



**Australian
Newsagents'**
FEDERATION LTD

Submission on behalf of the:

Australian Newsagents Federation (ANF)

Queensland Newsagents Federation (QNF)

Victorian Association of Newsagents (VANA)

Newsagents Association of NSW and ACT (NANA)

Western Australian Newsagents Association (WANA)

**Fair Work Amendment (Small Business-Penalty
Rates Exemption) Bill 2012 – Senate Inquiry**

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About the ANF

The Australian Newsagents' Federation (ANF) is the peak national body representing Newsagents in Australia.

Through unification of our industry with the Victorian Association of Newsagents (VANA), the Queensland Newsagents Federation (QNF), the Newsagents Association of NSW and ACT (NANA) and the Western Australian Newsagents Association (WANA) along with our own branches in TAS, SA and NT we now jointly represent over 2,500 member small businesses around Australia and 1500 non-members. These 4000 businesses together employ an estimated 20,000 staff.

Approximately 2.4 million Australians shop at their local community newsagent every day and they are well known and trusted within their local communities.

The newsagency channel remains the largest non-franchised independently owned small business sector in the nation. There is at least one newsagency in almost every rural town, regional centre, urban and metropolitan shopping centre.

Newsagents are subject to a number of pressures that are distinct from those which affect large corporations and even many other small businesses. Whilst newsagents make a significant contribution to Australia's economy and are one of the largest retail and distribution channels in the country, they are often characterised by modest profit margins in their core categories.

Newsagents work hard looking for ways to innovate and to diversify their product offering and even through the worst of the financial crises have continued to prosper as an industry. They are however vulnerable to tough negotiations by powerful suppliers and landlords and costly changes to regulation due to the nature of their independent ownership structures. Their margins are largely set externally for core product lines like magazines, newspapers and lottery products. Consequently, they have a limited ability to absorb large increases in costs quickly. The impact of significant change can have dramatic consequences for newsagency owners, their staff, their families and their communities.

Newsagents look to the ANF and the State Newsagent Associations to protect their interests and to be the voice of this important small business sector. The ANF is committed to protecting the interests of newsagents around Australia, in order to ensure that they continue to make a positive and sustainable contribution to the Australian community, as they have done for many generations.

The Inquiry

The ANF welcomes this opportunity to provide our members' views and to respond to the Senate Inquiry into the Fair Work Amendment (Small Business-Penalty Rates Exemption) Bill 2012.

The object of the Fair Work Act is to provide a balanced framework for cooperative and productive workplace relations that promote national economic prosperity and social inclusion for all Australians. This is a worthy aim and this Bill will assist in achieving that aim more equitably in the small business environment.

The Bill and the Newsagent Industry

- The newsagency sector employs some 20,000 employees nationally.
- Newsagencies in Australia employ an average of seven staff members.
- The majority of our staff (62 per cent), are employed on a part-time or casual basis¹

Newsagents are an important, familiar and integral part of the local community found at most shopping centres and high streets. They offer friendly service, convenience, paper goods, lotteries, prepaid products and more alongside traditional news dissemination services and are significant traffic generators to their location.

Their core products:

- a) Magazines, Greeting Cards, Newspapers, Lottery products make up 80% of newsagents sales and these products must be sold at the maximum retail prices set by the products supplier.

¹ Australian Retailers Association, State of the Independent Retail Sector 2010, p. 29

- b) Lottery sales can also account for over 50% of core product sales and are low GP commission products (5% to 7%).
- c) The remaining 20% of products sold are still price sensitive and must remain competitive.

Due to this, newsagents do not have the same level of control over commercial levers in different parts of their business as many other retailers. Consequently, leading newsagents are concentrating to diversify and build up other areas of their businesses that give them more control of margins.

Occupancy cost and wage expenses are the two major costs for newsagents and as landlords and government determine these, newsagents find themselves being squeezed from both ends as these costs increase.

As an average GP for a newsagent is only 27% newsagencies thrive not through the \$value of sales but rather through the sheer number of sales made.

To continue to maintain a high quantity of sales newsagencies must:

1. deliver top quality customer service;
2. maintain high quality presentation standards;
3. ensure consistent and relevant levels of stock and
4. be staffed appropriately and adequately for a wide range of hours.

Given that newsagents are restricted in their ability to increase retail prices to cover increases in their costs, any change in fixed expenses can erode an efficiently run newsagent's net profit.

To combat this newsagent associations work hard negotiating with their major industry partners to ensure sustainable and timely adjustments in prices are made to enable newsagents to manage rising costs and to afford to maintain the required service and presentation standards. The timeliness of these increases is always problematic and in the current economy, with many of our partners under increasing pressure, sometimes these necessary increases have been impossible.

The timing of the introduction of the Fair Work Act and the Modern Awards coincided with this more challenging retail environment due to the unstable global economy, thus making the implications of transitioning to new awards more difficult.

- ***Over 70% of newsagents surveyed by the ANF reported having changed the way they operate because of the introduction of the modern award and the Fair Work Act.***
- ***Over 60% also reported that it was more difficult working under the Fair Work Act modern award than pre-Modern Awards.***

The end of last year saw some improvement in consumer spending but retail this year is still very challenging. Many newsagents are working hard with their staff to try to grow their businesses but with flexibility and a sensible reduction in the cost of penalties could achieve more and provide increased employment.

Employment levels in newsagencies were affected not only by the economic downturn, which resulted in newsagents having to either 'let go' valuable employees or alternatively reduce their hours of employment, but also as a result of the introduction of the Fair Work Act and Modern Award which has meant newsagents have had to increase their own work hours.

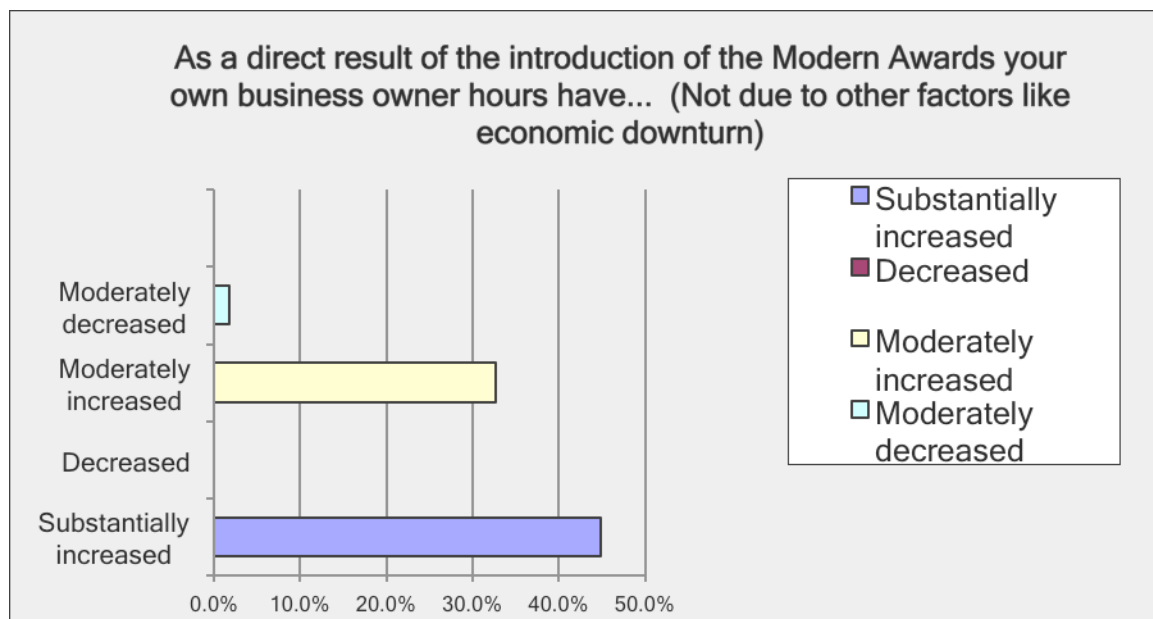
Whilst there were sensible reforms introduced and more equitable balance applied to the workplace relations landscape by way of the introduction of the Fair Work Act, these changes have had other consequences, which make it more difficult in a constrained economy to successfully manage a small business. For example, our members report not only having to individually work harder (especially on weekends and public holidays), but also that they find it now more expensive and less flexible for them to employ staff under the General Retail Industry Award.

Approximately 65 per cent of newsagencies surveyed by the ARA when the modern awards were introduced suggested that the Fair Work system was the most, or a major, significant challenge to their business.

*"As newsagencies cannot afford to maintain their casual employees, proprietors expect that they will have to cover these jobs with their own time. Such an occurrence raises concerns regarding the pressures of work/life balance for newsagency owners."*²

² Australian Retailers Association, State of the Independent Retail Sector 2010, p. 33

A recent survey of newsagents revealed this to be the case with over 77% of business owners now working increased hours since the introduction of the modern award.



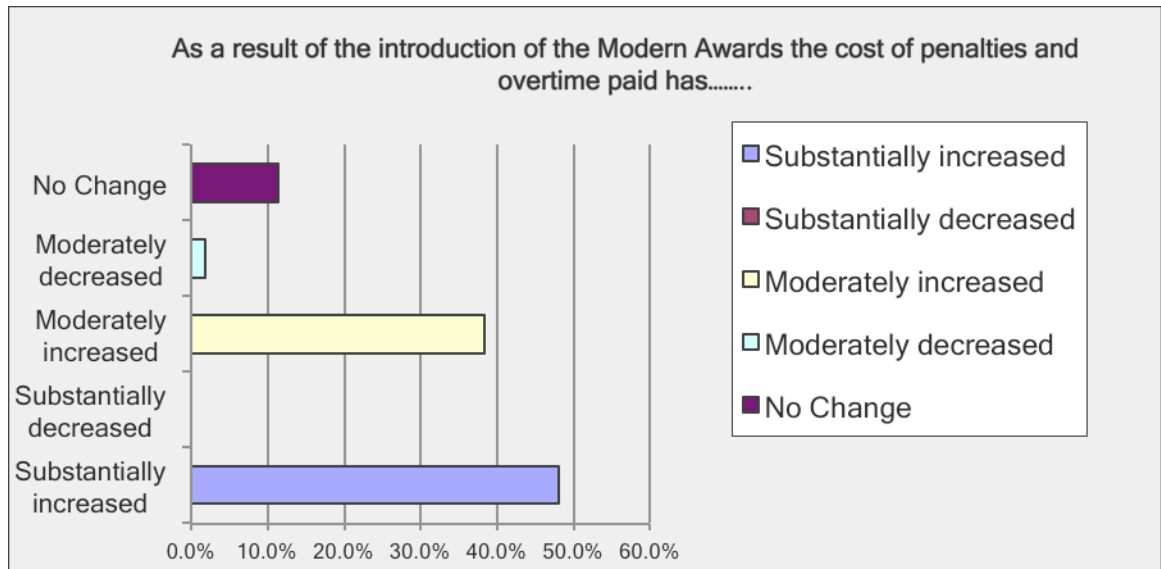
This is a significant issue in getting the workplace relations balance right, as many smaller newsagents are in the industry for a long time, it is their sole income, their super and their job, in fact they often do not earn far greater salaries than senior newsagency staff. They take a significant risk being in small business and employing staff and would like an equal right to a sensible work/life balance. This is increasingly getting harder for them and their families in small business to achieve when trading 7 days a week as is now expected by consumers in today's economy, something we think the Government also now recognises is the expected norm for retail businesses.

In fact of newsagents surveyed 50% reported a 15% or more increase in their own hours and a further 20% reported a 20% or more increase in their own hours compared to prior to when the Modern Award was introduced.

Newsagents have been required to work within the constraints of the Modern Awards for 2 years now and the cost of increased penalty rates and less flexibility is impacting the average newsagents family life as a result. The Productivity Commission in its recent report findings on the "Economic Structure and Performance of the Australian Retail Industry" commented, "*Workplace relations regulations may not provide sufficient workplace flexibility to facilitate the adoption of best practice productivity measures in the retail industry.*"

Making changes that reduce the cost of penalties for small businesses will allow for increased workplace flexibility and greater investment of owners time in measures to achieve increased productivity.

Newsagents recently surveyed report significant increases to the cost of penalties and overtime overall since the introduction of the modern award.



In particular the penalty rates applicable on weekends have presented problems for small business employers, especially given that the retail sector in Australia is strongly affected now by online international competition. Consequently owners are now working more time on the weekends due to the high cost of employing people at these times.

*Footnote: 12.5% of those surveyed have an EBA and have therefore not experienced change due to the introduction of the Modern Award.)

Over 83% of newsagents surveyed recently reported working more hours on weekends and public holidays away from their families since the introduction of the Modern Award.

As Sunday and Public Holiday trading is the norm across the country. For small newsagents, this spells the end of an employer's ability to spend time with their own families for even a portion of any weekend. The reality is that shop trading hours have been largely de-regulated without a corresponding sensible adjustment to the penalty load that small businesses face to accommodate this expectation of 7 day trading.

The introduction of the Fair Work Amendment (Small Business-Penalty Rates Exemption) Bill 2012 provides an opportunity for small business operators to share the load with their staff so that they can all achieve a more sensible work/life balance. It will also enable newsagents to create new jobs and to offer additional hours to existing employees and enable more investment of their time in increasing productivity and improving their businesses.

We are strongly in favour of small business owners receiving a fairer deal from the Fair Work Act and a sensible reduction in penalties will achieve this and make these businesses stronger.