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## Short-term pain for long-term gain a tough sell for government

Posted on: 19/05/2014

By Martin Kovacs

Australian retailers will be hoping tough measures implemented by the federal government in last week's budget have minimal impact on consumer spending as the fiscal dust now settles and industry collectively looks forward.

Indeed, the response of consumers to federal treasurer Joe Hockey's first budget will be closely monitored in the coming months following comparatively positive economic indicators in recent times.



"Short-term pain shared by government, business and households is necessary to repair our record deficit, and it's now time for long-term planning and reform," was PwC chief executive Luke Sayers' assessment of the budget.

"Fiscal repair was rightly a priority for the new government given the unprecedented growth in Australian government debt."

Yet, for all the rationalisations of the need for tough decision making and a long-term outlook in the pursuit of economic repair, the government's efforts to control debt will likely be of little consolation to retailers who have fought hard for short-term gains following a period of long-term pain.

This was reflected in a Roy Morgan poll of consumers and businesses which found 88% of consumers and 74% of businesses were not happy with the budget.

While this was roughly in line with pre-budget expectations (and compares with similar levels of dissatisfaction recorded after former federal treasurer Wayne Swan handed down his final budget last year), this will still be of little comfort for retailers.

Meanwhile, BDO national tax director Lance Cunningham stated the budget was notable for its lack of significant tax reform.

"The government made it clear that reducing the budget deficit was a priority and that this would be achieved mainly through spending cuts," Cunningham stated.

"What we should have seen in this budget was a genuine start to meaningful tax reform, not stop-gap measures that add complexity to an already complex system – and any discussion around tax reform in the country must include the GST."

Indeed, this has been a common theme in post-budget analysis with Sayers also noting the next step for the government is to transform the "fragmented and inefficient revenue streams through major tax reform".

"To fund Australia's future we need major tax reform," he commented. "All facets – from GST to mining tax – must be on the table."

Sayers added PwC research shows CEOs "feel very uncertain about Australia's long-term growth prospects".

"We need strong leadership and the courage to make the fundamental reforms necessary to set Australia up for another 22 years of growth," he commented.

"The upcoming White Paper process on tax reform should involve genuine consultation with not just businesses but unions, social welfare groups and wider community."

In the wake of the budget, figures from the latest Newspoll, conducted for and published by The Australian today, reveal opposition leader Bill Shorten has taken a 10-point lead over Tony Abbott as better prime minister, while 48% of voters believe last week's budget was bad for

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the country.

Across all sectors of the economy, the government certainly now has a tough sell on its hands.

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## Breaking News

### Samsung initiates exclusive scheme for UK indies



Posted on:04/07/2014

UK: Samsung has launched the Home Innovation Partners (HIPs) scheme to support UK independents and improve their access to and supply of Samsung home appliance products.

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### Olympus' Tizzone moves onto IDEA board



Posted on:04/07/2014

IDEA Australia (the Imaging & Digital Entertainment Association) has elected Olympus Imaging Australia, General Manager Joe Tizzone as a new Director effective immediately. Tizzone will also assume the position of Vice President, Consumer.

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### Colourful US appliance character passes



Posted on:04/07/2014

US: Oliver L. "Ollie" Fretter, the colorful founder and president of the old Fretter appliance and electronics store chain whose zany commercials endeared him to a generation of US television viewers, died Sunday at his home in Bloomfield Hills. He was 91.

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### Department stores hit hard by spending collapse



Posted on:04/07/2014

A collapse in consumer sentiment following the budget has led to a sharp decline in discretionary spending according to the Australian Bureau of Statistics (ABS). Its figures indicated that retail sales fell by a seasonally adjusted 0.5% in May compared to April, the biggest decline in 13 months, while April's figure was also revised down to a decline of 0.1% , the first fall in 11 months.

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### Extraordinary growth for wearable devices despite recall



Posted on:03/07/2014

Research firm IHS expects annual shipments of all types of wearable electronic devices to reach 56 million units by 2018. In fact, it expects the global market for just the batteries that go into wearable electronics to grow tenfold in four years.

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**Class action against Electrolux dryer-fire settles**



Posted on:03/07/2014

US: Electrolux Home Products has agreed to settle a class action lawsuit regarding fires alleged to have started in some models of its clothes dryers. Electrolux denied that the dryers were defective and agreed to the settlement to avoid further litigation.

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**Australia one of the world's most connected countries**



Posted on:02/07/2014

A new report from global research consultancy TNS has found Australia is one of the most connected countries in the world, with Australians on average owning 4.8 devices and spending 3.3 hours a day online on personal interests, such as browsing, shopping, and entertainment, compared to 2.2 hours watching TV.

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**Samsung unveils compact Galaxy S5 mini**



Posted on:02/07/2014

Samsung has taken the wraps off its Galaxy S5 mini, a compact version of its flagship Galaxy S5 smartphone.

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**July Aussie launch for Nokia Lumia 930 and 635**



Posted on:01/07/2014

Microsoft Devices is launching its new flagship Nokia Lumia 930 in Australia this month along with its Nokia Lumia 635, both running on the Windows Phone 8.1 operating system.

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