

**Pre-Budget Submission to the
Federal Budget**



**Prepared by the National Retail Association
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1.0 The state of play for Australian retail

Australian retail has experienced moderate but consistent growth for some two and a half years, with the most recent figures from the Bureau of Statistics showing year on year growth of 4.0 per cent in December 2015, compared with the same month in 2014. While this has been a welcome pattern – particularly in light of several years of poor or negative results prior to late 2013 – the retail sector is far from performing at maximum capacity.

Australian retailers face a growing threat from overseas competition, although the NRA strongly commends the Federal Government on its positive action to close the GST loophole for overseas businesses. Local retailers also face input cost challenges in areas such as rent, wages and particularly penalty rates. The falling dollar will also drive up the cost of imported goods, forcing business owners to cut margins, manage reductions in discretionary spending, or both.

Australian retail businesses are acutely aware of the sense of uncertainty felt by many customers, uncertain about the future direction of interest rates and aware of growing fragility in the major economies of Europe and Asia.

It is into this mixed environment – of moderate growth in the recent past but uncertainty in the near future – that the Federal Budget will be delivered. As it considers the future makeup of the Australian tax system, particularly what to do with the GST, the Government must be mindful of the real and immediate impact of the Budget on consumer sentiment. As an example of the potential impact, it is the NRA's view that a dip in retail spending associated with the 2014/15 Budget occurred prior to the document being made public by the then Treasurer. In other words, media reporting and speculation as to what might be in the Budget and how those measures would affect households were more damaging to consumer sentiment than anything it actually contained.

While the Federal Government cannot control media or political speculation, we urge the Government to provide as much certainty and clarity as possible in the lead up to the delivery of its third Budget. This will ensure that the fragile consumer confidence that has developed over recent years will remain intact, and indeed continue to grow throughout the coming year, allowing retail to remain the jobs and economic engine room of the economy.

2. Tax reform

2.1 Changing the GST

The NRA commends the Government for leading an open and measured discussion about the future shape of the Australian taxation system. We call on all sides of politics to engage in this debate in a sensible manner, in order to ensure the best long-term outcome for taxpayers and to support necessary spending.

The retail sector has the potential to be hit hardest by any significant increase in the Goods and Services Tax, or by any effort to broaden its base. We acknowledge the Government's right to develop a tax proposal to take to the electorate, including possible GST reform. However, we urge the Government to ensure that the overall disposable income of Australian households is not reduced. And most importantly, these changes are communicated to taxpayers well in advance of any change, in order to protect and grow consumer confidence. The NRA also urges

the total package to include conditions requiring a reduction in state-based taxes, particularly payroll tax. If these conditions are met, we believe a change to the GST, along with associated personal and business tax cuts, can be managed in a way that provides a long-term fiscal and economic benefits to the nation

2.2 The Tourist Refund Scheme

The NRA supports the campaign by the Tourism Shopping Reform Group (TSRG) to simplify tourism shopping arrangements in Australia. This campaign is being led by the Australian Federation of Travel Agents, and the Tourism and Transport Forum. In direct contrast to the unfair GST arrangements outlined above, the Tourist Refund Scheme (TRS) supports local businesses by encouraging overseas tourists to spend money in Australia. This in turn flows on to more local jobs and strong tax revenue for the Australian Government.

The TSRG is not requesting any structural changes to the TRS, including changes to the minimum claim amount, eligibility timeframes or coverage. However, the TSRG believes operation of the scheme should be opened to private refund providers, who will have a commercial interest in driving retail sales among international visitors. It has called for an examination of possible cost savings that could be derived from outsourcing the TRS export verification compliance function currently undertaken by Australian Customs. And as part of a suite of reforms to off-airport tourist shopping arrangements, the TSRG has called for facilitation of off-airport collection of pre-purchased duty free goods within a short time after arriving in Australia.

Recent years have seen a decline in inbound tourism and a rapid increase in outbound tourism, partially driven by the high value of the Australian dollar. The NRA believes the measures proposed by the TSRG would drive new and innovative shopping arrangements for international visitors to Australia. This in turn would help to reverse the international leakage of net tourism revenue. Private providers are a feature of the Singaporean tourism shopping scheme, and those providers actively promote Singapore as a tourism shopping destination around the world.

3.0 Workplace reform

The retail sector was hardest hit by the previous Federal Government's introduction of modern awards. The impact included the impact of penalty rates for the first time in some parts of the working week in some states, including double time for weekends and public holidays. These significant increases to operating costs – made against a commitment by the then Prime Minister that no business would be worse off – are the number one impediment to jobs growth in the retail sector. Retail in turn is one of the most important employers in the Australian economy. It is a segment which employs a large proportion of untrained and unskilled workers. This means that retail is able to respond very quickly to economic stimulus measures designed to boost employment.

However, the current arrangements requiring double time payments on Sundays and public holidays are having the direct opposite effect. They are a significant impediment to employment by small businesses, and member feedback indicates that a large number of smaller retailers elect not to open or simply to staff their stores with family members on the days when high penalty rates apply.

The NRA presented evidence to the Productivity Commission showing an overwhelming majority of retail workers – particularly younger workers – perceive no difference between working on a Saturday or a Sunday. The Commission has recommended a reduction in retail and hospitality penalty rates to 1.5 times standard wages across the entire weekend. If the Federal Government were to adopt this recommendation, it is this NRA’s strong belief this would lead to an instant jump in employment levels. Moreover, it would also give the retail industry greater ability to respond to economic stimulus and to support the Government’s job creation targets.

4.0 Support for training

As outlined above, the retail sector is one of Australia’s largest employers. And unlike many other sectors, it makes its contribution to the national economy without the need for significant input from or oversight by government. While large industries such as mining or construction require heavy oversight, and emerging industries in areas of science and technology require significant support, the retail sector simply gets on with the job of producing jobs. Unfortunately, this has led to a position in which retail is not “top of mind” when it comes to the allocation of resources for training, skills and career development.

The NRA supports the call by the Australian Chamber of Commerce and Industry for the Federal Government to continue its focus on improving the literacy and numeracy standards of the general population. These improvements will flow through to boost the productivity and performance of sectors such as retail, where many workers have no further formal education beyond high school. We back the ACCI call for the Federal Government to incentivise the states to introduce minimum requirements for literacy and numeracy to standards required in the workplace, using international benchmarks.

We also support the call for no reduction in funding allocated to skills and training in the upcoming Federal Budget. We understand that fiscal circumstances may not permit a real increase in training funding, but we also urge a refocus for such funding on areas of the economy that hold the greatest employment prospect for newly skilled workers. Retail is one such sector.

The NRA therefore calls on the Government to redirect a portion of its skills and training budget so that workers in the retail sector are equally considered and catered for in the training services funded by Australian taxpayers. We also call on the Government to fund an investigation into the areas of industry that can provide the greatest “bang for buck” in terms of matching graduate trainees with jobs. And finally, we urge the Government to adopt greater flexibility to allow workers to complete courses, partial courses or even single units specifically tailored to their specific needs, and the needs of their employers, and to direct training funding towards industry organisations with a demonstrated track record of meeting the needs of industry and achieving job outcomes.

5.0 Contact information

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