



SHOP TALK

ISSUES AND NEWS AFFECTING THE AUSTRALIAN SHOPPING CENTRE INDUSTRY

SHOPPING CENTRE
COUNCIL OF AUSTRALIA

Thursday 4 August 2011

[Archive](#)

FRANCHISE COUNCIL IS HYPOCRITICAL IN SEEKING A RETAIL LEASING CODE

The [Franchising Code of Conduct](#) has only 35 sections; is only 26 pages long; and is not an Act of Parliament. The [NSW Retail Leases Act](#), just one of eight Acts of Parliament which regulates retail leasing around Australia, contains 157 sections and is 70 pages long. Forgive us, therefore, for being cynical about reports that the Franchise Council is preparing a retail leasing code of conduct. The FCA (while furiously resisting moves in WA and SA to introduce legislation to further regulate the franchising industry) wants even more regulation of retail leasing in Australia. Yeah, right! The FCA has discussed this code extensively in the media but not with any representative body of landlords. That's not surprising given this is just a media stunt. Let's compare two retailers, one being a franchisee, both with an occupancy cost ratio of 15%. Assuming the franchisee also pays (to the franchisor) a franchise fee of 10% of sales, then its real occupancy cost is actually 25%. This franchisee has to make 66.5% more sales in order to be in the same position as the other retailer. That's hard at the best of times and particularly burdensome if the franchisee paid a substantial amount to purchase the franchise in the first place. The FCA's answer to this dilemma for franchisees seems to be that landlords should reduce rents (but, of course, no cuts in franchise fees!) or compromise standards (such as fit out requirements). The FCA believes investors in retail property (primarily those saving for, or living out, their retirement) should accept a lesser standard of living in order to subsidise franchisors' business models. When the FCA (which, despite its claims, represents franchisors, not franchisees) accepts the same level of regulation imposed on retail landlords, its lobbying might be taken seriously. The FCA's time would be better spent putting its own house in order and taking steps to resolve the substantial problems for franchisees which parliamentary inquiries in two States, and nationally, have found to exist in the franchising industry.

PRODUCTIVITY COMMISSION RELEASES DRAFT REPORT ON RETAIL INDUSTRY

The Productivity Commission today released its [draft report](#) of the inquiry into the economic structure and performance of the Australian retail industry ([Shop Talk 2/6/11](#) & [16/6/11](#)). The Commission has recommended that there are strong in-principle grounds for the low valuation importation threshold exemption (of \$1,000) for exemption from GST and import duty to be lowered significantly – but with provisos. The Commission has also recommended that retail trading hours should be fully deregulated in all states, including on public holidays. The report will be discussed in further detail in next week's *Shop Talk*.

SMALL BUSINESS COMMISSIONER BILL NOW BEFORE THE SA PARLIAMENT

The [Small Business Commissioner Bill 2011](#) is now in the South Australian Parliament ([Shop Talk 31/3/11](#)). Under the Bill the Commissioner will assume, from the Commissioner for Consumer Affairs, responsibility for administering the [Retail and Commercial Leases Act 1995](#) (see section 9).

NOMINATIONS CLOSE SOON FOR THE 2011 QLD RETAIL PROPERTY AWARDS

Nominations close on 19 August for entries in the Property Council, Queensland's, *Retail Property of the Year Awards*, to be held on 7 October. The awards recognise exceptional performance in sustainability, marketing, design and presentation. Click [here](#) for further information and nominations.

PROPERTY COUNCIL QUEENSLAND RETAIL BREAKFAST IN BRISBANE ON 19 AUGUST

The Property Council is hosting a retail breakfast in Brisbane on 19 August to discuss 'Keeping Shopping Centres Relevant: Has retailing, as we know it, changed forever?' Click [here](#) to register.