

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Melbourne — 8 November 2012

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Mr R. Zimmerman, Executive Director (sworn), and
Mr H. Michael, Director, Policy, Government and Corporate Relations (sworn), Australian Retailers Association.

The CHAIR — Welcome to the public hearings of the joint-party Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. I believe you have now met all members of the Committee. All evidence taken at this hearing is protected by parliamentary privilege. Comments you make outside this hearing are not afforded the same privilege. Could I ask you both to state your names, positions and whether you are appearing on behalf of yourself or an organisation?

Mr ZIMMERMAN — Russell Zimmerman, Executive Director of the Australian Retailers Association, appearing on behalf of the association.

Mr MICHAEL — Heath Michael, Director of Policy and Government and Corporate Relations, which has been slightly changed in recent times, for the Australian Retailers Association, representing our Victorian retail members.

The CHAIR — Fine. Can I invite you to make an oral presentation?

Mr ZIMMERMAN — Thank you very much, and I would like to take this opportunity to thank the Committee for allowing us to be here. I might just start off by giving you a little bit of an overview of the Australian Retailers Association. We have been an organisation since about 1903, so well over 100 years. We are the peak industry body for Australia's \$240 billion retail sector. We are an incorporated employer body registered under the Fair Work Act; we were actually registered in 2009 under that Act. We deliver a range of member services including employment relations, policy, advocacy, training, tenancy — virtually anything the retail industry is involved in, we are delivering services in or commenting on and advocating for. We represent about 5000 retailers Australia wide, and they range from being very small, independent retailers through to very large national chains.

I just want to dwell on that for a minute. Around about 40 per cent of ARA members are based in Victoria. It is worth thinking about that for a minute because when I talk about members — 7-Eleven, based in Victoria, is a member of ours. I am not quite sure how many outlets they have, but it is quite a substantial number of outlets, and certainly a large number of those are in Victoria. If I were to take, for instance, an organisation like Foodco, based in New South Wales — Foodco is the franchisor for Jamaica Blue and Muffin Break. Although they are based in New South Wales they have a large number of outlets in Victoria. We think the number of outlets we would be talking about throughout Australia is between 14 000 and 15 000 shopfronts — if I can put it that way — rather than members, but that number could actually be slightly incorrect because our association works on the basis that membership is by number of stores, so we may not always get an exact number of stores being the exact truth. But if you were to take the same formula and say 40 per cent of those retailers are based in Victoria, you could take 15 000 and say 40 per cent of those are in Victoria. So we believe it is quite a substantial amount.

As I said earlier, the industry employs about 1.2 million people. It is also interesting to note that in August 2011 there were around 310 700 employed in the retail industry. If you look at today's figures — —

Mr MICHAEL — That is just in Victoria.

Mr ZIMMERMAN — Sorry, just in Victoria.

Mrs PEULICH — Sorry, how many was that?

Mr ZIMMERMAN — In August 2011 it was 310 700. Currently, on the latest figures we have of about August this year, it is about 307 000, so there has actually been a reduction of employees in the retail industry. I suspect that is fairly well documented. We have seen a large number of retailers either close stores or, in some cases, close down. I refer to companies like Darrell Lea. You have certainly seen in the papers of recent days a large chain of — —

Mr MICHAEL — Retail Adventures.

Mr ZIMMERMAN — Retail Adventures, which is in severe financial difficulty. We know that retailers in general, as a rule, are also looking for ways and methods of, shall I say, ensuring that they are less dependent on staff at the forefront. Why I am referring to that is that the Woolworths and Coles organisations have

self-checkouts now, so where you may have had 25 checkouts across the front of the store you now have maybe 15, and a number of those have six outlets on them.

Mrs PEULICH — So the 1 per cent contraction is a combination of closed and streamlined or — —

Mr ZIMMERMAN — Yes. It would be a combination of both, most definitely outgoings. Fletcher Jones, an organisation that was based here in Victoria, is now closed. So, a contraction, but you would find that if you looked across Australia, you would see the same contraction across Australia. In actual fact we saw some figures. I think for South Australia, if my memory serves me correctly, it was about 10 000, wasn't it, Heath?

Mr MICHAEL — Yes. That is by far the smallest state, and yesterday, or the day before, we had some figures out of Tasmania where the retail year on year has contracted by 3.7 per cent, which was quite horrific.

Mrs PEULICH — Is there a national average for the last — —

Mr MICHAEL — Yes. Actually we have the national figures under that press release we put out the other day.

Mr ZIMMERMAN — Yes, so if you actually look at Victoria month-by-month — so, looking at August against September — it was 0.3 per cent, but take the year-on-year figure for Victoria and it was a 1.5 per cent increase year on year. If you want to look at some of the other states, New South Wales is 2.9; Queensland, about 4.5; Western Australia, 10.5 for obvious reasons; South Australia, 1.8; Tasmania, 3.8 — —

Mr MICHAEL — Minus 3.8.

Mr ZIMMERMAN — Sorry, minus 3.8. Australian Capital Territory, 5.7; Northern Territory, 2.5; and the total sum was about 3.6 per cent. So you can see that although Victoria is not booming ahead like WA, it is certainly not in the same critical situation Tasmania would be in.

Mr MICHAEL — And I would say it is worth noting that the Queensland 4.5 year figures — that is also coming off their growth after the floods and damage from last year as well.

Mr SHAW — Do those figures of 307 000 include people who are self-employed, say a husband and wife and maybe the kids as well? Does it include them being classified as employed?

Mr MICHAEL — Yes. We have actually got the DEEWR figures here by sector. They are last month's; today's have only just been released, so I did not have time to print them. They break them down fairly accurately into category. Over the last two or three years retail has been overtaken as the biggest employer by health care and social assistance, which is probably quite a concern given it is not a productive sector of the economy as such.

Mr ZIMMERMAN — That said, we are still the largest private employer, because there are a lot of government employees within the health-care industry. They are probably not painting a wonderfully rosy picture as far as Victoria is concerned, but I think it is probably fair to say that Victoria is still in a reasonably healthy position compared to some of the other states. From our perspective we would like to see it booming like Western Australia.

Mr MICHAEL — It is fair to say that some of what is driving that has been Australian dollar-based issues hitting manufacturing. Probably Victoria has been hit worse than anyone else on manufacturing, and that has caused some loss of consumer confidence along the way. We have also identified consumer confidence relating to the wealth aspects. That has come through some survey work we do with Roy Morgan, which is just about household wealth and a lot of it is around house values. Victoria, I know, has had a bit of a noticeably flat housing market for some time. We need to take that into the context of the previous government as well as this government having done a very good job on housing supply, which has actually kept house prices flat as places like New South Wales and Queensland have continued to have shortages. That is affecting people's real perceptions of their wealth and affecting consumer confidence overall too. It is a funny balancing act when you have flat house prices. It is good for housing affordability but not necessarily for confidence in your own wealth.

Mr ZIMMERMAN — I think the other thing you have to look at with Victoria is that there are a large number of international retailers looking at the shores of Australia. It is probably fair to say that I have been on the record a fair bit talking about how slow retail is, and I am certainly not going to move away from that. Retailers coming in from overseas — and I talk about Zara and various organisations like that — are looking at Australia, and they are actually looking very closely and starting to open stores here.

I think it is probably fair to say that there are two states in Australia that they look at in the first instance; one is obviously Victoria and the other one is New South Wales. I think it is also probably fair to say that there is still a swing — it is probably moving back a little bit — to retailers looking at Victoria as a first port of call to put up shops. That does not happen all the time. Zara actually opened first in New South Wales, in Sydney, but Topshop is a good example. They were second in New South Wales. I think I read today that they are opening a second shop in Victoria; so they have one here and they are looking at a second one. Victoria still holds a very key, important part for retail and it still holds a very key, important part for our overseas retailers. I think that is really worthy of note.

So what are retailers really facing? I probably should just declare my hand. I have to tell you this: I am actually a retailer in my own right, but not in Victoria. My family owns and I have a financial interest in retail shops in Sydney in New South Wales. I do not mind telling you that it is as tough in New South Wales as it probably is for Victorian retailers. I think some of the things we need to look at are what the real issues are. Certainly there is slow sales growth. Excluding the last 18 months to 2 years, if you look back before that, you saw retailers growing at somewhere in the area of around about 5.5 per cent to 6.5 per cent. That is over at the moment; there is no way we are seeing that. I think it is probably fair to say that around 3 per cent to 3.5 per cent is the maximum we are going to see moving forward. I do not expect to see it going beyond that. It is fast–slow sales growth.

Consumers are definitely cautious. If you look back a few years — and I will just use a practical example — if someone walked into a dress shop and they could not make a decision between the red and the black dress, they probably would have said, ‘I’ll take both.’ Now they look at them and they say, ‘I’ll walk away. I’ll think about it, and I might come back for the black dress.’ I am using a very basic practical example, but that is what is really happening out there. I think there is probably — and I will touch back on this — some really good reasons why that is happening and why consumers do not have the dollars to spend.

From a retailers perspective margins are being squeezed, and it is probably fair to say that retail stores are on sale almost 365 days a year. Typically what is happening now is that products come into stores — and I am probably referring more at this stage to the fashion retailers — they are on the shelf for four to six weeks, and all of a sudden you see a sign across the store saying ‘40 per cent off’, ‘50 per cent off’ or ‘60 per cent off’, and then you look at peak trading times when you go into Christmas and you can see up to 70 per cent off. That is traditionally what we have seen. That also presents other problems, in my opinion, to the consumer because the consumer starts to say, ‘What is the real worth of the product? Is it really worth \$100, or is it actually only worth \$50 or \$40 like it is when it is on sale all the time?’ That is driving a consumer mindset that is also creating problems within retail.

Mrs PEULICH — And also the online stuff. Even if people do not purchase online as yet — some are just warming up to it — they certainly see some really stylish stuff at really affordable prices, and they are thinking, ‘Yeah, are they worth it?’

Mr MICHAEL — I might just touch on that because we did have a chance to have a look at some of the NAB figures through Quantum research recently, and interestingly metropolitan Melbourne and the CBD actually had some of the slower growth in online sales. The inner city areas typically were fairly high growth, but metropolitan Melbourne — compared to some other metro sites in most other jurisdictions — was reasonably low growth. Where the strong growth is happening is in WA particularly and in outlying areas of WA, but also in regional Victoria compared to the metropolitan areas. It is all about choice, ultimately. You can get your top name brands in the Melbourne CBD, but you cannot in Bendigo, Ballarat or some of the outlying areas. The figures actually bore out a lot of that. It is interesting that the biggest contrast between the metropolitan and regional areas is in Victoria. If you are a fashion retailer in a regional area, you are going to feel it a lot more than you would in the CBD.

Mr ZIMMERMAN — I am just looking at our next piece of paper; we have copies that we did not hand out, which we should have. This is a really good graph to look at because it shows the growth both on a month-to-month and year-on-year basis. I think it is worthwhile having a look at how that graph has moved. I apologise; this should have been handed out at the beginning.

Mrs PEULICH — Which page are we on?

Mr MICHAEL — I did not number them.

Mr ZIMMERMAN — I think the fifth page. If you have a look, you can see how the graph has gone. There is a particular spike. If you look at around June 2012, you can see that particular spike is obviously where the government stimulus package came out. You can see quite a substantial growth there, and you can see a huge fall-off coming away from that. It is probably interesting to note too that when you see those stimulus packages come out and you talk to other industry associations, which I do — the Australian Hotels Association tell me they love stimulus packages because all of a sudden the gambling and the drinking goes up.

The CHAIR — Yes, it does.

Mrs PEULICH — Very productive.

Mr MICHAEL — The next page shows the Victorian figures just for the last 12 months, which also reflect the national figures overall. Just before the carbon tax was introduced there was a huge drop-off in consumer spending, and then with the stimulus money it picked up again. It appears — and this seems to go across the jurisdictions — that as that stimulus spend comes off things are flattening out again. We need to remember too that a lot of the bills that have been particularly hit by the carbon tax are starting to come through, whether it is power or things like health insurance — there have been a heap of changes there. That even came in on the CPI figures where you saw not only the electricity costs spike but you also saw health insurance spike quite dramatically. It is easy to forget that over half the population has health insurance — and I am sure many of us looked at our bills, like I did, and said, ‘My God, I didn’t realise it was going up by that much.’ It does hit spending. I know there is another round of health insurance rebate changes that the Government announced as part of MYEFO. It will affect a whole range of business tax hikes as well that we are quite concerned about with budgetary spend diminishing as well.

Another concern that is not so much happening in Victoria but in the other two big states is — and this has to happen — the massive cutbacks in public spending at the state level. We turn around quite regularly and say, ‘We don’t know why people are complaining about Victoria. They are running a budget surplus and effectively there are 3000 people being made redundant over a period of time and not the mass sackings that are going on in the other states.’ It can sound a lot worse than it is, but if you were standing in New South Wales or Queensland, you would be quite scared if you were in the public sector. The 3000-odd jobs here can quite easily be absorbed by the private economy. We are not seeing the crunch to as big a degree on public spending.

Mr ZIMMERMAN — It is probably fair — and you started to touch on it earlier, about the change in technology for retailers — but I think it is a little bit beyond the internet. I think it is also a change within stores. If you had to try to project what one might think could happen in the retail environment — and I think if you look at an Apple store today, you might have some concept of where retail is going. It is probably fair to say that if you walk into an Apple store at midday and try to buy an iPad or a mobile phone, they are probably going to say, ‘Look, I’m sorry, we don’t have that in stock but you can get it on the internet.’ You actually become a showroom, and that is really what it has become.

I look at that and say that if you are a major retailer and you have 500 or 600 sites around Australia — some of the larger retailers, the Sussans, the Pretty Girls, stores like that do have that kind of number of retail sites — would you want to continue to have that in the future? I am not sure that retailers will; I do not think they will want to have stores in every small shopping centre. Where I think this is probably leading is to finding that the big stores will have a huge selection of everything on their shelves, so you can go in and if the dress is made in 10 colours, it will be there in 10 colours — —

Mrs PEULICH — And 10 sizes.

Mr ZIMMERMAN — And in 10 sizes, yes, thank you. But then you will probably go to a smaller store and you may find that the dress is only in, say, five colours and that the size range is far more limited. Then you will probably find that they will have an iPad or similar, and you are starting to see these pop up in shops now, and you will go to the iPad, order the dress, put in your delivery address in and by the time you get to work tomorrow morning it will be there.

I do not think Woolworths did it here in Victoria, but if you look at what happens at Central railway station in Sydney, and certainly it is happening in Korea with a number of retailers over there, you can now walk along the subway where they have put up what looks like a supermarket, but it is actually two hollow arcades. You can grab your mobile phone, walk along and click your mobile phone, place your grocery order — —

The CHAIR — Delivered at home.

Mr ZIMMERMAN — And essentially you can have the delivery by the time you get home. That is basically the idea. When you have a bricks-and-mortar store, you are paying immense rents, and I will probably talk about that a little bit later on. It may not be so much the supermarkets, but the smaller independent clothing, footwear, gift stores are going to look at that very closely to decide where they actually need their stores.

If you take a shop like Zara, I can say to you right here and now there is no way that Zara is going to put itself in 500 locations throughout Australia — 20 maybe maximum. But that is where the shift in retail is happening, and it is the new, quicker technology. For those of you who do not know it or do not have it on your phone, there is a technology out there called RedLaser. You can actually walk into a store and if you can get the barcode of the product you want, you can zap it, and you can look at it — and I am talking about a bottle of wine to a dress — and you can find what the product is and where you can buy it at the cheapest price.

Mrs PEULICH — At the cheapest price?

Mr ZIMMERMAN — At the cheapest price, yes.

The CHAIR — There are about 10 different versions.

Mr ZIMMERMAN — RedLaser is one, but there are a number of different ones that are around. We probably should not be sitting here telling you this if you do not know, but it is a fact.

Mr FOLEY — I have an avid 12-year-old retailer who showed me.

The CHAIR — And you do not have to go into the shop to do it; you can do it straight out of a magazine.

Mr ZIMMERMAN — And without being funny, what you have to think about is that your 12-year-old in 10 years' time will be the 22-year-old who will then be the disposable income shopper — —

The CHAIR — Who will be earning their own income.

Mr ZIMMERMAN — I was just going to say, who will hopefully be earning money, paying for that themselves and they will be — —

Mrs PEULICH — But still living with mum and dad.

Mr ZIMMERMAN — Yes, probably! I have a 31-year-old still living with mum and dad. But, yes, they will be the people who are out there shopping and they will be spending their money and using the new technology. Pardon me for saying so, but the old, grey-haired people like me are not going to be using it to the same extent as young people.

The CHAIR — Google is just releasing their Google Wallet card which you store all of your cards on and if you happen to lose it, you only replace that card. None of your cards have to be replaced, just that card, and it is usable everywhere.

Mr MICHAEL — And with the new ticketing system that is being introduced in Sydney — and I am not sure whether myki can do this — you can actually scan that card for your train ticket, so you just travel on that card — —

Mr ZIMMERMAN — If you travel on a plane these days, certainly if you travel regularly, it is rare to actually carry a boarding pass. I get mine just with a QR code. I flash it underneath the reader and they give me a bit of paper when I am about to board. So you can see it in the airlines, you can see it in retail — —

Mrs PEULICH — It is going to revolutionise everything.

Mr ZIMMERMAN — Everything.

The CHAIR — Very shortly you will not be going to Sydney; you will send the phone.

Mr MICHAEL — But there are some retailers — and I think we can probably name a Victorian-based one being the Sussan group and their youth brand — —

Mr ZIMMERMAN — Sportsgirl.

Mr MICHAEL — Sportsgirl, which I always forget. I do not spend much time in Sportsgirl stores. They already have the system set up where all their staff have iPads. They say ‘We don’t have your item in size’ — —

The CHAIR — ‘Here it is on you.’

Mr ZIMMERMAN — Yes, with next day delivery, and the sale goes to that store regardless. If you say, ‘I am not sure about the price’, they say, ‘We are happy for you to compare prices’, and the store managers are given flexibility on matching those prices.

The CHAIR — There is also one both on Android and Apple where you have your photograph on it and you can try the dress on yourself and see what it looks like.

Mrs PEULICH — Real sizing?

The CHAIR — Yes. And this is what it looks like.

Mrs PEULICH — Which was going to be my question. Obviously some items would be more subject to that sort of online competition. For example, I was sitting in Parliament House, I turned around and one of my colleagues had a scarf she had just bought in England. I found out the brand and while we were sitting there I googled the catalogue — —

The CHAIR — Not in Parliament.

Mrs PEULICH — I did. I paid for it with a credit card and it was delivered to me six days later.

Mr FOLEY — I am sure that was in Strangers Corridor.

The CHAIR — Not in the house.

Mr FOLEY — I mean, in the Legislative Council no-one would notice.

Mr ZIMMERMAN — With the delivery time you talked, it about can often be quicker from overseas than it would be to get the same parcel, say, from Perth to Victoria or vice versa, and that is a huge problem that is facing the industry. That will change, but that is all part of the supply chain that Australia Post is — —

The CHAIR — A more mature market.

Mr ZIMMERMAN — Yes.

Mrs PEULICH — I felt comfortable buying a scarf, but I do not believe I would have bought a dress.

The CHAIR — I buy my suits overseas.

Mr ZIMMERMAN — Can I also say here that we are in an interesting situation in Australia. If you look back 10 or 12 years — maybe it is a bit longer than that — David Jones and Myer started to go into the online space. They lost millions of dollars. I can tell you there was a change of CEO at David Jones. Peter Wilkinson

was the CEO at the time who started to install it. Mark McInnes was installed after Peter left and immediately Mark closed it down. You could be very critical and sit back and say, 'Why did he close it down?', but essentially he did it because it was losing millions of dollars. As a good CEO, he would do it.

It was probably big mistake because now we are seeing so much happening on the internet. If you look at what happens in America, you will find that of the top 20 retailers in America, there are 18 of them that are bricks-and-mortar stores which have moved into the online space. So 18 of your 20 top internet retailers have bricks and mortar stores. In Australia we would be lucky if one of our big major retailers is listed anywhere in the first 50, quite frankly.

The CHAIR — The market does have to be mature enough to be able to accept it, because people forget that Apple lost pots of money on their first tablet, which was the Newton. It was just complete crash.

Mr MICHAEL — The Australian market is clearly playing catch-up. It might be worth going to the next page over — —

Mrs PEULICH — We have digressed.

Mr MICHAEL — We have some category sales here. These are over only the last few months, but you can actually see how much particular categories are jumping around — household goods, clothing and footwear, and department stores in particular — and a lot of that is because they are the areas that are most having to adjust to the online sales area. They are adjustments. We know even with our membership base we have particular areas that are growing strongly. I think it is fair to say that food retailing and the cafes and restaurants and some of the fast food chains are some of the fastest-growing areas in our membership base, and probably one of the fastest declining would be video stores.

There is some interesting material out there about how the combined Blockbuster and Video Ezy groups are managing themselves to shrink as a business. They have currently done a lot of their modelling on what the tobacco companies have done about how to manage yourself through declining growth. There is a significant amount of adjustment going on in the sector. A lot of the discount stores like Retail Adventures — which is going against the wall — appear to be holding up on some of the retail sales.

The CHAIR — You wonder about that, do you not? I was in the middle of Chadstone, where we know what the rentals there are — and right in the middle is a Reject Shop. You are not there on \$2 retail — —

Mr MICHAEL — I might mention that in the context of, yes, online is a factor, but the truth is that most of the Australian retail models were built on 5 per cent, or even 10 per cent in some good years, annual year-on-year growth. Now that they are facing averaging around 3 per cent, they have to change their business models — which probably leads on to some points that Russell is very good at making around the struggles that the sector is going through as it is changing its business models, and that is where a lot of the receiverships are coming from.

The CHAIR — How much more do you have, Russell?

Mr ZIMMERMAN — I can skip a fair bit of this. I can certainly skip the consumer trends; I think we have talked about that. We have talked about discounting. I think it is worth mentioning that the dollar is causing a deflation in product and I think that is fairly well documented. Penalty rates I think are a huge pressure on retailers. We have certainly been out in the marketplace talking about the cost of doing business on a Sunday. You are seeing retailers, particularly in country areas, now starting to close their doors on a Sunday. It is just becoming uneconomical.

If I could spend just a couple of minutes on tenancy, because I think it is really worthwhile talking about. You alluded to that, about the cost of rent. Quite frankly, I think the model is broken. We have talked about the fact that retail is at 3 per cent or thereabouts. Yet you have a number of landlords — but one in particular — out there saying to retailers, 'Your model is CPI plus 2.' There is no way that you can run a business and expect your rents to go up by the CPI plus 2 per cent over that period of time. It just is not going to work. So I think the landlords have to come to grips with it and realise that this is really the new way of retailing and that you cannot afford to continually push those rents up like they have in the past.

The CHAIR — Their asset is going to depreciate, is it not?

Mr ZIMMERMAN — Well, it is, and that is a problem for them. But also, if you see the number of retailers that have gone to the wall — I have a list that I keep — we are up to about 45 or 46, and I am talking about large retail organisations.

Mrs PEULICH — Australia-wide?

Mr ZIMMERMAN — That is Australia-wide, but you have to remember those Australia-wide ones impact on every state in the country, including Victoria.

The other thing I have a real problem with in relation to tenancy is that all retailers in Australia have to hand in turnover figures to their landlords. To me, that is akin to giving the PIN of your bank account to your landlord. They sit across the table from you, you are dealing with them on a rent and they just say, 'Ah, but you can afford that.' They do not say, 'This shop is market value', but 'You can afford that; you're doing the turnover.' It is just not right. I think there have to be some changes in legislation to actually remove that from a lease — to ask someone to put in a turnover.

We have talked about online. Yes, there can be a cost advantage. Obviously the ARA has been very vocal on the low-value threshold and the reduction. We have even put out a press release today. It is worthwhile having a look at the *Financial Review* today, at a number of articles that are in there. The state premiers and state treasurers are very supportive of the removal of that. Obviously they want that money to assist bumps in their budgets.

Just talking about online sales, it is said that 3 per cent of sales are in the online area. I think that is totally inaccurate. The reason I say that is that if you exclude food, cafes and restaurants, where you obviously in general terms do not buy online, then all of a sudden that figure goes and is skewed completely differently. There are certain areas. If you took music instruments, photographic equipment, probably perfumes and their like — aftershaves et cetera — you are probably looking at somewhere around 15 to 20 per cent on some of those products. That is why you are seeing the comebacks you are seeing in the discretionary market, in the clothing and footwear and other areas. You can see that we have written down there that PayPal shows that 40 to 50 per cent of all online sales are overseas sales — that is, when you remove the food and what have you out of there. I guess in closing, what can be done?

Mr MICHAEL — I would not mind just touching on the rent side very quickly. We have actually been briefed, and we have had some of our large members contact us about being very much in support of the planning law changes in Victoria, so much so that we have been asked to work, along with some other groups, with the New South Wales Government to follow what is happening here. We have had our president's business get in touch with us as well as one of the other large retail chains in recent times. We see those bulky goods changes along with the changes about change of use being very useful for freeing up more retail space and allowing more negotiation with rents across the sector.

Mr ZIMMERMAN — So what can we do about it? I think the first thing is we have to see retailers stop heavy discounting. It comes back to my earlier comment that if you see this continual discounting, what is the product really worth — and consumers become very sceptical of that. Shoppers want to see real value, and that is where I think that retail has to look.

The online area is something that I think particularly the SME end of the town is really needing to embrace. I can tell you that every time we have run a seminar — we ran one here in Melbourne within the last six weeks — they sell out quickly. People want to know about how to get the online space there. They are actually very thirsty for knowledge on it. I think a lot of the problems for retailers are that they do not actually know how to get themselves there. It can be quite simple, but they need some assistance and some guidance.

The CHAIR — It is just another step up from social media, really, is it not?

Mr ZIMMERMAN — That is right.

The CHAIR — People did not know how to do it and wanted to find out.

Mr ZIMMERMAN — Certainly it is fair to say that the Victorian Government probably is at the forefront of assisting in that space, I think.

Mr MICHAEL — Yes, particularly with the Streetlife program. That has enabled various trader associations to be able to get programs set up. It is not so much about ‘How do I get online?’; it is ‘I have a website. Now what do I do about my payment systems, my stock control and other areas?’

Mrs PEULICH — Just in relation to the Streetlife program — of course it is another iteration of what we had previously — are you able to speak about the importance of that to your sector?

Mr MICHAEL — At the moment it is only just starting to be rolled out, and it appeared local government elections were a major blockage with applications on that. It turned out that there were not many councils that were able to make decisions during election campaigns.

Mrs PEULICH — Do not limit it to the election campaign.

Mr MICHAEL — Yes; true. We have had a large degree of interest come through with that program. There are a couple of elements to it which allow for the trader associations to improve what they are doing for their local areas, but there is also a skills improvement element. It is really up to the councils and the associations to make the case for those skills, whether it is that we need more knowledge about payment security or how we do our stock control or how we keep our cash flows under control within our businesses. I know Minister Asher has had a lot of good feedback about this program previously. We have certainly had a lot of good feedback from the local government level and from our smaller members. It is not for the big guys, but it is —

Mrs PEULICH — It is for the retail strips, is it not?

Mr MICHAEL — Yes — and the regional areas seem very keen on it. We have places like Chapel Street and Brunswick —

Mrs PEULICH — Your last dot point on this under ‘What can be done?’, ‘Independent stores can provide sense of community’, is very true, but at the same time retail strips can provide a sense of community. It seems to me that there are three things that are deficient. Local government has totally dropped its ball on economic development. Many of them — for example, the council in which I live — do not even provide any linkage or support for local traders and chambers of commerce, which I think is just deplorable.

Mr MICHAEL — I hope no-one has Moreland City Council in their area, but I had one of my toughest voting decisions ever to make where there was not a single candidate in that southern ward I live in who said anything about supporting business at all.

Mrs PEULICH — And lastly I think what attracts people to a location is the ambiance and physical appearance, and many of those retail strips have been left so derelict. There are obviously lots of great examples where that is different; people stop off to the cafes, they look at the boutiques and so forth. But I think clearly that is not on the agenda either in many instances. So from my point of view what I would like to hear from you is what you would like to see local government do to assist local economic development, especially the retailers.

Mr ZIMMERMAN — Firstly, can I just say a couple of remarks — and I might let Heath pick it up from here — but I would just say to you that Victoria is so far in front of Sydney in this area. It really is. If you drive down the streets of Sydney, you will see a bigger decimation of strip shops than anywhere else. The issue I think in Sydney has been that they have moved themselves out into these big shopping centres. That classic example would be when you drive through to Westfield Bondi and Oxford Street. I drove down there the other night, and I reckon half the shops down there are empty; I think it is over half the shops are empty. It is just appalling. I think you probably have a better sense of community in those local shopping centres, from what I see of it, here in Victoria than what we have in New South Wales.

Mrs PEULICH — But it is a low base. I am a Government member. Do not worry, it is not taking pot shots at the Government.

Mr ZIMMERMAN — No.

Mrs PEULICH — I just think we can improve our performance.

Mr MICHAEL — Look, I think one of the things that is encouraging us about the planning reforms here is it will enable some of that decentralisation to occur, which has been an issue with the centres. Bulky goods in New South Wales do not qualify there; they basically have to be a shopping centre.

I sit on the Melbourne Retail Advisory Board, which is quite a proactive group that works on stimulating the Melbourne CBD working with places like Victoria Market, North Melbourne et cetera. Melbourne City Council is quite a different council when it comes to having those resources.

Yes, local government can engage more. This program will help that. I think it has been missing for some time. It is interesting how much the local traders associations have suddenly picked their feet up and got involved, because there were not the mechanisms for them to do it. There could be a few more of them standing for local government too, which would be good, because they have other ones who represent their local communities.

Mr ZIMMERMAN — Your Mainstreet program in Victoria works well, and I think that needs the encouragement. Look, I am not suggesting it is a utopia there, but what I am saying is the Mainstreet program certainly assists those retailers, and I think that should be encouraged to the greatest extent because it is a really good program, and where it has been successful it has worked well. It probably needs encouraging to make sure that other areas pick up on that and get it.

Mrs PEULICH — I guess the additional benefit is that it focuses local government's attention, because that funding may be available to actually do something about it.

Mr SHAW — Bill Pratt, who set up Safeway — he was a president of Australian Retailers and Victorian Retailers as well — was saying to me that when he set up Safeway it was non-self-service. He was behind the desk, if you like — —

Mr ZIMMERMAN — Counter.

Mr SHAW — The counter, and he would go and get a pound of sugar or whatever it was, and he set up the whole self-service thing down in Frankston and then eventually it became a Safeway. He talked about the amount of regulation that local governments put on him at the time and state governments with restricted trading hours and restricted meat sales — you could only sell until 12 o'clock on a Saturday at one stage — and the milk had to be sold only in cartons in his supermarkets whereas the milk bars and the deliveries were glass. So all those regulations went, and we look back now and think they were really strange types of regulations that were around. What ones do you see now at a local government level that could be removed?

The CHAIR — Good question.

Mr MICHAEL — I have to say most of the criticism I get is of the jurisdictions, to be honest. I am just thinking about some stuff we have been dealing with in Queensland and New South Wales recently. Look, the unhelpful stuff is things like the parking zones, which got fixed up when the government changed. But the hottest issue we have raised by our members in Victoria is still about parking and access to parking. Minister Asher hosted a forum — I think it was this time last year?

Mr ZIMMERMAN — Yes, 12 months ago.

Mr MICHAEL — There were something like 80-odd small retailers, specifically small retailers, in the room, and someone mentioned parking and we could not stop them after that.

Mr ZIMMERMAN — Yes. I was chairing the whole group, and let me tell you I had great problems.

The CHAIR — Turned feral, did they?

Mr ZIMMERMAN — The number of times I tried to draw them back onto other issues, and it came back to parking and — —

Mrs PEULICH — Inadequate provision by local government?

Mr MICHAEL — Yes, and parking restrictions.

The CHAIR — Parking, I suppose, in one respect is what you avoid having to do when you shop online. So if you actually make that easier, then there is more reluctance to go online. If you make it harder, you push people online. I think that is probably the reason you are getting so much feedback from that. There is now a choice.

Mr MICHAEL — Yes, and it was not just the outlying areas, it was Melbourne city as well. I think the other thing they got fixated on was Swanston Street as well, and we could not get them off that either.

Mrs PEULICH — Was there a consensus?

Mr MICHAEL — Yes.

The CHAIR — Yes, no-one knows.

Mr ZIMMERMAN — You are never going be able to please all the people all the time though, are you?

Mr MICHAEL — There are the usual red tape issues that were raised with us. We did some survey work, which I did not bring along with me.

The CHAIR — We would love to see that.

Mr MICHAEL — Yes, I can dig that up. We sent that through to Minister Asher when she was doing some of her work. It was this time last year, so a lot of that is — —

Mr ZIMMERMAN — Still relevant.

Mr MICHAEL — Yes, still relevant, but we have been seeing work being done in the areas as well. The Government has got a very pro-SME approach, which we find is quite useful and strong for our membership base. As much as we talk about representing national organisations, 7-Elevens or Bakers Delights et cetera, nearly all of them are franchisees. They are single business people who work in franchise groups.

The CHAIR — They just have a brand in common.

Mr MICHAEL — Yes.

The CHAIR — Thank you very much for being here on behalf of the committee. We really appreciate it. It was very informative. Within about two weeks you will get a transcript of today's proceedings. Feel free to make any alterations as far as typographical errors are concerned, but nothing to the substance of the document. Thank you very much for being here.

Witnesses withdrew.