for Australian retailers to offer pricing equal to that of some overseas online mail orders & still cover their overheads.

Amongst all the submissions in relation to this project, none have hit the nail on the head as squarely as John Swainston. I'd recommend people take the time to read his submission in detail & realize the severity of this issue.

Paul Robertson