

2020-21 Federal Budget:
Providing for Australia's Future
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Australian
Retailers
Association

AUSTRALIAN RETAILERS ASSOCIATION

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The Australian Retailers Association 2020-21 Federal Budget Submission

About the ARA

The **Australian Retailers Association (ARA)** is the retail industry's peak representative body representing a \$325 billion sector employing more than 1.3 million people. The ARA works to ensure retail success by informing, protecting, advocating, educating and saving money for its 7,800 independent and national retail members, which operate more than 60,000 shopfronts throughout Australia. The ARA ensures the long-term viability and position of the retail sector as a leading contributor to Australia's economy.

Members of the ARA include Australia's most trusted retailers, from the country's largest department stores and supermarkets, to speciality retail, electronics, food and convenience chains, to mum-and-dad operators.

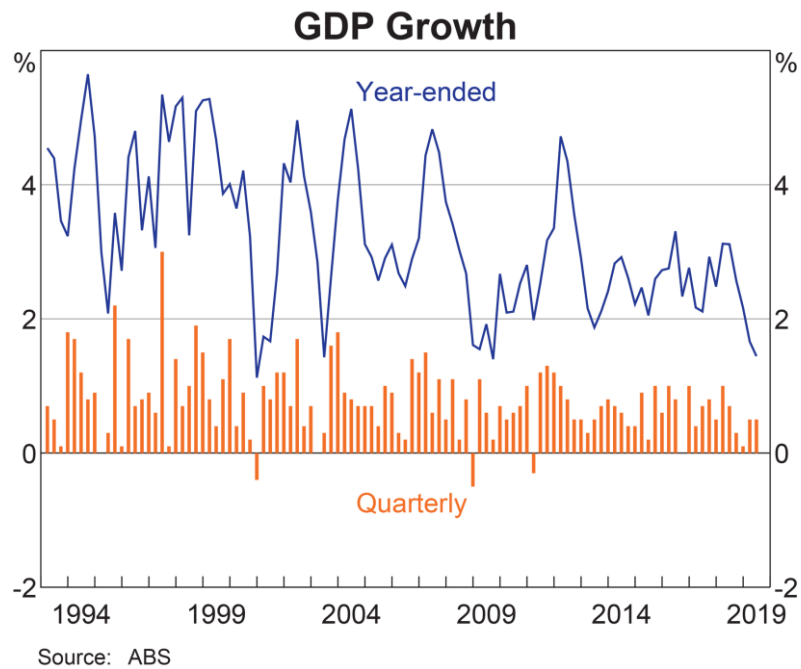
Executive Summary

Australia has enjoyed a period of economic growth spanning almost three decades, an achievement envied by many nations across the world. While the economy has strengthened over the past decade, ongoing GDP growth appears tenuous amidst a difficult and uncertain environment.

The federal government should be congratulated on strong employment and participation rates, consecutive trade surpluses and a continued commitment to pay down debt, and reducing the budget deficit over the long run. Most Australians are enjoying the fruits of a vibrant country. However, despite these achievements, there are a number of areas where significant improvements in the nation's productivity could be realised to strengthen the national accounts and grow GDP, which in turn would help stimulate wage growth.

The Australian Retailers Association is concerned that retail enterprises are faced with excessive red tape and regulation, unnecessary complexity, and rigidity in the labour market, all of which restrict businesses from operating efficiently and prevent employees from working desired flexible hours.

Australia's current political climate appears configured towards saddling small businesses with additional costs and tilting the industrial relations landscape further in the direction of employees and unions. Neither side of politics appears driven to reversing this situation, which is compounded by a series of annual increases in the national minimum wage that have significantly outstripped the consumer price index. Conversely, recent reductions in PAYE income tax rates are encouraging, but more needs to be done to reduce the tax burden on businesses and their employees to stimulate economic activity.



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The Commonwealth has an opportunity to utilise the 2020-21 Budget to address significant structural challenges to Australia's economy, regulations, industrial relations framework, skills, and energy markets, to ensure that three decades of uninterrupted growth continues to provide for a prosperous future.

The ARA has prepared this submission, making 33 recommendations to assist the government achieve this vision in the 2020-21 Federal Budget.

¹ Reserve Bank of Australia, *Australian Growth*, 2020, <https://www.rba.gov.au/chart-pack/au-growth.html>



Recommendations

- **Recommendation 1:** Implement Recommendation 1 of the Henry Tax Review for a robust and efficient broad-based tax system, reducing personal income taxes and moving toward lower, flatter taxes.
- **Recommendation 2:** Implement Recommendation 27 of the Henry Tax Review with a view to reducing the company tax rate to 20% in the medium term.
- **Recommendation 3:** Work through COAG to simplify Australia's tax system by reducing inefficient state-based taxes such as payroll tax and stamp duties with a view to their eventual abolition.
- **Recommendation 4:** Develop an expanded GST collection model focused on postal liability to reduce tax evasion for goods covered by the low-value import threshold.
- **Recommendation 5:** Privatised the administration of the Tourism Refund Scheme to improve its service quality.
- **Recommendation 6:** Make the instant asset write-off scheme permanent for purchases by small and medium businesses, and increase the threshold for eligible assets to \$50,000.
- **Recommendation 7:** Maintain the point-of-sale exemption from the *National Consumer Credit Protection Act 2009* for retailers.
- **Recommendation 8:** Replace the so-called "better off overall test" in the *Fair Work Act 2009* with the "no disadvantage test" that applied prior to the proclamation of the Act.
- **Recommendation 9:** Pursue reforms to simplify the General Retail Industry Award to reduce complexity.
- **Recommendation 10:** Fund a national advertising campaign through the office of the Fair Work Ombudsman to inform Australians about their rights and responsibilities regarding minimum wages.
- **Recommendation 11:** Fund a national advertising campaign to change attitudes and behaviours that may lead to sexual harassment.
- **Recommendation 12:** Consolidate federal workplace health and safety laws and establish a national regulator to oversee the system.
- **Recommendation 13:** Fast-track a Deregulation Taskforce review of the retail industry to streamline and simplify existing regulations, and implement the recommendations of the Productivity Commission's *Relative Costs of Doing Business in Australia: Retail Trade* report.
- **Recommendation 14:** Work through COAG to harmonise and integrate regulations across state jurisdictions, and where possible seek alignment between state and federal laws.
- **Recommendation 15:** Consider intervention to mandate least-cost routing of contactless payment transactions.
- **Recommendation 16:** Commit to increased long-term funding for VET to provide greater certainty to the sector.
- **Recommendation 17:** Remove barriers to school-based apprenticeships and promote VET opportunities that can be delivered to high school students.
- **Recommendation 18:** Expand the National Skills Commission's function to build and operate within a robust workforce development strategy.
- **Recommendation 19:** Maintain the current level of base incentives for industry apprenticeship providers at \$1,500 on commencement and \$2,500 upon completion of an apprenticeship.



- **Recommendation 20:** Establish a National Apprenticeship Advisory Board to examine issues in the apprenticeship system.
- **Recommendation 21:** Provide PaTH training providers with financial incentives to generate outcomes for job seekers such as securing work experience, internship placements, or a job.
- **Recommendation 22:** Provide an additional budget allocation for the proper development of the digital platform service to support the Employment Services Trial.
- **Recommendation 23:** Fund an immediate review of ANZSCO and commit to fully funding more frequent reviews to improve market information and workforce planning.
- **Recommendation 24:** Reduce the SAF levy by 50%, and improve the refund policy for unsuccessful applications to sponsor a skilled migrant.
- **Recommendation 25:** Implement a clear, comprehensive framework for Australia's national energy market to ensure stability, reliability, and lower costs.
- **Recommendation 26:** Consider nuclear energy as an alternative source of baseload power.
- **Recommendation 27:** Adopt the recommendations of the ACCC's Energy Inquiry Final Report and work through COAG to lift state moratoriums on gas exploration and development.
- **Recommendation 28:** Support the development of research into new and emerging energy technologies with increased funding.
- **Recommendation 29:** Work through COAG to introduce market testing provisions in state-based retail tenancy legislation.
- **Recommendation 30:** Develop a coherent waste management policy by engaging with industry to facilitate the development of a circular economy.
- **Recommendation 31:** Work towards the harmonisation of environmental regulation across states and territories through COAG.
- **Recommendation 32:** Work with state governments and local councils to fast-track crucial infrastructure repairs, and to build projects identified on the Infrastructure Australia priority list.
- **Recommendation 33:** Extend disaster relief support to insured businesses and mandate a fire services levy which is charged on rates.



1. Economic Reform

The ARA is supportive of the government's commitment to lifting Australia's productivity, reducing public sector debt, and achieving a budget surplus in 2019-20. While it is encouraging to note the progress that is being made, particularly with the passage of PAYE income tax reductions, there are other measures that must be considered to further strengthen the economy.

These include a wholesale restructuring of the taxation system to simplify administration for businesses and individuals, moving towards lower, flatter taxes, closing GST loopholes, and broadening the tax base as per Recommendation 1 of the Henry Tax Review.

1.1 Reduce Personal Income and Business Taxes

Tax collected on personal and corporate income, profit, and gains in Australia is second highest of the 36 OECD countries.² Personal and corporate income taxes account for 59% of all tax revenue, making Australia a high-taxing outlier among wealthy, developed nations, with an overly complex tax and transfer system that stifles innovation, personal incentive, and investment in enterprise.

The ARA strongly supports a renewed focus on tax reform to deliver lower, flatter taxes for individuals and a lower corporate tax rate. Simplification of the tax and transfer system would improve efficiency, minimise administrative and financial burdens on businesses, and engender stability in the revenue base.

Large businesses pay a corporate tax rate of 30%. This is punitively high by international standards, and well above the OECD average combined corporate income tax rate of 23.5% in 2019.³ As such, the ARA recommends that corporate tax cuts should be phased in over the next five years, reducing the business tax rate to 20%. Extending corporate tax cuts to large businesses and gradually lowering the rate to 20% for all businesses will make the Australian economy more competitive and provide greater incentive for business development and jobs growth.

The ARA broadly supports the adoption of Recommendation 1 of the Henry Tax Review, which concentrates revenue generation on efficient, broad-based taxes, and Recommendation 27, which supports a reduction of the company tax rate to 20%.⁴

1.2 Abolish Inefficient Taxes

The Henry Tax Review recommended the replacement of inefficient taxes to reduce system complexity, improve business compliance costs, and improve the productivity of Australia's economy.⁵

There is ample scope to work with states and territories to abolish inefficient taxes such as stamp duties and payroll tax. The ARA supports the abolition of inefficient state taxes in favour of a broadening of consumption taxes such as the GST, with revenue continuing to be distributed to the states and territories to ensure sustainable state revenues. We urge the federal government to work more closely with the states to abolish inefficient taxes such as payroll tax and stamp duties which vary from state to state.

² OECD, *Revenue Statistics 2019 – Australia*, OECD, 2019, <https://www.oecd.org/tax/revenue-statistics-australia.pdf>

³ "Statutory corporate income tax rate," OECD, accessed January 9, 2020, https://stats.oecd.org/index.aspx?DataSetCode=TABLE_II1

⁴ Commonwealth of Australia, *Australia's Future Tax System*, 2009, https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_1_consolidated.pdf

⁵ Commonwealth of Australia, *Australia's Future Tax System*



Payroll tax unduly burdens employers who already expend a significant proportion of their revenue on wages, artificially inflating the real cost of labour. This is a disincentive to hire new staff or to provide pay rises to existing employees, and unfairly penalises workers. In effect, two layers of government ‘double-dip’ into employees’ wages: federal income tax penalises Australians for working, and state payroll tax penalises employers for hiring.

1.3 Low-Value Import Threshold for GST

Changes to the Low-Value Import Threshold (LVIT) in 2018 which applied GST to overseas purchases under \$1,000 were welcomed by the ARA. In the first three months of its operation, the ATO collected GST revenue on low-value imported goods was \$81 million – roughly three times the forecast amount.⁶ LVIT changes have levelled the playing field between small Australian retailers and their overseas competitors which, as these GST revenues indicate, had enjoyed the advantage of a tax-exempt status. Despite these positives, the operation of the collection model, compliance regime, and enforcement of this measure remain a concern.

The ARA believes the obligation placed on vendors for overseas GST collection cannot be effectively enforced. International tax treaties cannot be relied upon to ensure compliance with Australian taxation laws. The ARA is aware of several cases of non-compliance by overseas vendors, particularly vendors of electronic goods. Moreover, the ARA remains concerned about personal importation using postal services to circumvent the requirement to pay GST, excise, or duties on personal imports into Australia.

A 2014 study by Copenhagen Economics found compliance levels in the European Union (EU) for Value Added Tax (VAT) collection sits at 98%.⁷ The EU model relies on technology to establish collection liabilities upon cargo systems, charging VAT prior to dispatch as part of shipping costs, and making the carrier liable for collection and remittance. Tax requirements for a particular jurisdiction are flagged using this technology as soon as a location is entered into shipping details.

The ARA recommends the government, in its 2020-21 budget, fund an expanded collection model focused on postal liability. This model places obligations on cargo and shipping providers to collect GST upon receipt in Australia, prior to dispatch. “Track and trace” systems using blockchain and/or barcoding are becoming increasingly viable to assist the monitoring of imports which attract GST, duty, or excise, and improve collection rates. This will ensure loopholes which disadvantage local businesses are closed, providing a net financial benefit to the Commonwealth and the states. The final impression of a tourist leaving Australia is standing in line, while being called to board their international flight, and waiting to claim back GST via a very inefficient, government-operated Tourist Refund Scheme.

⁶ Heather McIlvaine, “Low-value GST generating triple the forecast revenue,” Inside Retail, published March 28, 2019, <https://www.insideretail.com.au/news/low-value-gst-has-delivered-triple-the-revenue-forecast-201903>

⁷ Dr Bruno Basalisco, Julia Wahl & Dr Henrik Okholm, *E-Commerce Imports into Europe: VAT and customs treatment*, (Copenhagen Economics, 2014), https://www.copenhageneconomics.com/dyn/resources/Publication/publicationPDF/8/348/1462798608/e-commerce-imports-into-europe_vat-and-customs-treatment.pdf



1.4 GST Tourist Refund Scheme

Australia's tourism industry is thriving, providing important cultural, economic and social benefits to the economy. With 8.6 million international visitors during the 2018-19 financial year – an increase of 3% - and a 5% increase in visitor spending to \$44.6 billion,⁸ the federal government has a golden opportunity to leverage Australia's tourism success.

Retail shopping is an important component of the overall tourism experience in Australia. In recent years, the ARA has been strong in its support for enhanced tourism shopping arrangements in Australia. Tourism Research Australia's most recent international visitor survey shows that retail shopping comprises close to 10% of international visitor expenditure in Australia, representing a \$4.2 billion slice of international visitor spending in the 2018-19 financial year.⁹

However, the tourism shopping experience in Australia currently lags behind many other countries in the service delivery quality of its GST Tourism Refund Scheme (TRS) which is needlessly complex and time consuming for international visitors leaving the country with Australian goods. Internationally, private providers operate a more efficient TRS, and actively promote the service as a key offering to international visitors. The ARA would like to see the federal government privatise the administration of the TRS, which is currently operated by the Australian Border Force. This would constitute a tangible step toward growing retail spending by international visitors whilst in Australia, as a seamless service would increase the appeal of shopping in Australia, make goods more affordable, and ensure a smooth refund process at the end of their travel.

1.5 Business Investment

Strong business investment is crucial to developing technologies and driving innovation across the retail sector, complementing the development of skills to improve productivity. Australia's labour productivity growth has been hindered by limited capital investment in recent years, which must be reversed to improve the competitiveness of Australian businesses and strengthen the productivity of workers.

In an increasingly challenging investment environment, the instant asset write-off has encouraged small-scale business investment in plant and equipment such as computers, office fittings, and a range of other tools. However, the current threshold limits businesses from realising potential gains from assets such as vehicles and other plant or equipment which are valued above this level. The ARA recommends the government make the instant asset write-off scheme permanent for purchases by small and medium businesses, and increase the threshold for eligible assets to \$50,000.

1.6 Point-of-Sale Exemptions

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry exposed bad practices by banks and other lending institutions. Though the government has committed to adopt the 57 recommendations made by Commissioner Hayne, the ARA urges the government to properly engage with affected stakeholders to avert unintended consequences.

The ARA draws particular attention to Recommendation 1.7, which removes the point-of-sale exemption for retailers offering finance on instore purchases under the *National Consumer Credit Protection Act*

⁸ Tourism Research Australia, *International Visitors in Australia*, 2019, <https://www.tra.gov.au/International/international-tourism-results>

⁹ Tourism Research Australia, *International Visitors in Australia*



2009.¹⁰ This recommendation would require retailers to employ staff with an Australian Credit Licence (ACL) in order to provide instore finance: a significant wage expense, and a logistical burden for stores that are unable to employ sufficient numbers of accredited staff to service their customers. For many small and medium-sized retailers, the removal of the exemption would effectively prevent them from offering instore finance at all. Sales lost by retailers unable to comply with the regulation may jeopardise their profitability, potentially leading to business closures and the lost jobs of their employees.

The ARA recommends that implementation of Recommendation 1.7 of the Hayne Royal Commission be either abandoned or structured in such a way as to avoid compromising the viability of retail enterprises and employment.

Recommendations

- **Recommendation 1:** Implement Recommendation 1 of the Henry Tax Review for a robust and efficient broad-based tax system, reducing personal income taxes and moving toward lower, flatter taxes.
- **Recommendation 2:** Implement Recommendation 27 of the Henry Tax Review with a view of reducing the company tax rate to 20% in the medium term.
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- **Recommendation 7:** Maintain the point-of-sale exemption from the *National Consumer Credit Protection Act 2009* for retailers.

¹⁰ Commonwealth of Australia, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry: Final Report*, 2019, 88, <https://www.royalcommission.gov.au/sites/default/files/2019-02/fsrc-volume-1-final-report.pdf>



2. A Simplified Industrial Relations System to Benefit All Australians

There are over 130,000 retail businesses in Australia¹¹ employing almost 1.3 million people,¹² making retail the largest private employment sector. Retail offers the opportunity to build fulfilling and prosperous careers, and helps many young Australians enter the workforce or support themselves through studies. Retail employs a significant female workforce – 56% of employees are women, and 32% of all employees are aged 15 to 24 years.¹³

Despite the benefits and opportunities offered by employment in retail, ARA members consistently voice concerns about the complexity and cost of managing employees. Our members agree that a contemporary industrial relations system should benefit workers and employers alike. The ARA believes a more flexible workplace relations framework would maximise productivity, encourage entrepreneurship and labour market competition, and increase employment opportunities.

2.1 General Retail Industry Award (GRIA)

The industrial relations framework as legislated in the *Fair Work Act 2009* stifles opportunities for businesses and employment growth. The government must prioritise industrial relations reform over the coming year.

The ARA reaffirms its support for the *Fair Work Amendment (Casual Loading Offset) Regulations 2018*, which prevents casual employees from claiming both casual loadings and entitlements payable to a permanent employee. In light of a failed disallowance motion in late 2019 that tried to preserve the practice of “double-dipping,” the ARA reiterates its support for the government’s amendments which remove ambiguity from the industrial relations system.

Declining enterprise bargaining in recent years has contributed to increased costs for businesses, worse outcomes for employees, and reduced flexibility for all. A key impediment to the Fair Work Commission’s ability to approve enterprise bargaining agreements is the “better off overall test” (BOOT). In practice, agreements that benefit most employees are often struck out if individual workers are left even marginally worse off. The ARA recommends the government replace the so-called “better off overall test” in the *Fair Work Act 2009* with the “no disadvantage test” that applied prior to the proclamation of the Act.

Significant productivity gains may be achieved through the simplification of the General Retail Industry Award. The rigidity of the GRIA stultifies flexibility and skills development, while its complexity causes confusion across the industry, imposing excessive costs and time burdens upon employers. The ARA recommends the federal government proceed with action to simplify the GRIA to unlock efficiencies for Australia’s retail sector.

¹¹ Australian Bureau of Statistics 2019, 8165.0 *Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018*,

<https://www.abs.gov.au/ausstats/abs@.nsf/DetailsPage/8165.0June%202014%20to%20June%202018?OpenDocument>

¹² Australian Bureau of Statistics 2019, 6291.0.55, *Labour Force (Quarterly), 'Employed Persons by State, Territory and Industry Division of Main Job (ANZSIC)', November 2019*,

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Nov%202019?OpenDocument>

¹³ Department of Jobs and Small Business, *Australian Jobs 2019*, 12,

<https://docs.employment.gov.au/system/files/doc/other/australianjobs2019.pdf>



One example where a lack of flexibility is evident is within the part-time provisions of the GRIA. An employer must give seven days' notice of changes to a part-time employee's roster. There are many occasions where employers would like, at short notice, to offer a part-time employee extra work if the employee is willing to work. However, due to the requirement that overtime rates must be paid where less than seven days' notice is given, the employer may not provide the part-time employee with extra shifts. The employer either works the extra hours themselves, or simply "does without" the extra staff, putting additional pressure on employees that are rostered.

2.2 Fixing Underpayments

Simplification of the General Retail Industry Award should be accompanied by new action by the Fair Work Ombudsman (FWO) to tackle the problem of underpayments. Within the GRIA there are almost 1,000 variants to the award without including the National Employment Standards. Simplification of the award is required to ensure that there are less genuine errors of underpayment.

The ARA recommends the FWO begin a national advertising campaign to facilitate improved awareness of wage compliance, obligations, and to resolving issues that may arise. This will encourage all Australians to act and check their pay, ensuring small problems are found and fixed before major issues develop.

2.3 Tackling Sexual Harassment

The ARA represents an industry with a significant number of young and/or female employees who may be vulnerable to experiencing sexual harassment in their place of work. Retail employers strive to create safe and harmonious workplaces free of harassment and bullying, which is critical to the wellbeing of staff and the success of their businesses. They should be supported in these efforts to create positive working environments.

Governments are well placed to influence attitudes and behaviours of a society and shape a community more broadly. The federal government should make funding available for a major national advertising campaign to change attitudes and behaviours that may lead to sexual harassment to prevent its incidence across the community and in workplaces.

2.4 Workplace Health & Safety

Australian retailers operating across state boundaries suffer from a hotchpotch of state and federal workplace health and safety laws. Though some states have referred their powers to make and enforce these laws to the Commonwealth, others maintain separate laws which causes confusion for retailers operating in multiple jurisdictions.

The ARA recommends the Commonwealth work with the states to consolidate workplace health and safety legislation under federal law, and to create a national regulator to oversee the system.



Recommendations

- **Recommendation 8:** Replace the so-called “better off overall test” in the *Fair Work Act 2009* with the “no disadvantage test” that applied prior to the proclamation of the Act.
- **Recommendation 9:** Pursue reforms to simplify the General Retail Industry Award to reduce complexity.
- **Recommendation 10:** Fund a national advertising campaign through the office of the Fair Work Ombudsman to inform Australians about their rights and responsibilities regarding minimum wages.
- **Recommendation 11:** Fund a national advertising campaign to change attitudes and behaviours that may lead to sexual harassment.
- **Recommendation 12:** Consolidate federal workplace health and safety laws and establish a national regulator to oversee the system.

3. Regulation and Red Tape

The burden of regulation and red tape that entangles retailers is a significant challenge to the sector and limits Australia’s productivity growth. According to the World Economic Forum’s 2019 Global Competitiveness Index, Australia is ranked 80th out of 141 countries on the burden of regulation.¹⁴ Retailers are faced with volumes of complex regulation which act as a handbrake on their international competitiveness in an increasingly global marketplace.

The growing volume of regulation directly increases the compliance costs of business and stifles innovation, investment, development and employment growth. This is especially concerning for smaller retailers, who do not have the time or resources to navigate regulatory frameworks that affect their business activities. Medium and large retailers face their own unique challenges, particularly where federal and state regulations overlap or where regulatory variance between states complicates multi-state retail operations within Australia.

3.1 Deregulation Taskforce

While the government’s Deregulation Taskforce has made good progress, the ARA urges further action to abolish redundant regulation, ensure greater harmonisation between new and existing regulation, and encourage consistency between states and across departments to improve the efficiency of Australia’s regulatory framework.

The ARA recommends the government directs the Deregulation Taskforce to undertake a comprehensive review of the retail industry to streamline and simplify existing regulation which entangles the sector. Simpler regulations will improve the productivity of retailers currently burdened by complex and inconsistent regulations, improve the effectiveness of ongoing regulation by making it easier to understand, and ultimately strengthen compliance outcomes by reducing confusion and errors.

¹⁴ World Economic Forum, *The Global Competitiveness Report 2019*, 67, http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf



3.2 Harmonisation of State and Federal Regulations

The ARA receives constant feedback about the variability of regulation across and within state jurisdictions, as well as regulations that are perceived as unwarranted or excessive. Challenges remain across a range of issues pertaining to retailers navigating tenancy and leasing regulations, restrictions on trading hours, plastic bag regulations, occupational health and safety, and transport restrictions affecting supply chains and logistics.

Many of these issues were reviewed by the Productivity Commission in its 2014 report, *Relative Costs of Doing Business in Australia: Retail Trade*, which made recommendations that are broadly supported by the ARA. The experiences of ARA members are consistent with findings of the Productivity Commission, which identified multiple regulators, poorly developed regulation, and inconsistent regulations posing operational challenges and significant compliance costs for retailers.¹⁵

The ARA recommends the federal government revisit these recommendations and work with the states through COAG to better integrate and harmonise regulations across state jurisdictions, while also ensuring federal and state laws and regulations align where possible. COAG should also be a forum wherein the states can share best practice regulation for consistent adoption across Australia.

3.3 Merchant Payments Regulation

Merchant payment fees impose costs on retailers that erode often small margins on their sales. With a proliferation of new providers in a dynamic payment environment, regulators must keep pace with new challenges and promote competition to protect merchants and consumers from excessive costs.

Contactless payments technology, specifically “tap-and-go” card transactions, are one key cost driver for Australian merchants. Excessive “tap-and-go” fees may be reduced by changing how transactions are processed, saving retailers approximately \$550 million. Currently, around 75% of all debit-only cards in Australia are dual-network cards, co-branded with eftpos and major card schemes such as Mastercard and Visa.¹⁶ Cards featuring contactless technology are automatically routed through the non-eftpos schemes, which are charged at a higher cost than the eftpos alternative. This stymies competition and prevents merchants and customers choosing the lowest cost scheme.

In December 2017, the House of Representatives Standing Committee on Economics advised in its third report from its *Review of the Four Major Banks* that least-cost routing should be universally available to merchants by 1 April 2018, recommending the Payments System Board to take action on least-cost routing should the major banks fail to do so.¹⁷ Should least-cost routing be mandated, Australian retailers would save approximately \$550 million in transaction fees. As there has been limited action since the report was delivered, the ARA calls on the government to consider regulatory intervention to mandate least-cost routing to lower costs for both merchants and consumers.

¹⁵ Productivity Commission, *Relative Costs of Doing Business in Australia: Retail Trade*, 2014, 12, <https://www.pc.gov.au/inquiries/completed/retail-trade/report/retail-trade.pdf>

¹⁶ Reserve Bank of Australia, *Dual Network Cards and Mobile Wallet Technology: Consultation Paper*, 2016, 3, <https://www.rba.gov.au/publications/consultations/201612-dual-network-cards-and-mobile-wallet-technology/pdf/20161207-dual-network-cards-and-mobile-wallet-technology.pdf>

¹⁷ House of Representatives Standing Committee on Economics, *Review of the Four Major Banks (Third Report)*, 2017, 3, https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/FourMajorBanksReview3/Report



Recommendations:

- **Recommendation 13:** Fast-track a Deregulation Taskforce review of the retail industry to streamline and simplify existing regulations, and implement the recommendations of the Productivity Commission's *Relative Costs of Doing Business in Australia: Retail Trade* report.
- **Recommendation 14:** Work through COAG to harmonise and integrate regulations across state jurisdictions, and where possible seek alignment between state and federal laws.
- **Recommendation 15:** Consider intervention to mandate least-cost routing of contactless payment transactions.

4. Employment and Skills

The ARA welcomes the government's renewed focus on employment and skills, providing greater certainty and stability to a vocational education and training (VET) sector that is crucial to innovation and workforce development in the retail industry. VET is an important driver of employment, productivity and skills outcomes for the Australian economy, and should be supported by consistent funding, strong governance, workforce planning, and employment pathways.

While the government's focus is pleasing, the ARA remains concerned this has followed a sustained period of patchy funding arrangements that have brought uncertainty to the sector. The ARA also notes the most recent skills package, announced in the 2019 Federal Budget, has been largely funded by the Skilling Australians Fund (SAF) Levy imposed on employers accessing skilled migration programs rather than a discrete commitment from the federal government.

4.1 Vocation Education and Training (VET)

Greater funding parity should be sought between higher education and VET, as prospective students are faced with funding shortcomings which leave them at a disadvantage. The establishment of a National Skills Commission (NSC) was welcomed by the ARA, as it encourages a more consistent national approach to VET funding, providing greater stability for a sector which has historically suffered from inconsistent funding arrangements.

Sustained investment in these programs is critical to strengthen a dynamic retail workforce which boasts high youth employment and provides young Australians the opportunity to build a career in the industry or gain professional experience. The ARA urges the government to commit to long-term funding for VET to provide certainty to the sector, improve student participation, and contribute to the skills needs of the economy.

VET for school students, which was examined by the Joyce Review, requires further attention. The ARA encourages the promotion of VET in schools and supports the creation of pathways allowing secondary students to undertake VET subjects. The ARA urges the government to examine barriers to school-based apprenticeships, working with industry, to identify and promote the most relevant and useful vocational training opportunities for delivery to school students.

As the body overseeing VET funding, the National Skills Commission should focus on skills shortages and training needs within an improved workforce development planning framework. The Commission's analysis of future skills needs must be properly informed by evidence from industry to build a workforce development strategy that guides investment in training and monitors skilled migration needs.



4.2 Apprenticeship Approval and Incentives

Australia requires a National Apprenticeship Advisory Board to examine issues in the apprenticeship system, and to streamline recognition of apprenticeships. Industry apprenticeship providers currently require the approval of eight state and territory jurisdictions for a qualification to be recognised, creating unnecessary uncertainty.

Variable incentives also cause confusion, impeding industry engagement with the apprenticeship system. Incentives are a strong driver for employers considering work-integrated learning to provide a pathway for workers to develop skills and create career paths. Due to strong graduate employment outcomes delivering substantial economic benefits, apprenticeship and traineeship base incentives should remain at current levels across all industry sectors.

The Joyce Review found that work experience is a critical component of VET and is central to the design of an apprenticeship or traineeship. This experience provides structured learning to bolster the productivity of Australian workplaces, and contributes to expanding employment pathways and positive economic outcomes. Accordingly, consistent funding is required within a coherent national framework to ensure the benefits of apprenticeships and traineeships continue to be realised.

The ARA recommends current levels of base incentives be maintained at \$1,500 on commencement and \$2,500 on completion of an apprenticeship, and encourages the creation of a National Apprenticeship Advisory Board to examine issues in the VET system.

4.3 Youth Jobs PaTH

Education and training should be complemented by strong employment programs that provide clear pathways to work, particularly for young people. The ARA is concerned the PaTH program does not provide sufficient incentives for training providers to secure student placements with employers. The current model compromises training providers as funding only covers training delivery, undermining the principle behind PaTH – that unemployed people can gain proper work experience in a real workplace. This model does not require placements to be secured prior to the commencement of training, thus omitting a basic component required for the success of the program.

The ARA recommends PaTH training providers be financially rewarded for outcomes generated for job seekers, whether by securing work experience, internship placements, or a job. This will ensure the program secures more industry placements for job seekers and provides a sustainable employment pathway for jobless youth.

4.4 New Employment Services Trial

The government's New Employment Services Trial is also welcomed by the ARA, as it aims to improve employment outcomes for job seekers facing barriers to employment. Customised support services, particularly for the long-term unemployed, enable the greatest assistance to be directed to those who need it most, while those facing minimal barriers are adequately serviced through a digital platform.

A digital platform can allow employers to filter and search for candidates more effectively, while targeted wage subsidies enable businesses to employ job seekers facing greater barriers and offer work experience through improved post-placement support. The ARA endorses the implementation of the trial, and recommends an additional budget allocation to develop the digital platform service ahead of the full rollout in 2022.



4.5 Developing a Better-Informed Market:

The ARA, along with other representative organisations spanning industry, employment, trade unions, and government, relies on the statistical infrastructure provided by the Australian and New Zealand Standard Classification of Occupations (ANZSCO).

Despite its importance, ANZSCO is fast becoming unfit for purpose, as it has only been reviewed twice since its establishment in 2006. The ABS must commit to regular reviews of its classifications to account for technological disruption, the changing nature of work, and advancements in the workforce. This will ensure ABS information remains relevant for governments and stakeholders to accurately identify emerging occupations, and to understand the changing nature of existing occupations for better future decision making.

In addition to improving material available through ANZSCO, the ARA believes that industry, employees, students, and the overall economy would benefit from improved access to information about qualifications, training, skills, and higher education. A well-informed market will lead to better workforce planning outcomes and must be a high priority in the upcoming budget.¹⁸

4.6 Skilling Australians Fund Levy

The Skilling Australians Fund (SAF) Levy was introduced in 2018 as a way to fund VET through the government's migration program. Businesses hiring migrants to cover short-term skills shortages on a TSS visa were unpleasantly surprised by the amount payable on the levy: \$1,200 per year for small businesses, and \$1,800 per year for larger businesses. This far exceeds the *457 Visa Integrity Review's* recommendation in 2014 of \$400 per year per employee. Small businesses hiring migrants on ENS or RSMS visas are also liable for a one-off \$3,000 payment, which rises to \$5,000 for larger businesses. These costs impose a significant burden on employers who have already endured delays in addressing skills shortages, and the size of the levies has impacted those looking toward the skilled migration program. Any levy imposed upon a business must be directed toward the support and development of skills required by industry, to ensure that skill shortages are addressed.

Business sponsors also face significant application costs, in addition to nominating a visa applicant. Moreover, these costs are non-refundable to businesses even if an application is unsuccessful, which the ARA believes must be changed. The rationale for the levy – training Australians where there is a skill shortage to be bridged with migrant workers – no longer exists when an application is unsuccessful as no migrant enters the country.

Fees collected from business sponsors enter the Skilling Australians Fund, which forms a substantial portion of federal VET funding and is designed to provide stability to the sector. However, rather than providing VET funding security, the arrangement contributes to uncertainty over funding arrangements such as those negotiated in the National Partnership Agreement on Skills Reform.

The ARA recommends the government commits to VET funding independently of the SAF levy. We also recommend the SAF levy be reduced by 50% to improve access to the program to cover skills shortages, and we urge the government to overturn the policy of non-refundable fees with regard to unsuccessful applications.

¹⁸ International Labour Organization, *Work for a Brighter Future*, 2019, 31, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---cabinet/documents/publication/wcms_662410.pdf



Recommendations

- **Recommendation 16:** Commit to increased long-term funding for VET to provide greater certainty to the sector.
- **Recommendation 17:** Remove barriers to school-based apprenticeships and promote VET opportunities that can be delivered to high school students.
- **Recommendation 18:** Expand the National Skills Commission's function to build and operate within a robust workforce development strategy.
- **Recommendation 19:** Maintain the current level of base incentives for industry apprenticeship providers at \$1,500 on commencement and \$2,500 upon completion of an apprenticeship.
- **Recommendation 20:** Establish a National Apprenticeship Advisory Board to examine issues in the apprenticeship system.
- **Recommendation 21:** Provide PaTH training providers with financial incentives to generate outcomes for job seekers such as securing work experience, internship placements, or a job.
- **Recommendation 22:** Provide an additional budget allocation for the proper development of the digital platform service to support the Employment Services Trial.
- **Recommendation 23:** Fund an immediate review of ANZSCO and commit to fully funding more frequent reviews to improve market information and workforce planning.
- **Recommendation 24:** Reduce the SAF levy by 50%, and improve the refund policy for unsuccessful applications to sponsor a skilled migrant.

5. Energy Policy

5.1 Energy Cost

ARA members have frequently raised concerns about high energy costs and reliability issues. Changes in Australia's energy market, including heavier reliance on intermittent technologies delivering sporadic supply (such as wind), have reduced stability and reliability, and driven up costs. These issues have been exacerbated by torpid government policy over the last decade, as intervention in the sector and mixed signals have created a difficult investment environment. All of this has contributed to high energy costs borne by businesses and households in Australia and has reduced the reliability of supply.

There is a need for a clear, comprehensive framework for Australia's national energy market to ensure stability, reliability, and affordability to provide the long-term certainty needed for appropriate investment in the sector. Policy interventions have also prevented gas exploration, imposing limitations on energy security. In a resource-rich country such as Australia, myriad opportunities exist for government to provide industry with a competitive advantage in energy costs. These have largely been squandered.

5.2 Nuclear Energy

The ARA recommends the consideration of nuclear energy as an alternative source of baseload power, as retailers wrestle with energy cost and reliability concerns. In light of decreasing reliance on coal-fired power stations, the government should review its current position on nuclear power and consider whether nuclear should be used as a low cost, reliable energy source.



Lost refrigerated goods due to poor energy reliability inflict heavy costs upon businesses and consumers, posing financial burdens and bringing harm to the environment. The 2016 South Australian blackout was a widespread power outage which occurred as a result of storm damage to renewable electricity transmission infrastructure on 28 September. The failure of the electricity transmission network caused a loss of electricity supply across most of the state, affecting 850,000 customers.

5.3 Energy Reliability

Concerns regarding energy costs are compounded by increasingly frequent power outages which have disrupted retailers across the country in recent years. Widespread power outages increasingly occur in the summer months; these cause temporary closures by retailers, disrupting stores during a peak trading season on which many depend to meet annual targets.

Eaton's *Blackout Tracker* report recorded 84 power outages in Australia in 2018, totalling 7,005 minutes in duration – a 13% increase from 2017.¹⁹ For retailers, the impact is felt during trading hours, as power outages disrupt electronic payment processing. For food retailers, blackouts can cause large stock losses.

The ARA encourages the government to implement a comprehensive framework which provides for a strong investment environment to ensure the stability of energy supply. We believe the first step is to adopt the recommendations of the Australian Competition and Consumer Commission's (ACCC) 2018 *Retail Electricity Pricing Inquiry – Final Report*. This should be followed by the government working through COAG to lift gas moratoriums which prevent exploration and development in some states and territories. These policies should be underpinned by long term investment in research and development into emerging energy technology as the country transitions to affordable and clean energy provision.

5.4 Retail Tenants – Choice of Energy Retailer

The significant cost of energy in Australia places undue burden on Australian retailers, many of which already struggle with significant overheads and high wages compared to international competitors. Punitive energy expenses are compounded by state regulations that prevent regular market-testing of energy suppliers.

ARA members operating in shopping centres have raised concerns over these regulations, which effectively monopolise energy prices for retailers at rates agreed between shopping centre landlords and energy retailers. While there is a practical issue preventing more than one energy retailer supplying energy to a shopping centre, regulations should be amended to allow retailers to seek alternative suppliers.

The ARA recommends the government work with COAG to introduce market testing provisions in state-based retail tenancy legislation that is harmonised across all states and territories.

¹⁹ Eaton, *Blackout Tracker: Australia and New Zealand Annual Report 2018, 2019*, 3, http://powerquality.eaton.com/blackouttracker/default.asp?_ga=2.56277483.175766068.1578373126-2096632580.1578373126



Recommendations

- **Recommendation 25:** Implement a clear, comprehensive framework for Australia's national energy market to ensure stability, reliability, and lower costs.
- **Recommendation 26:** Reconsider nuclear energy as an alternative source of baseload power.
- **Recommendation 27:** Adopt the recommendations of the ACCC's Energy Inquiry Final Report and work through COAG to lift state moratoriums on gas exploration and development.
- **Recommendation 28:** Support the development of research into new and emerging energy technologies with increased funding.
- **Recommendation 29:** Work through COAG to introduce market testing provisions in state-based retail tenancy legislation.

6: Environment

6.1 Circular Economy

Growing government activity in the development of circular economy policies has been met with broad support by members of the ARA. Momentum has steadily grown as states and territories develop policy responses to the issues of waste products and their adverse impact on the environment. This process was further influenced by a ban on a range of waste exports coming into effect in 2020, increasing the urgency for a coherent nationwide response.

The ARA is supportive of further government consultation with industry as part of the development of a broad strategy to ensure policies are developed which are sustainable, efficient, and achieve their intended purpose. We look forward to active involvement throughout this process.

6.2 Lightweight Plastic Bags

The ban on the export of waste plastic, paper, and other items taking effect in 2020 has brought the broader issue of waste into focus. In 2019, Victoria introduced a ban on lightweight plastic bags, joining other states and territories (except NSW) in enforcing similar policies in an attempt to reduce plastic waste.

However, retailers' experiences with differing bans on plastic bags in various states reveal a chasm between the policy intent and its results, which has been compounded by mixed implementation results. Campaigns designed to educate retailers about their obligations and proposed penalties have been delivered in an ad-hoc way, while the definition of "lightweight" varies from state to state, causing confusion for retailers operating in different jurisdictions.

The ARA urges the Commonwealth to foster cooperation between the states to seek consistency of regulations. This may insulate businesses from significant risks of minor compliance errors and optimise the prospects for desired compliance outcomes.

Recommendations

- **Recommendation 30:** Develop a coherent waste management policy by engaging with industry to facilitate the development of a circular economy.
- **Recommendation 31:** Work towards the harmonisation of environmental regulation across states and territories through COAG.



7: Infrastructure

7.1 Infrastructure Investment

Australia's major cities face significant challenges from rapid population growth and insufficient infrastructure to service this growth. The ARA welcomes government commitments to major infrastructure investments, and urges further planned investment be brought forward to help cope with ongoing population growth and urban congestion.

The government should use this budget to fast-track crucial infrastructure repairs and upgrades. The Commonwealth must work with state governments and councils to bring forward the development of projects identified on the Infrastructure Australia priority list.

7.2 Bushfire Recovery

The ARA applauds the government's disaster relief initiatives to rebuild local communities and crucial infrastructure. However, we are concerned that relief has been provided only to uninsured businesses, while those who are insured are left without support and face higher insurance premiums if they claim on their policies: in effect, a "double whammy" for doing the right thing. In this respect, government assistance should be agnostic toward those who have insured their property (at personal cost) and those who have not.

The federal government should mandate a fire services levy be charged on council rates, rather than on property insurance fees as occurs in some states and territories. The latter approach punishes those who have done the right thing, causing responsible individuals and businesses to be hit with additional insurance levies, further subsidising support for the uninsured.

Recommendations

- **Recommendation 32:** Work with state governments and local councils to fast-track crucial infrastructure repairs, and to build projects identified on the Infrastructure Australia priority list.
- **Recommendation 33:** Extend disaster relief support to insured businesses and mandate a fire services levy to be charged on council rates.



Summary

The adoption of the ARA's 2020-21 Budget recommendations will help ensure the retail sector's significant contribution to the economy. These recommendations, if implemented, will boost productivity and increase GDP growth, employment, and social opportunity, and support other industries which interact with and depend on a strong Australian retail sector.

For more information on the ARA's policies, please contact Yale Stephens, Head of Public Affairs (yale.stephens@retail.org.au) or Russell Zimmerman, Executive Director (russell.zimmerman@retail.org.au).



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