

Retailers and net loss

Rachel Nickless

Retailers are refusing to service goods bought online from foreign companies in their battle to keep shoppers from straying, the Productivity Commission has heard.

At a public hearing of its retail industry inquiry, Productivity Commissioner Philip Weickhardt accused retailers of missing out on a business opportunity by refusing to service goods bought overseas.

He said companies could charge a premium to fix these products to ensure it was profitable for them.

Earlier, Mr Weickhardt queried whether it would simply be an "evolution of the service model" for bicycle retailers to offer computers in their stores for shoppers to order items online, but then offer to provide customer service, warranties and fittings for a price.

But International Dynamics chairman Alex Encel, whose company is an importer, wholesaler and retailer of electronic goods, told the commission he knew of no one, in his industry at least, who would fix goods bought overseas.

While retailers might make a small profit by agreeing to fix faulty goods at a premium price, they would attract criticism from shoppers and they would remove the greatest deterrent to shopping online on foreign sites — namely that shoppers were forced to return faulty or broken goods overseas, Mr Encel told the

commission. "Why get yourself unpopular, lose money and annoy your dealers at the same time?" he said after the hearing.

He estimated that warranty concerns encouraged about 30 per cent of shoppers to shop local rather than use foreign websites.

Tax reform remained the single biggest issue for those retailers who



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Importer Alex Encel

spoke at the hearing as the GST and customs duty are not charged on imports costing less than \$1000.

Productivity commissioners Louise Sylvan and Mr Weickhardt found in their July draft report that this was "not the main factor affecting the international competitiveness of Australian retailers".

They found that the costs of col-

lecting GST on international parcels valued at under \$1000 would be some \$2 billion and far outweigh the \$578 million of revenue that would be collected.

The draft report recommends the government establish a task force to investigate how to efficiently collect more revenue from international mail and express carrier parcels.

But representatives from Bicycle Industries Australia, Gusto Clothing and Star Audio Visual Association all said the \$1000 threshold for tax and customs duty created an unfair playing field, where shopping dollars were being sent offshore and businesses could not survive.

Philip Sawyer of Star Audio Visual Association said the \$1000 threshold for GST and customs duty meant "it's impossible for retailers to be competitive when we are 20 per cent behind before we even start. It's an extraordinary situation".

The \$1000 Australian threshold is higher than in other countries, including the United States and the United Kingdom.

Several of the retailer and industry representatives who appeared at yesterday's hearing said bricks and mortar retailers faced a growing problem with shoppers taking up their salespeople's time and testing out or trying on products, only to then purchase them online.

Mr Encel described such shoppers as "predatory".

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