

9 May 2014

Mr Lyndon Rowe
Chair
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Dear Mr Rowe,

Inquiry into Microeconomic Reform in Western Australia

The National Retail Association (NRA) wishes to make this submission in response to the findings and recommendations of the Economic Regulation Authority's (ERA) draft report: *Inquiry into Microeconomic Reform in Western Australia*.

In particular, the NRA is interested in making comments in relation to Chapter 7 of the report relating to reform of trading hours restrictions and Chapter 6 relating to the reform of payroll taxes.

The NRA is Australia's largest and most diverse retail organisation, with membership of over 19,000 stores and outlets spread across every category of retail, and across every state and territory including Western Australia. Our members range from large national chains to small businesses, corner stores and independent speciality shops, from fashion to food, household goods, department stores, recreational goods, online retailers, cafes, takeaway food stores and more. The NRA has represented the interests of retailers and the broader service sector for almost 100 years. Its aim is to help Australian retail businesses grow.

Chapter 7.1 Retail Trading Hours

In relation to trading hours reforms, the NRA broadly supports the ERA's recommendation to amend the Retail Trading Hours Act 1987, in order to achieve better harmonisation of Western Australia's trading hours rules in different areas around the state, and better consistency with the rules applying in other jurisdictions such as Victoria, Tasmania, the Northern Territory and the Australian Capital Territory.

The NRA strongly supports all government efforts to reduce red tape and regulation, to reduce the compliance burden for business, and to create economic growth and

employment. The NRA considers that significant economic benefits can be achieved from reform in this area, including additional trade, consumer benefits, new jobs and economic growth for Western Australia.

The NRA agrees that making special arrangements for Christmas Day, Good Friday and the morning ANZAC Day is sensible, consistent with community expectations and consistent with the approach in most other jurisdictions around Australia.

The draft report touches only briefly on the topic of compliance costs for businesses. For retail businesses in Western Australia, there is an upfront cost of compliance with the trading hours regulations.

The NRA notes that the trading hours rules in regional Western Australia specify 31 different regimes across the state, in addition to the sets of rules governing metropolitan Perth. One of the core functions of the NRA is to deliver advice to its members (nationally) to assist with compliance with the laws and regulations which impact on businesses, such as trading hours rules. Judging by the number of pages needed in NRA's 2014 advice to its members for trading hours rules, Western Australia had the most complicated set of trading hours rules out of all of the jurisdictions in Australia, except for Queensland.

Existing businesses which are affected by the trading hours rules, or those that are unsure, as well as new businesses entering the Western Australian market, all must employ resources and time to analyse the rules and determine how their store(s) may or may not be operated. Generally this analysis must be performed at least once annually, since public holidays will fall on different days of the week each year, and decisions around operating hours are usually considered simultaneously with rostering and budgeting to determine the impacts of opening certain hours or days through penalty rates and loadings.

Businesses operating multiple stores, such as chains and franchise groups, must communicate different rules for different stores to their customer base as well as to their operational staff. Store managers for impacted businesses will not be able to make operational decisions around opening hours for purely commercial reasons, and may not be able to rely on centrally-developed business policies to operate their stores lawfully. Processes and systems developed by businesses operating multiple stores may need to be abandoned or adapted to fit the different circumstances of each store. The prospect of enforcement and fines under the Act operates as a strong deterrent and ensures that significant resources are committed by businesses to ensure that they operate lawfully.

The cost of this compliance activity should not just be considered from the perspective of wages. In many instances, it is scarce managerial time that is dedicated to these compliance questions, and the opportunity cost is that less managerial time is spent on the innovation and entrepreneurship that can create new economic opportunities, secure

business efficiencies or shepherd evolving businesses through changing or challenging economic times.

In relation to the other costs and benefits of reform, for retail businesses, for consumers and for workers, NRA broadly accepts most of the findings of the draft report. The NRA also notes the relevant findings of the federal Productivity Commission in its 2011 Inquiry Report: *Economic Structure and Performance of the Australian Retail Industry*.

Lastly, there is a practical question around the implementation of these proposed reforms, in terms of timing, transitional arrangements and considerations in the political process.

The NRA's first-hand experience with the reform of trading hours in other jurisdictions suggests that any negative impacts of structural change, transitional consequences or other flow-on effects are best resolved by clearly articulating reform targets in advance, setting a reasonable timetable for implementation and considering how reform might be staged to take effect incrementally. The NRA agrees with the initial submission of the Chamber of Commerce and Industry for Western Australia (Inc), in that any incremental approach to reform should avoid distinctions between product types or categories, and should instead focus where necessary on broader geographic or business demographic considerations.

The NRA would be interested in and looks forward to working with the government in achieving these outcomes where possible.

Chapter 6.4 Western Australian Taxes

In relation to payroll taxes, the NRA cautions against the draft report recommendation to broaden the base of its payroll tax. Payroll tax is a regressive tax, effectively penalising success, and broadening its base would only harm the Western Australian economy and the competitiveness of the state compared to other jurisdictions.

The NRA strongly suggests aligning the exemption threshold to an index that reflects the (increasing) level of wages over time. Furthermore, the payroll tax rate should be set considering the rates of other jurisdictions. NRA notes that the national average is 4.95%.

The current payroll tax regime, in Western Australia and other states, generally makes no allowance for businesses that are more labour intensive, such as in the retail sector and related services industries. These taxes impact the growth of small businesses and ultimately stunt business development.

Thank you for the opportunity to respond to the draft report.

Please do not hesitate to contact me if you have any further queries or comments at any time on (07) 3240 0100.

Yours sincerely

Trevor Evans
Chief Executive Officer