

FAIR WORK COMMISSION**FWC MATTER NO: AM2014/270****Modern Awards Review 2014****Award: General Retail Industry Award 2010****Award Code: MA000004****STATEMENT OF BARRY BARRON**

On 11th August, 2015, I, Barry Barron, Group Chief Operating Officer, of the Sussan Group Pty Ltd, 11 Palmer Parade, Cremorne, in the State of Victoria say:

My Background in the Retail Industry in Australia

1. I commenced employment with the Sussan Group in March 1987.
2. I have been in the position of Group Chief Operating Officer since 2005 and I am responsible for:
 - (a) Directing and administrating the internal operational activities of the Retail business to ensure compliance with established strategic and financial objectives.
 - (b) Overseeing the Groups Finance and Information Technology Departments.
 - (c) Overseeing the setting of budget parameters and goals, and their ongoing review.
3. Prior to holding this position, I was Financial Controller of Sussan and CEO of Sportsgirl.
4. I am a member of the Institute of Chartered Accountants in Australia and New Zealand and hold a Bachelor of Commerce (Honours) in Financial Management.

Sussan Group Pty Ltd Operations Nationally

5. The Sussan Group is a privately owned specialty fashion group, comprising the Sportsgirl, Sussan and Suzanne Grae businesses, and operates 493 stores across all States and Territories of Australia. Of these, 180 stores operate under the Sussan brand, 119 operate under the Sportsgirl brand and 194 under Suzanne Grae. An Australian owned enterprise, we pride ourselves on having an organisational culture which focuses on our people and their development.
6. In Australia, the Group, across all brands, employs approximately 4,697 staff. Of this number, approximately 4,399 are in retail positions. Our workforce is majority female, with a high level of casual and part time employment.
7. The Sussan Group is experiencing a number of competitive challenges. In recent years we have begun to feel the pressure from international online retailers often operating from jurisdictions with lower cost bases. Unlike domestic retailers, international retailers currently sell into Australia exclusive of GST, resulting in a cost advantage which we and other domestic retailers cannot replicate. While it appears that this situation is likely to change in the near future, the existing GST situation has helped foreign online retailers with lower cost bases and with no “bricks and mortar” retail, to establish themselves in Australia.
8. Furthermore, the influx of international retailers has resulted in huge pressures on our cost base. This is particularly evident in the spiralling costs of rents in prime locations attracting international brands. In addition to retail sales competition, recent entrants are also providing competition for staff, both in retail and Management positions.
9. The economic challenges currently facing Australia including rising unemployment, in particular, youth unemployment, a reduction in capital investment in mining and the decline of local manufacturing is filtering through to local retailers. Coupled with the pressure of a declining Australian Dollar which has caused a sharp rise in the cost price of our imported products, fashion retailers are facing one of the most difficult and challenging periods in recent history.

Industrial Regulation & Use of Labour

10. Currently, the majority of both Sussan and Sportsgirl's retail employees are covered by the *General Retail Industry Award 2010* ("GRIA").
11. We structure our use of labour on the basis that, in order for the business to perform in line with our financial targets, and maintain profitability, direct labour costs (including superannuation and on costs) are required to be limited to a percentage of retail sales in each store. Store Managers are required to operate within this labour budget, and this forms part of the assessment of their performance.
12. In allocating the budgeted hours across trading days, the group has had to limit allocations to Sunday due to the high cost of labour as a result of Sunday penalties.

Sunday Trading

13. Approximately 81% of Sussan and 95% of Sportsgirl stores trade on Sundays. The stores that do not trade on Sundays are closed because opening would result in a Sunday trading loss. These losses would primarily be as a result of higher Sunday labour costs due to penalties. The hours that our stores trade on Sundays varies from location to location. Taking into account the higher Sunday labour costs, Sunday employees engage entirely in selling activities and operating hours are restricted to busy periods to ensure turnover can cover the additional labour costs. In some instances we are required to trade on Sunday by landlords for hours that impact negatively on profit contribution.
14. Reduced Sunday penalty rates would allow us to open additional stores and provide more hours of work in existing stores on Sundays, while engaging employees to work beyond purely selling activities, e.g. restocking, administration task, etc.
15. Sunday has over the past 10 years become an increasingly important trading day for the business. While the proportion of stores opening on Sundays has increased steadily over this period, the average labour hours per store has decreased. This is despite the fact that sales per hour are significantly higher than other days, and with this ratio growing.
16. Sunday trading accounts for approximately 10.5% and 11.75% respectively of Sussan and Sportsgirl weekly trading, taking only stores which trade Sundays into account. These percentages are distorted as we restrict trading hours on Sundays due to the high labour cost. With the average Sunday turnover per labour hour of

\$254 and \$291 as compared to average weekly turnover excluding Sunday of \$167 and \$184 per labour hour for Sussan and Sportsgirl respectively, we would expect to operate extended trading hours on Sunday, if it were not for the disproportionately high labour costs.

Sunday penalties prior to 2010

17. I am aware that the GRIA commenced on 1 January 2010. Prior to this the business employed the substantial majority of its retail store employees under a variety of State and Territory based awards. Those awards provided for different conditions, including a variety of penalty rates. I am aware that in New South Wales and the Australian Capital Territory the penalty rate for work performed on Sundays was, prior to 2010, payment of an additional 50% of the ordinary rate of pay, and in South Australia the penalty was an additional 60% of the ordinary rate of pay.

Operating under the current Sunday penalty rate

18. Presently, Sussan and Sportsgirl pay its employees in accordance with the GRIA, which means employees working on Sundays are paid at a rate of double the ordinary hourly rate. This has meant the costs to the business for labour on Sundays has significantly increased since 2010, although I understand this was phased in incrementally.
19. With the increase in labour costs on Sundays the business has needed to respond in order to maintain labour costs at the required percentage of turnover. This has meant that a number of stores have reduced the hours they trade on a Sunday, because as a business we prefer to maintain customer service levels when we are open.
20. Sunday is effectively a “customer service only” day. This means that the business limits the work performed on Sundays almost solely to selling. We do not carry out any stock replenishment (unless there is no stock of a particular item on display), minimal store cleaning is carried out and no administrative tasks are completed.
21. I have reviewed payroll information in relation to labour hours used in our retail stores in 2010/11 and 2014/15. In New South Wales in the 2010/11 financial year Sussan and Sportsgirl allocated **32,833 and 28,307** hours to Sundays, across **56 and 34** stores respectively (an average of 582 and 822 Sunday labour hours per store per year). In the 2014/15 financial year this changed to **27,303 and 26,980** hours across **50 and 37** stores respectively (an average of 544 and 726 Sunday labour hours per

store per year). This represents a decrease in average Sunday hours per store of 6.6% and 11.7% for Sussan and Sportsgirl respectively. Attached to this statement is a true copy of the labour hours and store numbers for **Sussan and Sportsgirl** in 2010/11 and 2014/15 as it relates to work performed on Sundays.

22. In Victoria, in the 2010/11 financial year Sussan and Sportsgirl allocated **27,167 and 27,963** hours to Sundays, across **45 and 29** stores (an average of 600 and 973 Sunday labour hours per store per year). In the 2014/15 financial year this changed to **23,832 and 21,629** hours across **46 and 31** stores (an average of 516 and 690 Sunday labour hours per store per year). This represents a decrease in average Sunday hours per store of 14% and 29.1% for Sussan and Sportsgirl respectively. Attached to this statement is a true copy of the labour hours and store numbers for **Sussan and Sportsgirl** in 2010/11 and 2014/15 as it relates to work performed on Sundays in Victoria.
23. As can be seen from this data there has been a significant reduction in average hours per stores. In the case of Victoria, the reduction in average Sunday hours has significantly outpaced the weekly average. These reduced hours are already coming off a lower base because it is expensive to open our doors on a Sunday.
24. Attached to this statement is a true copy of the ratio of sales per hour on Sunday compared to the average of other week days. As can be clearly seen, Sunday trading hours generate much higher returns compared to other trading days. However average store hours are significantly lower. This is primarily due to Sunday penalty rates. The reason for the higher returns is because on Sundays we can only afford to open stores in peak trading hours. This is an anomaly as Sunday has become such an important trading day. Given the comparatively high Sunday turnover, we would naturally like to increase our trading hours which a decrease in penalty rates would enable.
25. On Sundays we have implemented a number of measures to attempt to reduce costs without impacting negatively on customer service levels, and therefore sales. These include minimising trading hours to those required by landlords and minimising undertaking non selling activities (e.g. restocking, administration,) as these are more cost effective during weekdays when penalty rates do not apply.

Preferred Sunday operating structure

26. With the changing societal outlook on Sundays, migrating from a “day of rest” to “a second Saturday”, we would like to be in the position to provide service to customers who are currently frustrated by the comparatively limited trading hours on Sunday. In addition, we would like to be able to respond to requests from staff members for additional weekend hours, which often would be convenient to their lifestyle, e.g. students, and Mothers.
27. With Sunday becoming such an important day of the week for shopping, it makes sense for us to give the best customer service possible, however, the way the current penalty rates are structured discourages this and encourages us to employ less experienced staff to save costs. This impacts on Sunday customer service levels across all stores, and from discussions I have had with other retail operators it is apparent this is a common issue for them.
28. In Victoria and New South Wales alone we engaged team members for 99,744 hours on Sundays in 2014/15. If the Sunday penalty rate was reduced, we would be in the position to roster additional hours without having any negative impact on our labour budgets.
29. Given the earlier observations I made about customer service levels and the need to match our operations with our customer needs, I firmly believe we would redirect all, or at very least the substantial majority, of the labour cost savings brought about by a reduced Sunday penalty rate back into store labour budgets.

Accessing sufficient employees to staff Sundays

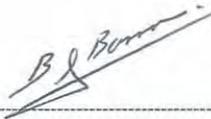
30. We have experienced very few challenges in finding sufficient employees to staff our stores on Sunday. Students in particular are eager for additional hours outside their study schedules which mainly take place on weekdays. Additionally, parents who are often unavailable to work on weekdays while they care for their children, would like to work at weekends, which provides not only additional income, but also a social outlet outside the home. We have employees who are on parental leave, that are also looking for casual work over the weekends. Unfortunately, with the current penalty rates on Sunday, it is often uneconomical for us to provide as many of these hours as demanded.

- 31. Over the past 12 months, we have had 37 requests from team members to work every Sunday. The GRIA currently allows team members to work three in four Sundays, unless the employee requests in writing and the employer agrees to work every Sunday.

Signed by INSERT

at MELBOURNE.

on 11 AUGUST 2015

A handwritten signature in black ink, appearing to read 'B. J. Bennett', is written over a horizontal dashed line.

Signature

Note:

The attached data is rounded to the nearest whole number while the underlying calculations, i.e. percentage changes and sales per hour, are based on exact data with decimals.

SPORTSGIRL

Average Sunday Hours worked per Store by State

	Sunday Hours Worked	Average Stores	Average Hours Per Store	% Change on 2010/11
<u>New South Wales</u>				
FY 10-11	28,307	34	822	
FY 11-12	26,507	34	783	(4.8%)
FY 12-13	27,907	35	794	(3.5%)
FY 13-14	27,914	35	787	(4.3%)
FY 14-15	26,980	37	726	(11.7%)
<u>Queensland</u>				
FY 10-11	11,493	19	619	
FY 11-12	10,214	18	558	(9.8%)
FY 12-13	10,316	19	554	(10.5%)
FY 13-14	9,702	17	559	(9.8%)
FY 14-15	10,888	20	550	(11.2%)
<u>South Australia/Tasmania</u>				
FY 10-11	5,865	9	625	
FY 11-12	5,467	10	572	(8.5%)
FY 12-13	5,438	10	551	(11.8%)
FY 13-14	5,040	10	510	(18.4%)
FY 14-15	5,161	10	520	(16.8%)
<u>Victoria</u>				
FY 10-11	27,963	29	973	
FY 11-12	26,839	29	939	(3.5%)
FY 12-13	28,701	30	959	(1.4%)
FY 13-14	25,235	30	839	(13.7%)
FY 14-15	21,629	31	690	(29.1%)
<u>Western Australia/NT</u>				
FY 10-11	3,645	5	712	
FY 11-12	3,111	5	645	(9.5%)
FY 12-13	7,252	11	691	(3.1%)
FY 13-14	7,458	11	678	(4.8%)
FY 14-15	7,565	11	697	(2.1%)

NB: WA Sunday hours worked have increased with state increased trading hours

Average Sales per Hour including GST (FY 14-15)

	Sunday	Daily Average excluding Sunday
New South Wales	276	194
Queensland	256	183
South Australia/Tasmania	297	195
Victoria	343	173
Western Australia/NT	241	183
Company	291	184

Average Sales per Hour on Sundays compared with other weekdays (FY 14-15)

New South Wales	+ 42%
Queensland	+ 40%
South Australia/Tasmania	+ 52%
Victoria	+ 99%
Western Australia/NT	+ 32%

Average Store Hours worked on Sundays compared with other weekdays (FY 14-15)

New South Wales	(40%)
Queensland	(46%)
South Australia/Tasmania	(53%)
Victoria	(56%)
Western Australia/NT	(42%)

SUSSAN

Average Sunday Hours worked per Store by State				
	Sunday Hours Worked	Average Stores	Average Hours Per Store	% Change on 2010/11
<u>New South Wales</u>				
FY 10-11	32,883	56	582	
FY 11-12	30,533	53	576	(1.1%)
FY 12-13	29,824	53	558	(4.1%)
FY 13-14	28,773	52	559	(4.0%)
FY 14-15	27,303	50	544	(6.6%)
<u>Queensland/NT</u>				
FY 10-11	11,340	26	430	
FY 11-12	10,295	25	410	(4.6%)
FY 12-13	9,753	25	391	(9.0%)
FY 13-14	9,620	25	390	(9.4%)
FY 14-15	10,320	26	391	(8.9%)
<u>South Australia/Tasmania</u>				
FY 10-11	4,746	10	492	
FY 11-12	3,934	9	451	(8.3%)
FY 12-13	4,643	9	496	0.8%
FY 13-14	4,891	10	489	(0.5%)
FY 14-15	4,893	10	489	(0.5%)
<u>Victoria</u>				
FY 10-11	27,167	45	600	
FY 11-12	26,984	44	608	1.3%
FY 12-13	27,981	45	629	4.8%
FY 13-14	24,816	44	561	(6.4%)
FY 14-15	23,832	46	516	(14.0%)
<u>Western Australia</u>				
FY 10-11	2,267	5	452	
FY 11-12	2,091	5	407	(9.9%)
FY 12-13	4,451	10	432	(4.4%)
FY 13-14	4,372	10	441	(2.5%)
FY 14-15	4,404	10	422	(6.6%)

NB: WA Sunday hours worked have increased with state increased trading hours

Average Sales per Hour including GST (FY 14-15)		
	Sunday	Daily Average excluding Sunday
New South Wales	245	178
Queensland/NT	241	153
South Australia/Tasmania	213	159
Victoria	282	165
Western Australia	237	169
Company	254	167

Average Sales per Hour on Sundays compared with other weekdays (FY 14-15)	
New South Wales	38%
Queensland/NT	57%
South Australia/Tasmania	33%
Victoria	71%
Western Australia	41%

Average Store Hours worked on Sundays compared with other weekdays (FY 14-15)	
New South Wales	(40%)
Queensland/NT	(55%)
South Australia/Tasmania	(51%)
Victoria	(50%)
Western Australia	(54%)