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BUSINESSES SHOULD PREPARE NOW FOR A PROBABLE GST RISE

Please note, NARGON News went to press just prior to the release of Budget 2010. This article was written on the presumption that GST was likely to increase and therefore looks at what this would mean for our members.

While there is much concern and confusion over the business implications of a GST increase – which seems fairly certain to occur – there is one absolute certainty: businesses must prepare and plan for it now.

The last GST rate rise was in 1989, when it went from 10 percent to 12.5 percent. According to the polls, most of the public is opposed to the latest increase. But for business, especially the small and medium enterprise group, the most important response is take action now to not only ensure a smooth transition, but to take advantage of the opportunities.

An increase in GST will create compliance costs for businesses in modifying their paper-based or electronic systems to cater for the GST rate increase, which could be time consuming and expensive and include staff training costs.

One practical complication is the new GST calculation divisor: to calculate the GST component of a GST inclusive amount now, you divide by nine. If the GST rate changes to 15 percent, the new divisor will be 7.6 recurring, a more complicated calculation creating more chance of error.

However, with a GST rate rise likely to apply from 1 October, there is a reasonable time frame for GST registered businesses to get on top of the change, review contractual obligations and amend GST systems as necessary.

Here are some steps that businesses can take now to support a smooth transition:

- **Accounting systems:** Check whether internal systems can cope with adding a new GST rate, as it is likely the old rate will need to be retained to deal with transactions taking place at the old rate during the transitional period. And, as the change will likely occur part-way through the standard financial year, businesses will need to ensure previously entered data will not be affected.

- **Pricing:** For businesses selling to end consumers on a GST inclusive basis, the impact on profit and pricing points needs to be considered. Other businesses should review contracts to determine if they can increase pricing for a GST rate rise.

- **Consumer activity:** This is likely to spike before a GST rate increase, as occurred in 1989, and dip afterwards. Plan ahead to take advantage of this, possibly by encouraging consumers to pay up-front for recurring or continuing goods and services.

- **Credit notes and debit note procedures:** Review procedures for issuing credit and debit notes for old rate sales and purchases. Ensure systems can issue correct tax invoices, as well as credit and debit notes at both the "old" and "new" GST rates, as GST will generally be recovered or paid at the rate applying to the original sale or purchase.

- **Contractual obligations:** Review long-term contractual obligations, agreements for successive supply, voucher systems, agreements where deposits are paid up-front, agreements that are priced on a GST inclusive basis and agreements which involve receipt of progressive payments such as lease agreements and credit contracts.

- **GST return periods:** If the change occurs part-way through a business' return period, two GST returns may need to be filed.

- **Land and property transactions:** Ensure all agreements are entered into on a "plus GST" basis so the price can be increased to take a new GST rate into account. Private purchasers may want to lock GST in at the lower rate before a rate increase takes effect.

- **Cost impact:** At 15 percent the GST rate will increase by 20 percent. Some, especially those in the finance industry and those who are not GST registered will face a 20 percent rise in GST costs. This increase should be budgeted for.

We wait with interest for details of the full tax reform package that will be made public in the 2010 Budget on 20 May. In the meantime, businesses should start planning for a GST rate increase.

Ross Jordan
Board member

SALES SLIP AGAIN, FOOD PRICES CREEP UP

According to figures from Statistics New Zealand, seasonally adjusted total retail sales fell 0.6 percent (\$32 million) in February 2010. For non-motor vehicle retailers, the sales trend is falling for the first time since 1995, down 1.0 percent since October 2009.

Worryingly for our sector, sales trends for six of the seven food and drink related industries have been falling recently, with significant falls in supermarket and grocery stores, fresh produce retailing, and other food retailing. Supermarket and grocery store sales were down 0.7 percent (\$9 million) in February

2010. Takeaway food retailing was the only one of these industries to show a rising trend, growing 9.1 percent since December 2008.

Food prices increased 0.2 percent in the March 2010 month. The meat, poultry, and fish subgroup increased 1.3 percent while fruit and vegetable prices fell 1.9 percent.

Overall, for the year to March 2010, food prices rose 0.3 percent. This is the smallest annual increase since the year to July 2004. Food prices are now 0.3 percent higher than a year ago but 8.9 percent higher than two years ago.



“... changes to the Holiday Act ... are expected to be introduced in the second half of the year.”

LEGISLATION UPDATE – MAY 2010

As signalled by the Prime Minister, changes to the Holiday Act and the relevant daily pay calculations are expected to be introduced in the second half of the year. The relevant daily pay will be based on actual work history and averaged out.

The Government has introduced a Bill to allow more flexible rest and meal breaks. It has passed its first reading and gone to select committee but it is not expected to progress quickly. Until it is passed, the current, less flexible rules still apply.

Finally, NARGON understand the Government is considering expanding the number of companies able to use 90-day probation periods for new employees. Currently, only companies with less than 50 employees can use them. The Government is not thought to be considering extending the probationary period.

NEW GUIDE TO HELP BUSINESS WITH PAY ISSUES

The Government has launched a “Big Six” series of guides to help small and medium-sized employers with some of the most common problems they encounter in running a business. Those areas are health and safety, hiring new employees, pay, holidays and leave, performance management, and ending employment relationships. The resource is on the Department of Labour website at <http://www.dol.govt.nz/big6/>

In the guide to issues relating to pay, there are checklists on General Minimum Entitlements, Employing People with Disabilities, Keeping Records, Working Out Pay, and Managing Problems and Disputes. There are also links to further information and online tools. It can be viewed at <http://www.dol.govt.nz/publications/big6/pay.asp>.

RETAIL QUIZ (7)

All NARGON members should know the answer to these three questions:

1. How many different beers does Thorndon New World stock?
2. Who is the Minister of Labour?
3. What percentage of British people think haggis is a character from Harry Potter?

NEW ZEALAND ENJOYS A CRAFT BEER RENAISSANCE

The amount of beer drunk by New Zealanders has been in slow decline for many decades. In recent years, however, sales of boutique and craft beers have been growing with supermarket sales being one of the major drivers. The accepted wisdom is that increasing numbers of Kiwis are drinking less beer but drinking better beer.

One supermarket which has really capitalised on this trend is Thorndon New World in Wellington. Liquor Manager

Reese Drake says the store has over 400 beers available, more than double the range two years ago and ten times what they initially stocked in 1999. Though many of the beers are expensive, he believes people today are much more interested in flavour and quality.

“People are talking about beer in their social groups and are always looking for something a bit different. Our craft beers sales have gone up while the more mainstream products are



selling about the same. We need to get people interested in the craft beer category,” he says. The beer range at Thorndon New World is thought to be the largest of any store in New Zealand.

YOUTH MINIMUM WAGE BILL DEFEATED AT FIRST HURDLE

In the last NARGON News, Sir Roger Douglas outlined the thinking behind his Bill which would have re-introduced a minimum wage for 16 and 17 year-old workers.

NARGON was highly supportive of the Bill and was disappointed to see it defeated in Parliament by a vote of 5-117. Only the Act Party voted in favour. It is regrettable that National, which had previously voted against the abolition of youth rates in 2008, decided that the Bill should not even go to select committee where submissions and opinions could be considered.

GUIDE TO INFANT FEEDING IN THE WORKPLACE RELEASED

The Minister of Labour, Hon Kate Wilkinson, has published an *Employer’s Guide* which sets out employers’ obligations relating to breast feeding breaks and facilities at work. The *Guide* stresses the need for good faith and family friendly workplaces, but points out that there is no absolute obligation on employers to provide these breaks and/or facilities. Provision of “appropriate facilities” should be “reasonable and practicable in the circumstances”. The *Guide* includes practical ideas on health and safety, resources and suitable places for breast feeding. It is on-line at <http://www.ers.dol.govt.nz/parentalleave/infantfeeding/code/>.



New Employer’s Guide gives practical ideas on feeding infants in the workplace.

UK: SUPERMARKET CHAIN GETS INVOLVED IN THE ELECTION

In the run up to the British general election, supermarket giant Asda took the unique step of opening up its website to the main political parties. Each of the leaders (Brown – Labour, Cameron – Conservative,

Clegg – Liberal Democrat) posted a clip addressing the concerns of Asda shoppers. A group of Asda mums are blogging their thoughts on the campaign and also putting the tough questions directly to

the respective party finance spokespeople in Question and Answer sessions.

This innovative campaign coverage can be view at www.asda.com/election2010.

POLITICAL COMMENT: HON DAVID CUNLIFFE (LABOUR)

In this issue, Labour's Finance spokesperson and MP for Grey Lynn, Hon David Cunliffe, looks at the key economic issues for supermarkets and stores.

"Based on what we have heard so far from the Government, Budget 2010 will not deliver jobs and the future New Zealand needs. Instead of jobs, it will reward the few at the top and put more pressure on many families and small businesses.

The Government's intention to raise GST on every New Zealand family will mean extra pressure when many are already finding it tough to make ends meet. For small businesses it means a whole lot of headaches in resetting prices and more complicated GST returns, as well as the risk that customers will close their wallets.

If the Government needs to borrow to fund the tax cuts for the top end, that would be

madness when they are telling all Kiwis to tighten their belts for another round of cuts to health, education and other front-line services.

Worse, fiddling with GST won't tackle the real problems. It won't address the fundamentals that matter.

New Zealanders know our country is not paying its way. We are not exporting enough. Our current account is bleeding red ink. Exporters are struggling to survive a wildly swinging exchange rate and unstable world markets. Rather than saving and investing in real businesses that create value and jobs, Kiwis borrowed heavily to bid up each other's property prices.

And when the Reserve Bank raised interest rates to cool inflation, it sucked in more hot money that just made that problem worse. That's why Labour is committed to rebalancing the economy to rebuild savings and exports.

The next Labour Government will be different because we will focus on jobs, growing the economy and higher incomes for New Zealanders. That means investing in our people, their education, and their opportunities to get ahead. It means boosting innovation, technology and R&D; helping grow the new businesses that will be the stars of tomorrow.

Small and medium businesses are unlikely to find the answers they want in Budget 2010. The real issue is how to grow wages and reduce the pressure on small business and family budgets. Budget 2010 lacks a real plan to do that.

Labour will offer a better alternative, one that will put people first, act with integrity and plan for the longer term. We will cut unnecessary red tape and get the Government behind growing our businesses so we can compete in world markets. Labour is about good jobs, growing business and a fair go so all can do well."



"Based on what we have heard so far from the Government, Budget 2010 will not deliver jobs and the future New Zealand needs."

AUSTRALIA: LESSONS FROM THE FAILURE OF GROCERY WATCH

In the last Australian election campaign, Labour's Kevin Rudd promised that his Government would provide concerned supermarket shoppers with more information about food prices. After their win, Mr Rudd's Government began to develop the Grocery Watch website which would publish food and drink prices instantly. The intent was to encourage competition and lower prices.

It never got off the ground because the pricing information was too vague and quickly went out of date. Many commentators believe Grocery Watch was an example of a big promise which was always impossible to deliver. It is worth noting that the previous Government in New Zealand had expressed an interest in potentially introducing Grocery Watch here.

**ON A LIGHTER NOTE!
BRITONS BELIEVE THE HILLS ARE ALIVE WITH HAGGIS**

One in five people in Britain thinks that haggis, the traditional Scottish dish made from the lung, liver and heart of a sheep, is an animal that roams the Highlands, according to a survey.

Commissioned by the online takeaway food service Just-Eat.co.uk, the survey found that 18 percent of Britons

believe that haggis is a hilltop-dwelling animal. Another 15 percent said it is a Scottish musical instrument while 4 percent admitted to thinking it was a character from Harry Potter.

Only 14 percent of the 781 Scottish people polled said they did not know what haggis was.

[Source: www.stuff.co.nz]



Visit the NARGON website for the latest news and information www.nargon.co.nz

NARGON AT THE FINE FOOD SHOW

To celebrate the arrival of the Fine Food Show in New Zealand, NARGON and the show organisers will be holding a breakfast for up to 80 of our members at 10am on Tuesday the 15th of June. Members can register on the NARGON website (www.nargon.org.nz) under **Latest Events**.

REMINDER ABOUT WRITTEN EMPLOYMENT AGREEMENTS

Though it has been a legal requirement for many years, NARGON reminds all members that full written employment agreements are required for every single employee. The member's section of the upgraded NARGON website contains draft agreements and advice on employment agreements. Visit www.nargon.co.nz for more information.

CONTRIBUTIONS WELCOME

NARGON members are welcome to contribute articles, opinion pieces and letters to *NARGON News*. We are also looking for people to feature in our **Store Profile** section.

STORE PROFILE

This issue, the NARGON News talked with Gerard Kennedy from Four Square Forty Five in Opunake.

How long have you been in the supermarket and grocery industry?

Three and a half years.

How many staff at your store?

18.

Which product surprised you most with its success?

Too many to name – people buy strange and wonderful things when it suits!

What part of the industry do you enjoy the most?

Have to be the customers.

What's your least favourite aspect?

Sometimes the same thing!

Tell us one thing your customers may not know about you?

I used to be a radiographer.

What is your favourite drink?

A Guinness for beer or a sav if I was drinking wine.

What three things would you take to a desert island?

Touching the Void, by Joe Simpson, *The Green Mile* DVD, and my wife.

If you were banished to only one section of your store, which one would it be?

On the tills.



NEW NARGON WEBSITE

If you are a member of NARGON and do not know your login details, please contact director@nargon.co.nz or phone Trina on 04 496 6557



Visit *Nargon News* at www.nargon.co.nz to view this and past issues of our newsletter

ANSWERS FROM PAGE 2

1. Over 400
2. Hon Kate Wilkinson
3. Four percent



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