

28th February 2020

Mr Michael Lennon
Planning Commissioner
State Planning Commission
GPO Box 1815,
Adelaide SA 5001

Dear Michael,

I refer to the release of the Phase 3 Planning & Design Code for Urban Areas for consultation and wish to provide the following response **on behalf of State's** independent retail sector, South Australian Independent Retailers (SAIR).

SAIR Background

SAIR advocates on behalf of the 120 owners representing 224 independent supermarkets stores which are branded Foodland, IGA, Friendly Grocer and Foodworks. This sector employs 12,000 people which also includes staff in the **sector's major wholesale distribution centre.**

The Retail/Wholesale Industry is the biggest 'private' employer in South Australia (circa 102,000) and independent supermarkets are the largest sector i.e. circa 12%

As a collective group, this sector is the largest private employer in the State and maintains a 25% market share, it is extremely competitive and punches well above its weight with a respectable circa \$2b annual turnover, equating to 2% of **South Australia's Growth State Product (GSP).**

The South Australian supermarket industry is a robust marketplace in which the independents vigorously compete against the major national and international chains.

The independents market share in South Australia has been achieved over 50 years by an aggressive successful growth **model of investment by the Foodland group in its 'Mighty South Aussies' and 'Great food lives here'** marketing campaigns and also by the numerous IGA marketing campaigns including **'How the Locals like it' and the latest 'Where the Locals matter' campaign.**

The independents are driven by having a strong emphasis on:

- quality customer service and support
- targeting and promoting local South Australian brands of manufactured food and grocery products
- promoting the largest range of Australian branded food and grocery products
- leading the promotion of South Australian and Australian fresh meat, fresh fruit and vegetables

Independents in South Australia provide excellent career pathways and take the training and development of their staff very seriously, in order to provide local quality customer service and employ more people per store than their competitors.

Data obtained from the independents' major wholesale distributor highlights that on average of the total turnover per store, circa 12%-16% is spent on wages, whereas the competitors, who are not South Australian based, spend between 4% -

9% per store's turnover. In other words, South Australian owned independents employ from 1½ to 3 times as many staff per store than the competition. An example of this is that one of our SA independent owners have 2 stores which employ the same number of staff as 20 Aldi stores and of similar retail floor space size.

SA Retail Market – State of Play

While we are confining our submission in the main to the South Australian independent supermarket sector, the more recent and current state of play is worth outlining as it cuts to the heart of the planning policy positions that we are advocating.

Although the food and grocery sector is experiencing a more 'stable' economy, there are still other factors to consider.

Consumers are holding back on their discretionary spending due to rising costs in essential consumables such as healthcare, education, transportation, rates and taxes, energy, insurances etc. and there has been a significant lack of wages growth over the past 5 years. Interestingly supermarkets are operating under *deflationary* markets i.e. selling food staples today at the same price they were over a decade ago e.g. bread, milk etc.

Nationally, the retail industry has been experiencing a significant downturn over the past 2 years. Indeed, national retail **sales to September 2019 were the weakest result seen since the 1990's recession, falling 0.2% over the year according to Deloitte Access Economics.**

This is a worrying trend in South Australia, where we have also witnessed closures of several significant icon general retailers, together with *low population growth*, business uncertainty around matters such as land tax and continual rising costs of doing business. Ready-made, 'as you go' meals and on-line general retail is having minor impacts. Bricks & mortar retail businesses are re-innovating within particular budget constraints to accommodate their changing local markets.

We have also recently witnessed catastrophic bushfires both nationally and particularly within South Australia.

Another more recent worrying trend is the immediate economic outlook and far reaching impacts across the nation affecting and, in many cases, **directly 'hitting'** the retail industry, as a result of the global Corona Virus outbreak.

We are also seeing more regularly in South Australia, '*small shopping centres*' across the State with tenancy vacancies up to 50%. In some instances, there are 100% vacancies i.e. completely vacant shopping centres, scattered around both metropolitan Adelaide and regional South Australia .

Most of our owners are traditionally the anchor tenant in shopping centres. Moreover, the other businesses within these **shopping centres are mainly South Australian owned and categorised as SME's e.g. local pharmacies, butchers, florists, newsagents, locally run Post Offices, takeaway shops, bakeries, medical and dental practices etc.**

Our family owned **independents'** pride themselves in serving their local communities, partnering with their local supply chains, working with all locally owned retail business operators, supporting local service & sporting organisations. However, our independents are concerned about **urban/retail developments that only consider 'progress for progress sake'** and not the unintended consequences resulting from poor planning.

It is our view that flooding the already oversupplied South Australian retail marketplace, without **protecting centres'** hierarchy plus, the government commissioning a serious retail feasibility research study that unequivocally supports more retail centres, will only place additional and unnecessary pressure on the market place, where there is no more demand, no more spending and low population growth.

We acknowledge and appreciate that some of the strategic recommendations that SAIR has raised with DPTI and the Commission over the last few years around the prioritisation of activity centre and main street zones as the primary areas for retailing and facilitating edge of centre development around the periphery of existing centres have made their way into the Phase Three of the Planning & Design Code to an extent.

Notwithstanding this, we still have concerns **with respect to the watering down of the centre's hierarchy that the Code purposes in Phase 3 and the apparent and continued push to facilitate 'out of centres' retailing**, in the absence of any demand evidence or retail catchment analysis to support this policy position.

In the Draft Planning and Design Code, Planning and Design Code Phase 3 (Urban Areas) Code Amendment - Update Report (herein referred to as the 2019 Phase 3 - Update Report) published in December 2019, one of the first sectors referred to in the Update report is retail.

Under the heading of 'Out of Centre' retail the Commission states;

'Out of Centre' Retail

In relation to out of centre retail development, particularly impacts on activity centres and main streets, feedback has supported shop development in many parts of the city, activity centres and main streets. The Commission also recognises the need to further consider requirements for shops outside these areas, taking into account the scale and intensity of development and land uses contemplated in different zones – including the most appropriate assessment processes.

My emphasis above

Clarification is sought as to what the Commission means by recognising the need to consider shops outside of centres? There is no mention of the scale and magnitude of retailing and whether the Commission is referring to small scale shops such as cafes in neighbourhood or employment zones and the like or whether they are contemplating full line supermarkets and supermarkets generally outside of centre zones.

If the Commission is in fact advocating for any supermarkets outside of centres, there is no mention of the need for a net community benefit test

The spatial location, size and magnitude of retailing is paramount when it comes to 'out of centre' retailing considerations.

It is comments such as this in the December 2019 Update Report that mean SAIR remain most concerned that as existing zones under the **centre's** hierarchy transition into their new zones under the Code, existing activity centres will be diluted, and 'out-of-centre' retail development will be facilitated. This may result in ending up undermining retail within centres.

This is of particular concern, given the absence of detail around retail planning policy for 'out-of-centre' development to help guide the assessment of suitable developments and limit those which is simply unsuitable.

SAIR is firm with its position that while we support small-scale retailing in the form of local cafes, personal services establishments, offices and consulting rooms to activate and provide convenience services to local communities, we do not support full line supermarkets or supermarkets generally outside of 'centre' zones.

Moreover, it is our view strong view that 'shops' or 'group of shops' over 1,000m² of gross leasable floor area should only be located within centre zones, meaning they should be limited to 500m² and be a restricted form of development in all zones other than activity centres, main streets or township zones.

Furthermore, any new proposed activity centres with supermarkets (which include shops or group of shops over 1,000m²) should be subject to a thorough and robust net community benefit test that clearly demonstrates evidence of over trading, under supply of retail gross leasable floor areas and minimal impact on the existing community shopping centres as hubs as part of its assessment. This is particularly **the case for any 'out of centre' development.**

Net Community benefit test & 'Out of Centre' development

The Productivity Commission have been clear in terms of planning systems and the application of a Net Community benefit Test when it comes to new activity centres.

To that end, competition needs to be seen within the context of net community benefit, a principle which underpins all planning systems. Net community benefit ensures that social, environmental and other welfare (including health and well-being) etc outcomes are considered along with the benefits from heightened competition.

While commonly used modelling tools are relatively good at identifying available expenditure, and hence the profitability of new developments, they are often somewhat futile in assessing the impacts on existing development and, therefore, whether an overall net community benefit is being generated.

It is important therefore to ensure that thorough and robust criteria, that is justifiable, is utilised to assess the net community benefit, and that these are capable of objective review. The net community benefit test needs to examine both quantifiable and unquantifiable aspects of proposals.

It needs to recognise that centres are much more than the provision of retailing, they also represent social and administrative hubs or focal points for communities as well.

"Net community benefit tests need to include (but should not be limited to) the following:

- *Will there be a net benefit in terms of the total value of land and commercial development in the relevant retail catchment?*
- *Will there be any loss of capital value within a specific retail sector, or amongst competing centres so that the retail sector would be restricted in its ability to raise capital and compete?*
- *Will there be a net reduction in overall car travel?*
- *Will there be an increase in local accessibility to frequently used goods and services?*
- *Will new development integrate with and complement an existing centre or, if a new centre, will it not significantly undermine the viability of an existing centre (sequential test)?*
- *Are there other social implications arising from the new development?*
- *What are the implications for net employment?*
- *Will the development facilitate competition within the relevant retail catchment?"*

"Proposals to substantially increase the level of zoned commercial land by substantial "over zoning" would produce deleterious effects in terms of both market concentration, competition, and overall community benefit".

Extracts from Productivity Commission review of the Economic Structure and Performance of the Australian Retail Industry Supplementary, Angus Witherby Director On behalf of the Retail Guild of Australia October 2011.

In addition, the Planning Institute of Australia (PIA) New South Wales (NWS) division provided the following comments **about the dilution of centre's** hierarchy and the risks associated with 'out of centres development' to a NSW Government Retail Expert Advisory Committee in 2016.

The NSW PIA submission stated the following:

As noted in the SGS (2011) retail barriers report 1, most Australian jurisdictions adopt centres policies which focus activity generating retail in existing or planned centres across a range of scales. Locating major retail remote from centres is difficult to progress through the planning system. The question is whether these constraints on competition are both warranted and efficient. PIA argues that in most cases the external costs associated with a diluted hierarchy of centres (below) are greater than the potential benefits of improved choice and lower price for consumers.

- *increased vehicular use and reduced public transport use and accessibility*
- *reduced community access to a focussed hub of amenities*
- *foregone opportunities for urban intensification focussed around the amenity of high activity centres anchored by retail uses*
- *loss of business synergies associated with clustering*

We concur wholeheartedly with comments above from Angus Witherby and also those outlined by PIA NSW in their submission in so far as there needs to be clear and obvious evidence of over-trading, under supply of supermarket and activity centre retailing, leakage to alternate catchments and an overall positive net community benefit test outcome before new activity centres can be supported in the Urban areas identified in Phase 3 of the draft Planning and Design Code.

Moreover, centres' policy and the protection of the centre's hierarchy is critical to maintaining the intent of the activity centre typologies outlined in the 30 Yr Plan for Greater Adelaide and to avoid the negative impacts on communities and towns that result from an over-supply and more particularly poor spatial location of new activity centre developments.

In the past, the location of activity centres outside of townships, main streets and core business areas has ended up dividing towns, sending existing main street businesses broke and resulted in vacant shops littering main streets and towns and we have seen the impacts of this poor strategic planning on towns like Mt Gambier, Port Augusta, Whyalla and Victor Harbor just to name a few.

When it comes to 'out of centres' specifically supermarkets SAIR identifies two current issues;

1. Namely the **'out of centre'** location of supermarkets and shopping centres in a non-activity centre, Main street or Township zones e.g. the Kaufland proposal on the Munno Para Bowling club site and,
2. **The spatial application of the 'activity centre' zoning** where the zoned has been allocated to land which is remote or away from the centre of a town or envisaged retail shopping areas e.g. Berri, Phase 2 of the Planning and Design Code, Madison Park primary school site, Salisbury East and Darley Road, Campbelltown Phase 3 of the Planning and Design Code Phase 3

This policy position is deeply entrenched in our view, that centres remote from the core of towns in incorrect spatial allocation of an activity centre zone enables developers to acquire and develop land in locations where the entry costs **are lower than a retail/ commercial zoning, thus giving the 'out of centre' developer a commercial and competitive advantage.**

Adelaide leads the Nation in the provision of supermarket floor space per capita

The extract below relates the Playford North but the Adelaide and national figures are sobering.

"The estimated 2018 population of 44,521 people in central and north Playford, has a supermarket floorspace provision rate of 0.48 sqm per capita. The average rate across Adelaide is currently 0.41 sqm per capita and nationally, 0.35 sqm. The current rate of provision in the catchment area is therefore 37% higher than the national average and 18% higher than the Adelaide average" Deep End Services report to Chapley Nominees, August 2018.

SAIR believes **any new centres, proposed rezoning of land for new centre's or Code amendments to facilitate new activity centres must include an exhaustive and irrefutable 'net community benefit test' piece of work as part of** a complete retail catchment analysis which clearly demonstrates over trading of existing shopping centres and a under supply of retail floor space to support the catchment .

If a catchment is clearly under serviced by existing retail floor space and centres within the broader locality are over trading, as was the case in the City of Salisbury, which lead to the development of the Saints Road Neighbourhood shopping centre, then in these cases new centres can be supported, noting the Saints Road development was in a centres zone.

Moreover there is a need to better manage proposed **for 'out of centre' development and in doing so apply a consistent and transparent 'Sequential Test' for Out of Centre Proposals based on:**

- o Strategic fit
- o Net community benefit
- o Place quality

Examples such as the previously mooted Kaufland proposals for the Munno Para Bowling Club site and Richard Reserve, Wynn Vale are exactly the type of out of centres development that we must avoid entertaining.

There is at present the same risk with the application of the proposed Urban Neighbourhood Zone on Darley Road and Campbelltown and this site is discussed in more detail below.

We recommend a performance-based approach to any proposed 'out of centre' development where existing policies and provisions are added into the Code and any retail development outside of a centre zone must clearly demonstrate no detrimental impact on existing centres.

In a technical sense, the current Deemed to Satisfy (DTS) square metres rates, for non-centre zones should be applied as drafted and any proposal that does not satisfy the DTS figures must be publicly notified.

In our view any proposed 'out of centre' development must be publicly notified.

Phase 3 Planning & Design Code – Urban Areas

Turning to the Code, and comparing it to the existing zones and policy requirements we have formed the view that in so far as the Code is a transition of sorts from the existing zoning, in Council areas where the existing planning policy is sound and/ or has been strategically planned, the Code translates well, areas like Hahndorf, Tanunda, Nuriootpa, Angaston and Yankalilla.

However, in areas where the existing policy has not been updated, has been reactive, influenced by opportunistic developers and poorly planned, the Code is also needing some improvement.

Put simply, the consequence is examples where the Code could facilitate new activity centres with no floor space limitations, outside of the main streets or the heart of townships in regional centres and new large neighbourhood size shopping centres in other metropolitan areas which we do not support.

In our view, as part of the upcoming Regional Planning process, there needs to be a town by town review to ensure a best practice approach to future planning (and retail planning), to avoid these mistakes of the past going forward.

It's the potential for retail activity centres, in particular supermarkets and associated tenancies (with no retail floor limitations based on their activity centre status) to be built outside of the actual main streets and the heart of townships that is of most concern.

Combined with the value add and potential uplift that the Activity Centre Zone offers, combined with the disparate spatial location of these zones that is the problem.

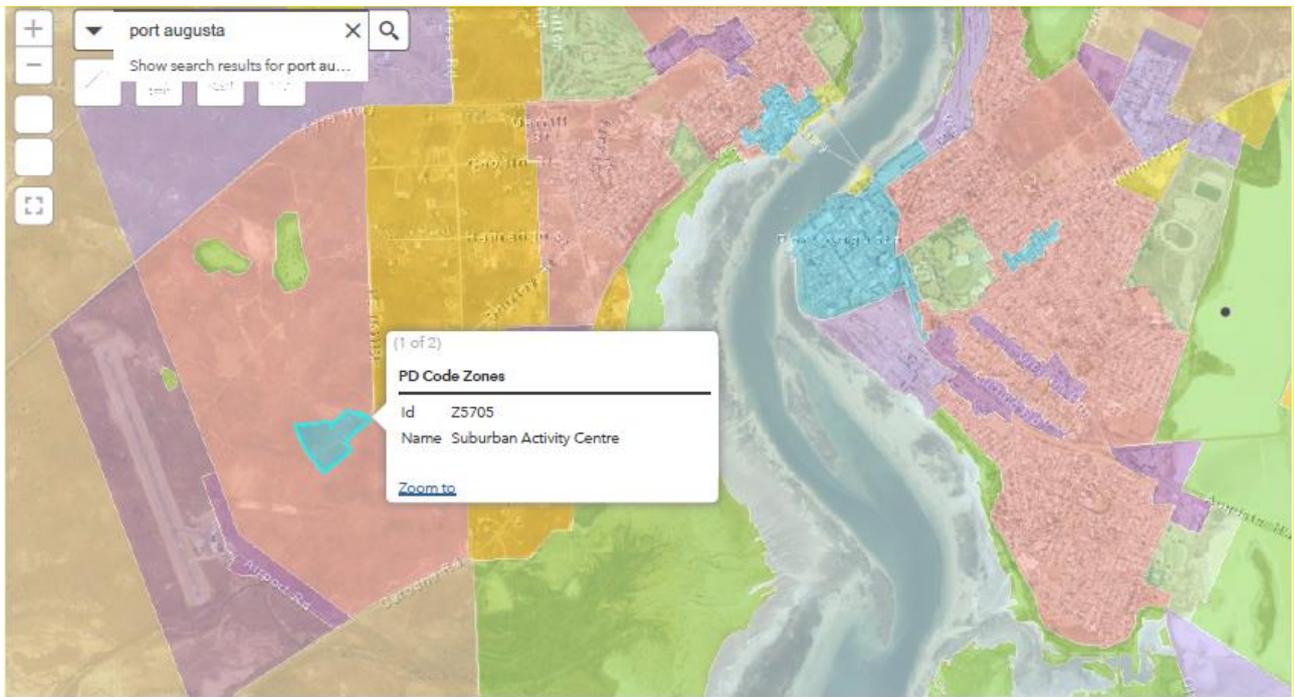
The reason being, that we need the uplift or the flexible zoning of the activity centre and main street zones to be confined to the core retail areas of the metropolitan areas and the actual main streets in the more regional areas to drive the uplift, activation, investment and growth in the core retail areas and away from the periphery of townships.

To follow are some examples of where this has not yet translated into the Code, and we are recommending a change in zone now, or at a minimum a **'placeholder' approach adopted for these sites, to avoid unintended consequences** or uncapped retail development from occurring on these sites, prior to the Regional Planning process occurring.

Examples include;

Pt Augusta

In the northern town of Port Augusta, retail development has occurred remote from the main township areas has as a result previously divided the town. The existing Development Plan applies a neighbourhood centre zoning to a current vacant parcel of land between the rural living zone and the Port Augusta airstrip. The Code applies a Suburban Activity Centre zoning to that land which is currently vacant scrub land.



Recommendation

That the above site is amended to a suburban neighbourhood zoning or as a minimum a place holder approach is adopted for ID Z5705 initially altering the site to a Suburban Neighborhood zoning while the site is investigated as part of the Regional Planning process to determine its ultimate zoning suitability.

Mt Gambier

The south east township of Mt Gambier is another example of a town where retail development has occurred outside of the core retailing area and has resulted in implications for the existing main street retailers. The Mt Gambier Market Place shopping centre including Woolworths and Big W and immediately adjacent to it a Bunnings large format warehouse has been built outside the core retailing area.

However, adjacent this development, to the immediate south, there is a large parcel of vacant land, also part of the existing District Centre Zone. The Code shows this area as vacant land and under the Code it adopts a Suburban Activity Centre zoning.

It is fair to say that under this zone in the Code, another retail operator could buy that parcel of land and build another full line supermarket and shopping centre on that site, allowing further retailing outside of the main street and driving customers away from main street and core retail heart of the town.

The Development Plan extract below (see Figure Mt G 1) shows the extent of the existing District Centre Zone boundary **and the Code image (see Figure Mt G 2) shows the Code's alteration of all of that land to a Suburban Activity Centre Zone.** In our opinion, this vacant land adjacent the Woolworths and Big W to the immediate south is more akin to a General Neighbourhood Zone.

Figure Mt G 1

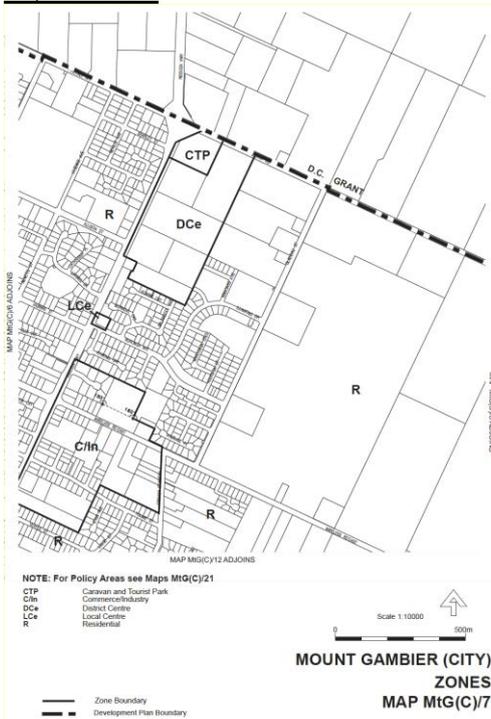
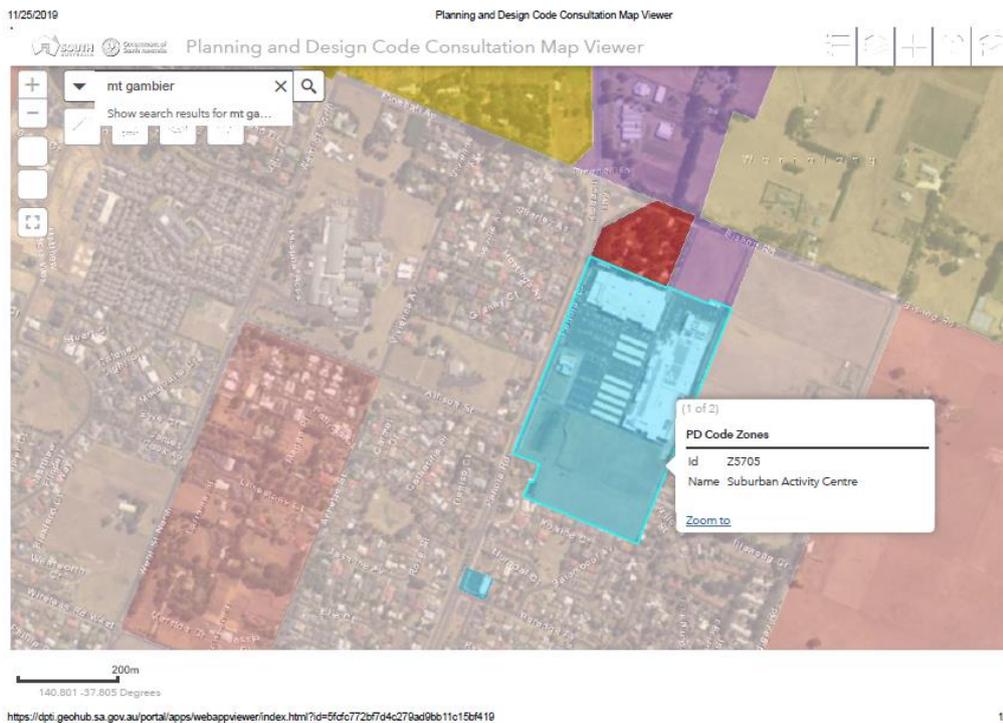


Figure Mt G 2



Recommendation

That the above site is amended to a General Neighbourhood Zone or as a minimum a place holder approach is adopted for ID Z5705 initially altering the site to a General Neighborhood Zone while the site is investigated as part of the Regional Planning process to determine its ultimate zoning suitability.

In our view there really should be a township by township review of each of the more regional Council areas within Phase 3 – urban areas more broadly to fix up any unintended consequences, such as those outlined above, that we have not captured.

Campbelltown

The north-eastern suburb of Campbelltown along Darley Road currently has land zoned Suburban Activity Node which takes in the Paradise interchange and the land across the road to the south of the MOSS Zone. The Development Plan envisages a maximum gross leasable floor area of 1000m² for shop or group of shops.

As part of the Code this zone changes to an Urban Neighbourhood Zone with the following references to retail

PO 1.6

Shops, restaurants, offices and consulting rooms services and facilities to meet the day to day needs for the local community.

DTS/DPF 1.6

Shops, offices or consulting room uses not exceeding a maximum gross leasable floor area of 500m² for individual tenancies and 5,500m² in a single building.

This zoning change under the Code represents a substantial uplift in terms of the amount of retail floor space allowable in the zone and in the absence of any retail catchment analysis to identify over trading and a lack of retail floor space, this increase akin to a neighbourhood centre level of retailing is simply not supported.

This Urban Neighbourhood Zone is the same zoning afforded to locations like West Lakes and Bowden as thus we question the Campbelltown site being afforded the same zoning as those two areas which have seen significant redevelopment and medium density development.

In our view the Darley Road Urban Neighborhood Zone should be changes to an alternate zone more in keeping with the adjacent land uses and where retail is DTS at 250m² and public notification for anything over the DTS figure. In addition, shops or group of shops totaling more than 500m² of gross leasable floor area should be a restricted form of development for the reasons outlined above as thus require a net community benefit assessment if retaining in this order is to be considered.

Playford

As far as Playford north is concerned there is an over-supply of supermarket floor space and there has been for some time. Many of the existing centres are suffering as a result.

In August 2018, Deep End Services prepared a report in relation to a proposal for a full line supermarket mooted for the Munno Para Bowling club site. In their report they describe the significant level of new retail development built in the catchment in the last seven (7) years, plus highlighted existing and emerging centres in the locality already zoned for retail activity centre land uses.

There has been a significant level of retail development including supermarkets at new and existing centres in the last 7 years.

- *Woolworths-based neighbourhood centre at Blakeview – 2011*
- *Woolworths-based neighbourhood centre at Curtis Road – 2015*

- **New ALDI store at Blakeview - 2016**
- **New ALDI store at Munno Para District Centre – 2016**
- **New Drakes supermarket-based centre at Penfield – 2018**

and

There is further development potential at existing and emerging centres.

- **Blakeview Centre has additional land for ‘main street’ retail and mixed-use developments.**
- **The Curtis Road Town Centre has 2.2 hectares of vacant land which can support a second supermarket.**
- **The low rise Munno Para Centre has no floorspace cap and further expansion potential.**

In relation to that proposal Deep End Services also stated (*and as mentioned previously on page 5*) the following,

The estimated 2018 population of 44,521 people in central and north Playford, has a supermarket floorspace provision rate of 0.48 sqm per capita. The average rate across Adelaide is currently 0.41 sqm per capita and nationally, 0.35 sqm. The current rate of provision in the catchment area is therefore 37% higher than the national average and 18% higher than the Adelaide average.

Deep End went onto say, that small to moderate variations around metropolitan averages are evident in regions or local government areas of Adelaide however they noted the current sqm per capita as very high and any further supermarket floor space would raise the prospect of an oversupply of supermarket space.

Summary

It is for the reasons outlined above we suggest some refinement of Phase 3 of the Planning & Design Code prior to implementation. In addition, we wish to make the following comments in regard to the draft Code:

- Ensure full-line supermarkets and supermarkets generally are confirmed to ‘activity centre’, ‘main street’ or ‘township zones’.
- Support for edge of centre development expansion as an alternative to opening up of new centres.
- Ensure the Code does not enable or unintentionally allow ‘out of centre’ supermarket developments by making shops or groups of shops adhere to the Deemed to Satisfy (DTS) m2 gross leasable floor areas listed in all draft Code Zones and all proposals over the DTS triggers must be publicly notified
- Adopt a performance based approach by utilising some of the current provisions and policies to guide retail development proposed outside of a centre zone whereby it must be demonstrated that the proposal will not detrimentally impact on other existing centres.
- **Any new proposed retail centre and particularly any proposed ‘out of centre development’ must include a full retail catchment analysis as well as a ‘net community benefit test’ where a consistent and transparent ‘Sequential Test’ is applied for Out of Centre Proposals based on:**
 - o Strategic fit
 - o Net community benefit
 - o Place quality.
- Alter the Urban Neighbourhood Zone at Darley Road Campbelltown site to reduce the gross leasable floor area to DTS 500m2, greater than 500m2 publicly notifiable and more than 1000m2 is restricted as it could currently facilitate a full-line supermarket and ‘out of centre’ development.
- Alter the zones of the examples as listed above or at a minimum adopt a ‘placeholder’ approach for zones where they are not located in the main street or the heart of the township or a core retail area to avoid unintended

consequences of full line supermarkets and shopping centres being constructed away **of the town's centre** eg Port Augusta, Mt Gambier

- A township by township review should be undertaken of each of the more 'regional Council areas' within Phase 3 (Urban areas) more broadly to fix up any untended consequences, such as those outlined above relating to Mt Gambier and Port Augusta, that SAIR have not captured.
- Undertake a series of retail catchment studies (including the Sequential Test detailed above for any specific sites) for Metropolitan Adelaide (divided into north, east, south and west) to develop a baseline understanding of existing retail centres and floor space provisions and to identify any possible areas of under or over supply.
- As part of the Regional Planning process, there should be a review of all Suburban and Townships Activity Centre Zones that are remote from the main street or core business areas of the townships with a view to determining if an alternate zone eg General Neighbourhood, Employment etc is more appropriate.
- Encourage and work with Councils to invest in main street programs, revitalization and urban design initiatives (particularly in the more regional towns) to improve public realm, streetscapes and the overall presentation of the main streets and townships and to encourage uplift and private investment.

Given the points outlined above and the real and plausible consequences that could occur with respect to the current drafting, we request that the Commission considers the suggestions outlined above prior to the Code coming into effect later this year.

We also hope that the Regional Planning process to follow will bring a strategic planning focus and some deep dive assessments into where land uses should be spatially located to help drive economic development, jobs and investment in our regions and towns.

We look forward to this next process and are very keen to work with DPTI and the Commission to help drive the activation and development in our State and regional towns in particular and are keen to be an active participant in the Regional planning process.

We look forward to seeing the changes suggested being adopted into the Planning & Design Code to ensure this policy achieves its intentions and helps support and grow our regions.

Yours sincerely



Colin Shearing
Chief Executive Officer
SAIR

28 February 2020

Cc *Hon Stephan Knoll, MP
Minister for Planning*