

# Australian Government Productivity Commission Report titled Relative Costs of Doing Business in Australia: Retail Trade. October 2014.

Commonwealth of Australia 2014

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| The Productivity Commission |
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# Foreword

The retail sector makes an important contribution to the economy and employment in Australia. From a consumer perspective, retail services provide a key link that enables them to access a wide range of products from suppliers.

Whether based in Australia or elsewhere, the retail landscape is changing, which is intensifying competitive pressure on many retailers and compelling them to focus on how they do business. The ongoing development of e‑commerce in particular is driving changes in consumer behaviour and expectations, while at the same time creating opportunities for businesses to alter their cost structures and reach more and different market segments.

The Commission was tasked by the Australian Government to undertake a case study of the costs faced by retail businesses in Australia, and, where relevant, to compare those to the costs faced by their international competitors. This study has found that retailers in Australia continue to operate under several regulatory regimes — such as those relating to trading hours, and planning and zoning — that unnecessarily inflate their costs and restrict their ability to innovate. However, this study also highlights that many of the cost pressures facing retailers are market driven and, therefore, require commercial responses.

The Commission is grateful for the engagement of stakeholders in the government, non‑government and business sectors who participated in this study, especially those who met with the Commission and provided written submissions.

This study was undertaken by a team including Catie Bradbear, Paul Davidson, Melissa Edwards, Leonie Holloway, Daniel McDonald, Hudan Nuch, Stewart Plain and Vernon Topp, and led by Jane Melanie. Valuable contributions to this study were also provided by Joshua Craig, Dominic Crowley, James Hunter, Ralph Lattimore and Marcelo Munoz.

Patricia Scott  
Commissioner

September 2014

# Terms of reference

I, Joseph Benedict Hockey, Treasurer, pursuant to Parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake a study into the cost structures of the dairy product manufacturing industry and the retail trade industry, including costs relative to international competitors, where relevant.

**Background**

A sound understanding of the cost structures of Australian businesses, including costs relative to any international competitors, can provide valuable insights for considering policies to support living standards and economic growth.

**Scope of the research study**

In undertaking the study, the Commission should:

1. Undertake a case study of the costs (such as costs relating to capital, labour, intermediate inputs including energy, taxation, superannuation and/or regulatory compliance) facing businesses operating in Australia in the dairy product manufacturing industry and in the retail trade industry.
2. Where relevant, identify areas of cost advantage and disadvantage for these businesses compared to international competitors.

**Process**

The Commission should consult as appropriate and provide an interim report drawing on submissions and a final report.

The interim report should be published within two months of receipt of this terms of reference. The final report should contain findings and be provided to the Government within six months of receipt of this terms of reference.

The final report will be published.

J B HOCKEY

Treasurer

[ received 7 April 2014]

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# Abbreviations and explanations

Abbreviations

ANZSIC Australian and New Zealand Standard Industrial Classification

APVMA Australian Pesticides and Veterinary Medicines Authority

AQIS Australian Quarantine and Inspection Service

BLS The Bureau of Labor Statistics (US)

CODB cost of doing business

COGS cost of goods sold

FFIA Fast Food Industry Award

FSANZ Food Standards Australia New Zealand

GRIA General Retail Industry Award

HBIA Hair and Beauty Industry Award

MFP multifactor productivity

NAICS North American Industry Classification System

NCSL National Conference of State Legislatures

NICNAS National Industrial Chemicals Notification and Assessment Scheme

NMI National Measurement Institute

NTC National Transport Commission

ONS Office for National Statistics (United Kingdom)

PC Productivity Commission

PPP purchasing power parity

TGA Therapeutic Goods Administration

USCB United States Census Bureau

WPI wage price index

Explanations

|  |  |
| --- | --- |
| Billion | The convention used for a billion is a thousand million (109). |