

Summary on retail margins data

The latest ABS data on gross operating profits for the retail sector shows a strong June Quarter following three weaker quarters. On the other hand, the National Australia Bank's September 2010 Quarterly Business Survey and Forecasts noted that "Retail margins fell again in the September quarter to the equal second lowest level since the series began in March quarter 2002. However, retail margins are expected to improve next quarter." However the retail sector includes a wide range of retailers including some, for example, motor vehicle retailers, who would not be impacted by competition from overseas online retailers.

Competitive neutrality.

There is an arguable case that the low value threshold creates a competitive non- neutrality. However, it may be that lowering the threshold, in combination with the imposition of a Customs administrative charge and the attendant compliance costs in terms of the consumer's time or need to engage a customs broker to negotiate the process may tip the balance towards creating a competitive disadvantage for online imports. It can be argued that competition from online imports plays an important role in ensuring Australian retailers pass on the benefit of the appreciating \$A (and reductions in customs duty in the case of clothing and footwear) and improve the level of service they provide to Australian consumers. (For example ,Frost and Sullivan note that many major Australian retailers do not have an effective on line presence.)