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Impact of new public holidays in Victoria

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Impact of new public holidays in Victoria submission

The Australian Retailers Association (ARA) is urging the government to assist Victorian retailers by removing the recently implemented additional public holidays following clear negative impacts on the retail sector.

In the last ten years, the structure of the retail sector has shifted and evolved as a result of globalisation, advances in the digital economy, and changes to business practice policies to a continual service model.

The retail sector has experienced various economic difficulties from the manufacturing downturn, over regulation, an inflexible wages system which clearly shows its impact during public holidays.

The Victorian Division of the ARA offers support, information, and representation to over 3,600 member retailers across the State, we work closely with the Victorian Government and other industry participants to ensure the long-term viability and position of the retail sector in the State as a leading contributor to Victoria's economy.

Reform of regulation, reduction in tax along with duties for the business and consumers will see the Victorian economy and Victorian retailers return to their traditional economic leadership roles in Australia. Following a request by the Minister for Small Business, Innovation and Trade, Philip Dalidakis for additional information on the impact of the public holidays over Easter and AFL Friday a number of Victorian retailers have supplied information on the impact to their businesses.

442,581 Jobs in In Victoria

Total Retail Jobs - Direct and indirect	442,581
Direct Employment	310,700
Indirect jobs supported by retail in other industry sectors	131,881
% of total for state	10.9%
Compensation of employees current bln	\$8.8
% of total state	5.9%
Total factor income current bln	\$12.4
% of total for state	4.6%
Number of businesses	35,780
% of total for state	6.9%



Sources: ABS Labour Force, Australia, detailed quarterly 6291.0.55.003; ABS State National Accounts, 5220.0; ABS Count of Australian Businesses, 8165.0

Key Messages

Domestic economic conditions remain soft throughout the Victorian economy thanks to the high wage costs and the downturn hitting manufacturing leaving the services sector as the key economic driver for the state.

This economic impact has only been further exacerbated by unnecessary additional public holidays. Business profitability has been hit hard by rising cost pressures due to wages costs, less people were employed on these additional public holidays and trade was down significantly.

All retailers who have contributed data or given anecdotal input agree the biggest impact was over the AFL holiday weekend when compared to year on year trade with downturns occurring in all locations across the State.

As retail has become exposed to global 24 hour competition Victoria is now the only Government in Australia to be reducing competitiveness by increasing costs, reducing jobs and driving business off shore through increases in public holidays.

Removing Government interference such as over burdensome public holidays and related costs there will be a corresponding boost the retail sector.

The ARA in discussion with retailers would be more than happy to see an existing public holiday moved to align with the Monday Labour Day holidays in the other Eastern States for 2016, this would allow the government to continue the long weekend commitment it made during the election with no impact to Friday trade in Victoria and no additional overall holiday impacting on trade (Queens Birthday or Labour Day could be options).

Overall holiday impacts

By introducing a public holiday for the Friday before the AFL Grand Final and an Easter Sunday as a public holiday, Victoria has increased its holidays to 13 each year. This now places Victoria as having the most public holidays of any state.

A series of case studies are given below on the impact to various Victorian retailers

(Please note all retailers asked for their brands to be de-identified and kept commercial in confidence, many have offered to have private discussions with the Government in required).

Fashion retailer with city and regional stores for the AFL weekend comparison same AFL weekend last year:

- Turnover down 18% to 20% consistent across all stores; and,
- Wage costs up by 30%.

Food retailer with regional and city franchises, same AFL three day weekend comparison:

- 10% of stores closed;
- Warehouse has a \$10,300 increase in wages due to penalty rates with 13 less casual employed due to higher wage costs;
- \$38,000 increased wages across 59 stores with 6 not opening at all due to cost;
- Over 8,000 less individual sales made compared to last year;

- Down 40% on Friday
- Down 12% on Saturday
- Down 16% on Sunday

- Total estimated cost across the business for the three days over the AFL weekend approximately \$95,000.

Fashion retailer with regional and city stores including international website presence:

- Sales: Significant negative effect upon retail sales in Victoria. Low Sales, Low Traffic, Low Conversion;
- Costs: Penalties Rates for Wages were unavoidable (irrespective of when the holiday was held) and added to impact upon EBIT. This was exacerbated by virtue of extended trading hours on Friday night in various Shopping Centres, as opposed to contained hours on a Monday evening (typically when public holidays are held);

- **Head Office:** Given our Head Office is located in Victoria, it placed significant operational pressure on our national store estate given the costs associated to staff Head Office meant we only had a skeleton team coverage;
- **Website:** Our website and digital marketing team experienced poor trading performance due to being located in Victoria and essentially not being available to support domestic and international online customers;
- **Trading Day:** Friday is the 3rd busiest trading day of the week (behind Thursday & Saturday). A shift of the holiday to Monday would be less detrimental to weekly sales phasing;
- **Traffic:** We have been advised by CityLink that the Friday was the highest 'net outflow' of traffic ever recorded from metropolitan Melbourne;
- **State co-ordination:** There was a misalignment between Vic, NSW, Qld on this weekend due to the split Friday/Monday public holiday. Understandably, operations and overall communications was significantly impacted;

This retailers asked to have noted, "We believe the decision to hold a public holiday on the Friday was counter-productive to the commercial and operational interests of our business. Furthermore, we felt minimal/no engagement effort was made with us as a retailer and employer of 200 staff in Victoria. The sales opportunity lost was significant and impact upon overall trading performance further compounded by a more expensive wages costs."

Fashion retailer with majority of stores in suburban and regional Victoria:

- Of the 29 Victorian stores all had to open because most have shopping centre leases which require them to;
- The three day AFL comparison turnover was \$22,219 less than last year this is despite an average category increase for year on year running at around three to five percent;
- Due to this being a national Victorian owned chain head office had to open at an additional cost of \$9,835;
- Because of holiday increased wages costs there were hours not worked by employees to reduce costs;
- Increased wages costs have been put at \$12,383;
- Total cost to the business is estimated to have been \$44,438.

Tourism focused retail business:

- This business has around a dozen standalone stores and is very focused on tourist dollars, while they did see an uptick in trade compared to a usual trading week when they compared figures to the same event week (AFL week) last year the results showed a dramatic fall in tourist spend;

Event Week Comparison:

	Grand Final Week 2014 vs Grand Final Week 2015						
12 Stores Total	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday
Sales var LY \$	-\$ 806	-\$ 6,327	\$ 3,536	-\$ 7,565	-\$ 16,937	-\$ 11,962	\$ 122
Sales var LY %	-1%	-9%	4%	-8%	-24%	-12%	0%
					<i>Grand Final Day</i>		

(Graphic supplied by relevant business)

- There was an increase of \$9,000 in wages due to penalty rate costs;
- Stores trade 365 days a year and are open 16 plus hours a day with the only cost saving being to reduce staff hours if possible.

There has been a significant impact for productivity and the holidays come at a high cost to businesses through increased wages, lost income and reduced staff hours hitting employees.

Many CBD retailers reported significant loss in trade and increases in the cost of wages compared to the same day last year with one city retailer seeing trade decrease by around 19% and the cost of wages rise by \$23,000 due to the penalty rates, which was typical of the type of feedback received.

For the retail sector there is also the additional lost business cost of consumers using interstate or overseas websites to purchase goods, a net loss in business for the state’s retail sector.

As forecast prior to these holidays there has been a net **loss of income to both employers and employees which has been seen in both regional and city** areas despite predictions of increased regional spend due to holiday travel. **A very concerning trend for our retailer members is the apparent drop in tourist spend.**

The biggest impacted day and one highlighted by retailers has been the AFL Friday public holiday, sales appear to have been down by between 10% and 20% on the weekend with the day itself significantly down. Wages costs have been up by between 10% and 30% with the lower number due to less staff hours worked in an attempt to reduce costs meaning there would have been less jobs.

For 'Grand Final Friday', the cost to pay many of Victoria's almost two million full-time employees not to come to work could reach \$543 million for the day according to the Victorian Chamber of Commerce and Industry (VECCI).

Additional wages for the retail, accommodation, food services and recreation industries are estimated to cost small business owners \$105 million for the two holidays, as wages can be 50 per cent higher on Easter Sunday and 150 per cent higher on Grand Final Eve. They face the difficult choice between remaining open and paying incredibly high penalty rates, or closing and losing sales or production.

Retailers already see the public holidays as excessive

While there was an argument for regional tourism benefits the ARA notes the Victorian Tourism Industry Council (VTIC) has estimated the net cost for the two new public holidays, at around \$405 million far outweighs any claimed benefits. Evidence given by retailers operating regional businesses and tourism operators appears to bear out this argument.

Jobs and wage costs

The Regulatory Impact Statement identified that the loss of economic output from the AFL Grand Final public holiday is significantly higher at between **\$680** and **\$852 million** compared to the Easter Sunday holiday at between **\$37 million** and **\$46 million** annually.

The government's own impact statement highlights impacts

As pointed out in the Regulatory Impact Statement the "lost production (or economic cost) from the new public holidays is estimated to be between **\$717 million** and **\$898 million** annually.

The new public holidays would also result in increased wage payments of between **\$252 million** and **\$286 million** annually to those people who work on the public holidays.

Conclusion

The ARA is calling on the government to change this policy before more damage is done to the retail sector and broader Victorian economy along with the institution which is the AFL weekend.

While the ARA and retailers do not advocate for any additional public holidays we would like to put forward a practical step as suggested by some members is to move an existing Victorian public holiday to align with the 2016 Queensland and NSW Labour Day public holidays. Retailers see benefits from head office co-ordination and wage savings along with the maintaining of the traditional festive build up to AFL Grand Final day with employees being able to co-ordinate their long weekend with interstate friends and family.

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