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Mr Michael Lennon
Planning Commissioner
State Planning Commission
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Via email to DPTI.PlanningEngagement@sa.gov.au

Dear Mr Lennon,

I refer to the release of the Productive Economy Policy Discussion Paper for consultation until 22 February 2019 and wish to provide the following response from The Chapley Group (the Chapley families).

Background

Our Group has been involved in retailing and in particular independent supermarket retailing for more than 60 + years now, owning and operating Foodland supermarkets and shopping centres.

Retail centres include the Munno Para Shopping City (District Centre), Norwood Place (District Centre), Saints Shopping (Neighbourhood) Frewville Shopping Centre (Neighbourhood), Pasadena Shopping Centre (Neighbourhood) and well as two local centres in Playford North and one in Christie Downs.

Our style as independent Foodland supermarket operators is to plan, formulate and develop mixed use shopping centres which deliver a broader range of retail tenancies and community service offerings which contribute in a meaningful way to the social fabric of the local communities in which we operate. We create and design supermarkets and centres which act as a meeting and gathering place for local communities and are a hub of activity for local shoppers.

This is in stark contrast to alternate stand-alone supermarket models.

All of our major centres (Neighbourhood centre size and above) operate as what are known as "full line supermarkets", where we proudly stock a far greater proportion of South Australian produce, sourced from local suppliers, than our competitors. Our stores are supplied by in excess of 700 local suppliers which in turn helps employ local South Australians, often from regional areas.

As Foodland operators, as a percentage of our turnover, our staff wages are considerably higher than our competitors as we provide a higher level of service - the economics and associated spin off effects of our supermarkets for the South Australia community speak for themselves.

Productive Economy Discussions Paper

We note that the draft Product Economy Discussion Paper, under the theme of 'linking people to jobs, goods and services' appears to walk both sides of the line in terms of maintaining a centres policy and centres hierarchy approach, while leaving the door open to retail development in 'out of centres' locations.

With the benefit of more than 60 + years of retail experience and in particular supermarket retailing in South Australia, it is our strongly held view that maintaining the centres hierarchy approach is the only way in which to maximise the economic, social and community benefits of well-planned retailing, minimise negative environmental impacts on localities and create healthy competition through a level playing field approach.

Notwithstanding this, we have elected to engage Property and Advisory Pty Ltd, as independent economic and retail analysts to provide a review of both approaches and highlight the pros and cons of a centre's hierarchy approach and that of a policy path which encourages 'out of centres' development.

The Property and Advisory Pty Ltd report is **attached** to this submission and should be read in conjunction with this document.

The Property and Advisory Review has been undertaken by Mr Andrew Lucas and for us the key take away from Mr Lucas's findings is that this discussion paper by the Planning Commission represents a welcome swing of the pendulum away from unrestricted retail development.

The other main findings to come out of the Property & Advisory Report include;

- Out of centres development should be discouraged;
- Demand should be the prime determinant in decisions around the need and ultimately locations of new centres;
- There is a new now for a retail demand analysis of the Greater Adelaide catchment and capital expenditure overlay to determine the net position of retail floor space supply;
- There is a need for DPTI to expand and update the Retail Database and ;
- Localities that have been identified as being under-supplied in terms of their retail floor space levels, should be the first targeted for new centres development.

We hold the view that there is, at present, an over-supply of retail floor space in Greater Adelaide and Metropolitan Adelaide specifically.

It is our experience that centres operate more successfully when located adjacent to existing residential areas, areas of residential growth due to gentrification and infill development and areas where the residential growth patterns and timing are known and where there is a demographic overlay that demonstrates clear capital intensions ability.

For this to successfully occur, retailing must be part of a strategic and planned approach which is based on an overall catchment analysis, identification of areas where there is a lack of retail supply (and/ or over-trading) and then a capital intensions overlay which analyses the local demographics and their expenditure capability in which to financially support and sustain addition retailing.

This strategic planning approach generates economic and social benefits by ensuring new retailing and thus jobs growth can be supported and sustained by the local catchment, as well as reducing the negative environmental impacts associated with 'out of centres' development, such as increased travel patterns, greater congestion and the allied environmental impacts of greater vehicle use.

We support the concept of transition zones around existing centres as a sustainable and planned method for centres to grow and expand over time.

This planned methodology is at complete odds with an "out of centres" approach to retailing which on face value has appeared in South Australia to be more about facilitating specific additional players in the supermarket sector and creating a 'perception of economic development' than any real needs basis.

Outside of the supermarket sector (and our immediate field of interest), we note that out-of-centre non-food retail development often consumes large areas of Industry zoned land, reducing the supply of well-located employment lands available to productive enterprises.

In fact, 'out of centres development', in the absence of a robust retail catchment analysis and strategic planning can result in an over-supply of retail floor space which in turn gives rise to a myriad of negative economic and social impacts that ultimately arise from retail floor space saturation, such as increased vacancy rates in existing centres and along strips, corridors and high streets a loss of tenancy mix (in particular fashion), while driving down valuations and in turn borrowing capacity of owners. Some recent examples of this can be seen along Unley Road, King William Road, Melbourne and O'Connell Streets.

Adelaide currently has an over-supply of supermarket floor space. The average supermarket floor space provision rate across Adelaide is currently 0.41 sqm per capita and nationally the figure is 0.35 sqm (Deep End Services, August 2018)

If we take Playford North, an area we know intimately, the current rate of provision (supermarket floor space) in that catchment area in 2018 was 37% higher than the national average and 18% higher than the Adelaide average and this

rate has risen sharply in the last seven years with five new supermarkets built in the central and northern areas of Munno Para since 2011.

As part of their report in August 2018, Deep End Services went onto say;

"This supermarket 'over supply' is exacerbated in a catchment like Munno Para with very low household income levels. The effects can be manifest in:

- *Significant impacts on existing supermarkets and specialty food retailers and sharply reduced profitability for operators engaging in or affected by aggressive promotional activities to maintain sales;*
- *Reduced pedestrian traffic at centres which can, in turn, impact other non-food retailers (eg fashion) and services; and;*
- *Deferred investment in existing centres or planned centres".*

Hence, our previous point about the need for a robust Greater Adelaide Catchment Analysis to determine any new floor space under supply or areas of over trading, combined with an expenditure capability assessment – a strategic and planned approach to future retailing, which is regularly reviewed to ensure it keeps up with population growth and more particularly where that growth or infill for that matter is occurring.

One of the arguments put forward by advocates of 'out of centres' development is that it can create increased competition and drive down grocery prices.

Competition in the supermarket retailing sector is already very strong in South Australia.

The introduction of Costco and in particular Aldi into the South Australian market has driven down grocery prices and we can vouch first hand that it has led to our businesses now stocking a home brand product to match Aldi in most baseline (basic/ standard) grocery category for example, bread, flour butter, UHT milk etc

So much so, that now Coles and Woolworths have also followed suit and are now also carrying a generic brand product in those baseline grocery items to also price match Aldi.

The impact of Aldi's pricing structure and the competition for market share between Coles and Woolworths has also been felt through the reduction and demise of local butchers and also green grocers where Aldi elects to sell fresh produce at cost or below (aka lost leaders) in an effort to buy market share.

In fact we are aware of circumstances where fruit and vegetable store owners actually source their produce from Aldi in order to just try and compete with them financially.

There is absolutely no doubt that the objective to generate greater competition in the supermarket sector has now been achieved.

Page 38 of the discussion paper, includes Map 3: Activity Centres and Mass Transit Routes. This map should be amended to include neighbourhood activity centres over a certain floor space size, eg 3,000 m² to more accurately portray current retailing levels. The current map only includes Regional and District level shopping and fails to identify the significant number of neighbourhood size shopping centres located within Greater Adelaide, many of which are greater than 5,000m².

Including these larger neighbourhood centres would paint a more accurate picture of the distribution of existing activity centres and retail floor space and will help highlight areas of over-supply and areas where new retail floor space may be in demand.

Conclusion

The Chapley Group shares the Government's aspiration for new economic activity, growth and investment by existing and future market players and see the most equitable manner for this to occur is via a clear and transparent level playing field approach, a known and proven framework, for all market players, existing and future in which to operate within.

We strongly believe that a Greater Adelaide Catchment Analysis and expenditure capacity assessment, combined with a review of the Centres Hierarchy policy should be brought forward to ensure future retailing can be supported by the catchment, is sustainable and will not result in negative economic, social and environmental impacts on localities and broader communities.

Yours sincerely



Marcus Collins
General Manager – Property
The Chapley Group

17 February 2019

Mr Spero Tsapaliaris
Chapley Group
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Dear Spero,

Re: 'Productive Economy' Discussion Paper

Thank you for your instructions to undertake economic investigations concerning 'Productive Economy', a discussion paper released by the Department of Planning, Transport and Infrastructure (DPTI) as part of planning reforms being introduced under the Planning, Development and Infrastructure Act 2016.

Your particular focus is the 'Policy Conversation Area – Centres Policy and Retail Investment' section of the discussion paper (pp. 32, 36 – 38) and your brief to Property & Advisory is to consider and provide comment on matters raised therein in the context of retail investment patterns and the retail economy generally.

In general, the discussion paper supports the Centres hierarchy as a foundational element of Centres policy in the Adelaide Metropolitan Area. This support represents a reversion to well established 'first principles' after DPTI appeared to be moving towards a more *laissez faire* approach to out-of-Centre retail development in 2015.

Our interpretation of the discussion paper is that it:

- seeks to strike a balance between achieving a desirable urban form and facilitating increased competition in the retail sector;
- focuses on the effect of out-of-Centre developments on traffic patterns as the measure of their warrant; and
- counsels against out-of-Centre development where it may drain "economic energy" from planned higher order Centres.

In our analysis below, we both critically examine the issue of a planned Centres hierarchy versus out-of-Centre development from an economic standpoint as it pertains to the discussion paper and suggest a future set of actions that DPTI should consider in this space as it implements the planning reforms.

Out-of-Centre Development

The discussion paper states, "there has been some debate about whether land use regulation that centralises retail activity actually reduces competition, limits market forces, results in

monopolisation, stifles innovation and/or impacts productivity growth”¹, citing a 2011 Productivity Commission report.

The principal economic issue concerns competition. It is generally held that greater competition provides overall economic benefit to the community through lower prices and improved convenience. Federal legislation governing competition has the objective of “enabling all businesses to compete on their merits in a fair and open market, while ensuring consumers are also treated fairly”². Successive Federal Governments, through the ACCC, have indicated that the benefits of competition outweigh the potential negative effects on existing traders.

The Competition Policy Review³ provided the most recent benchmark for the interaction between planning policy and the principle of competition in the Australian retail market. Its recommendations were founded on two principles, namely:

- planning systems by their nature create barriers to entry, diversification or expansion; and
- planning regulations should work in the long-term interests of consumers.⁴

The review’s ‘Recommendation 9 – Planning and zoning’ contained the following considerations:

- arrangements that explicitly or implicitly favour particular operators are anti-competitive;
- competition between individual businesses is not in itself a relevant planning consideration;
- restrictions on the number of a particular type of retail store contained in any local area is not a relevant planning consideration;
- the impact on the viability of existing businesses is not a relevant planning consideration;
- proximity restrictions on particular types of retail stores are not a relevant planning consideration;
- business zones should be as broad as possible;
- development permit processes should be simplified; and
- planning systems should be consistent and transparent to avoid creating incentives for gaming appeals.

Most of these points are either longstanding practice already in South Australia, or were addressed in the Existing Activity Centres Policy Review DPA of 2016. However, attention is drawn to the first and last points and that:

- as regards the first point, care must be paid to ensure that a facilitating stance from Government towards new out-of-Centre development does not constitute “arrangements that explicitly or implicitly favour particular operators”. Operators lobbying for out-of-Centre development are frequently seeking cheap access to a particular Adelaide sub-market through the acquisition of out-of-Centre land, in the process engineering an instant capital gain through a change in the approved land use – for example from industry to retail; and
- as regards the last point, one benefit of the planned Centres hierarchy from an economic and development standpoint is that all market participants know where they stand. It is, as the Competition Review states, “consistent and transparent”. When new market entrants develop stores within Centre zones, it represents an opportunity for “level playing field” competition with existing traders.

¹ Productive Economy Discussion Paper, p. 36

² ACCC, ‘Small Business and the Competition and Consumer Act’, p.1

³ Professor Ian Harper, Peter Anderson, Sue McCluskey, Michael O’Byrne QC, ‘Competition Policy Review - Final Report’, Commonwealth of Australia, March 2015

⁴ Ibid, p. 44

Neither of these latter points is anti-competitive and, on this score, an interesting case study is the experience of Aldi in the Adelaide market. Aldi has successfully entered the Adelaide market via a new store rollout that predominantly conforms to the Centres hierarchy under the existing rules. Of the 16 Aldi stores already opened, 15 are situated in a Centre, Mixed Use or other zone intended to accommodate retail development. Of these, 13 involved expansion of an existing shopping centre. Only its Adelaide Airport store is a clear case of out-of-Centre development.

Nevertheless, it is pertinent to address the arguments that may be mounted in favour of out-of-Centre retail development.

Argument 1: Centre zones are frequently fully developed and a block to new market entrants, who stand ready to provide a broader offering and price competition to benefit consumers. Suitable development land is not generally available in Centre zones

The experience with Aldi outlined above runs counter to this argument. It may be the case that Aldi's business model prefers free-standing sites – and it has several of these, such as Blackwood, Hawthorn, Aldinga and West Lakes – but overwhelmingly even this has been achieved via development within existing Centre or Mixed Use zones. Aldi has been equally successful at integrating newly developed supermarkets into existing shopping centres or taking over leases of other supermarket operators.

The same is true of other large food and beverage retailers. The competing chains of Dan Murphy's and 1st Choice, largely rolled out in the last decade, are overwhelmingly situated in Centre zones.

In the case of Large Format development this argument for out-of-Centre development has some veracity and it is incumbent on Local Government to ensure that sufficient opportunity is afforded to meet demand. This has largely been the experience over the past two decades, principally through the conversion of certain industrial areas, Mile End South being a case in point.

However, the concern in this analysis is predominantly with higher-order out-of-Centre retail development, for example for food, personal services and non-bulky household items.

Beyond Aldi, the main prospective new entrant into the Adelaide retail market at present is Kaufland and its sister-company Lidl. Kaufland's model is akin to Woolworths/Big W at Cumberland Park or Coles/Kmart at Kurralta Park – a stand-alone retail outlet combining food and beverage, household and electronics, with some 60,000 product lines and a single level floorplate of 6,000 – 7,000sqm. Lidl's market positioning is similar to IGA, and to a lesser extent Aldi and Drakes Foodland.

As against the Aldi experience, Kaufland is probably the most pertinent case of impending out-of-Centre development in Adelaide at present. It is actively seeking sites for its outlets, including at;

- Forestville –the former Lecornu site in an Urban Corridor zone (intended for up to 7 storey mixed use with maximum retail 500sqm). A development application is before SCAP and will likely proceed after modification;
- Prospect – a development application on the corner of Churchill and Regency Roads, in an Urban Corridor zone, rejected by Prospect Council;
- Wynn Vale – offer to purchase Richardson Reserve, in a Community zone, rejected by City of Tea Tree Gully after local community action; and
- Munno Para – application on the corner of Curtis and Main North Roads, Munno Para West (zoned Commercial) currently placed on hold by the applicant.

It will be noted that in none of the above instances is the proposal in a Centre zone and in all instances the proposal is inconsistent with the intention of the relevant zone. In the case of Munno Para West, the out-of-Centre application has been made despite large areas of suitably zoned vacant land existing in nearby centres, including the Curtis Road ‘Suburban Activity’ zone.

The difference between Aldi and Kaufland is largely to do with scale, with the Aldi model being more adaptable to existing situations and zoning than is the case for the larger footprint requirements of Kaufland, where opportunity in a mature market is naturally more limited. Ironically, it is the latter’s larger footprints which potentially create greater disruption to and strategic dis-connect with existing land use and Centres policy settings.

Argument 2: Out-of-centre development will have a cheaper land cost, and will therefore be more feasible

This is an argument that might find Government favour if it saw the facilitation of more retail development as a valid goal in and of itself. If the land component is cheaper, the development can be demonstrated to boards and financiers to meet feasibility targets and may therefore be more likely to proceed. From a Government viewpoint, this promises more economic activity and jobs in the construction and service sectors.

The argument assumes that land in Centre zones is too expensive. Whilst land in Centre zones is likely to cost more per square metre than, say, land in an Industry zone, acceptance of this argument has a number of implications:

- it ignores the substantial investment/commitment that owners and tenants within Centre zones have made in their existing operations;
- it means that operators in out-of-Centre locations, with a lower initial cost base, are not competing on a ‘level playing field’ with in-Centre operators; and
- it can lead to inefficient over-building and an oversupply of retail floorspace, which is ultimately not the best use of limited resources in a sometimes marginal economy such as South Australia’s.

In keeping with the Competition Policy Review’s recommendations, “the long-term benefit of consumers” is the relevant planning metric. Unchecked out-of-Centre development can lead to unprofitable trading conditions for in-Centre operators and, ultimately, vacancies that have a range of negative consequences – not just economic consequences for operators but also reduced property tax to Local and State Government, reduced ‘return’ for infrastructure investment around Centres, traffic management implications and the aesthetic blight of failed Centres. Whilst these consequences may be unfamiliar in Adelaide as yet, they are increasingly widespread in other jurisdictions with a more *laissez faire* planning approach, including the USA.

Argument 3: Some stand-alone business models would rather not be adjacent to the competition

Whilst this may be so, Aldi has demonstrated that it is possible to develop stand-alone sites *within* activity centres, as evidenced by their stores at Hawthorn, Aldinga, Tea Tree Plaza, Blakeview and Munno Para.

Using the metric of “the long-term benefit of consumers”, it can be seen that if consumers have proximate access to choice (for example by utilising two or more supermarkets within the same Centre), this is optimal for price competition.

There can however be a tipping point where more choice (via new floorspace) translates to lost viability for an existing outlet, such as has tended to occur with Bunnings' ongoing store roll-out and its effects on existing operators.

If the metric is "long term benefit", then flow on effects of facilitating step change in available choices need to be considered in the long term and it is fair to ask whether the development of oligopolies (or worse) meets the metric.

Argument 4: The Centres hierarchy favours existing operators to the exclusion of new entrants

The evidence that Aldi has flourished in Adelaide within a Centres hierarchy framework prevails against this argument. Further, whilst it is true that many inner suburban Centres were established purely by market forces before the advent of the Planning & Development Act in 1967 (a phenomenon that could not now be repeated), it is also true that many Centre developments have evolved in the following decades. Some have subsequently faded and been demolished, while others are ripe for a fresh retail approach.

The American experience of the past decade has seen significant closures of shopping centres and re-imagining of land uses within suburban activity centres. There is no guarantee that some Adelaide 'bricks and mortar' retailing will not follow a similar pattern – although this may be as much or more to do with the growth of on-line shopping as with any departures from the Centres policy. Regardless, the demise of department stores in suburban locations is clearly apparent and many discount department stores are not faring much better, with the possible exception of Kmart. Other retail uses have virtually disappeared in recent years – bookshops, video stores and butchers, for example – while the failure of one or another fashion chain is an almost weekly occurrence in the Australian market at the present time.

This all goes to indicate that retailing is a rapidly evolving market place. The Adelaide retail landscape is very likely in a long-term oversupply phase, not least because of the rise of the aforementioned on-line retailing, which shifts the floorspace focus away from activity Centres and towards distribution warehouses and logistic hubs, all located in industrial areas.

On the back of these shifts, we anticipate that redevelopment opportunities will increase rather than decrease within Centres over the forthcoming decades, and that these redevelopment opportunities will favour new market entrants who are better able to reimagine activity Centres, applying new models that have been honed in overseas markets.

Argument 5: Regulated Activity Centres "result in monopolisation, stifle innovation and/or inhibit productivity growth"⁵

Demonstrably, the opposite is the case. The Adelaide market now has four major supermarket chains (Coles, Woolworths, Foodland and Aldi), all competing fiercely within existing activity Centres for the consumer's dollar. Although the majors are sometimes disparagingly referred to as "Colesworth", in South Australia their dominance has always been tempered by Foodland (and, in past years, Franklins, BI-LO and others). Post-2015 Aldi has brought product and marketing innovation that has now been mirrored by its competition.

Further, planned activity Centres allow agglomeration of specialty retailers with larger 'anchors', together with service providers, commercial offices, Government and other ancillary land uses. This close trading environment provides small operators and specialty chains alike with the consumer traffic they would be denied in the more diffuse distribution of retail floorspace generated by out-of-Centre development.

⁵ Productive Economy Discussion Paper, p. 36

Economic arguments in favour of a planned Centres hierarchy/against ad-hoc out-of-Centre development

The basic economic argument in favour of a planned Centres hierarchy was put to the Competition Policy Review by the City of Sydney when it said that this policy approach: “acts to protect the broader public interest. Focusing primary retail development in mixed-use centres – where they are supported by residential populations, complementary businesses and services, and community and transport infrastructure – provides the flexibility for existing centres to grow, while allowing new centres to establish. Clustering activity together allows consumers to shop around in one location, compare products and prices, and make more informed decisions, which ultimately drives competition.”⁶

It follows that out-of-Centre retail development has no such positive effect. Bulky goods development aside, out-of-Centre retail development usually directs household expenditure in its catchment to the benefit of a single major operator, albeit sometimes with a handful of ancillary tenants such as a café or take-away food outlet. The out-of-Centre retail outlet becomes a single destination, thereby denying the consumer the opportunity to make on-the-spot price comparisons between two or more retailers.

It has been stated previously herein that the Adelaide retail market is potentially already oversupplied with floorspace. This is borne out by analysis. According to the Retail Database⁷, supermarket floorspace per capita in greater Adelaide is 0.41 sqm, compared to a national figure of 0.35 sqm.⁸ This being the case, it would follow that the question becomes one of the best allocation of resources (such as infrastructure investment) in a marginal market. Scarce resources may be directed towards agglomerated retail land uses in Centres, which give all traders the best chance at survival (and, in the long term, flourishing), or towards out-of-Centre development that dilutes supporting infrastructure.

This argument will be further advanced as (anticipated) in-Centre residential development builds existing Centres into walkable neighbourhoods. Needless to say, the further in-Centre traders can be supported in this way, the better they will be equipped to compete with each other on a ‘level playing field’ to the long-term benefit of consumers. Weakened traders and diminishing choice (as is currently occurring across-the-board in the fashion segment) will ultimately lead to market dominance by a small coterie of survivors, to the price and choice disadvantage of the consumer.

The issue of the allocation of scarce resources in an over-supplied market is especially acute because of the growth of on-line retailing, wherein the increased competition is a good development, but the model further undermines the profitability of many ‘bricks and mortar’ retailers. While this is leading to many Centres being re-interpreted as ‘experience’ venues in order to compete more effectively with the on-line offering, they need the space and time to achieve this. The retail environment is changing rapidly at the present time and nobody can predict quite where these changes will end up.

It might be argued that out-of-Centre development should be allowed to occur as a natural outflowing of healthy market competition – and that if out-of-Centre developers try and fail, that is just the normal operation of a market economy. We would respond ‘yes and no’. The experience of the Masters’ chain is instructive in this regard. It may be argued that the roll-out of Masters at least resulted in construction jobs for a time in South Australia, and that the retail space so created will eventually be adapted to alternate uses. But again, in a market that is oversupplied to begin with,

⁶ Competition Policy Review, p. 125

⁷ DPTI (2007), updated in part by Property & Advisory (2019)

⁸ Deep End Services, (August 2018)

such ripples of disruption push the already uncertain prospects of existing traders that much closer to the brink.

Guiding Principles

Broadly, the Productive Economy Discussion Paper appears to have got the balance about right. Guiding Principles 1 – 4⁹ are reproduced below, together with our commentary from a land economy perspective.

1. Existing Centres – recognise existing activity centres, main streets and mixed-use areas as the primary place for commercial and retail activity.

This principle is supported without comment.

2. Expansion – in existing designated centres, allow for expansion at ‘edge of centre’ locations, as well as intensifying within those areas.

This principle has been explored herein and in general is supported. The difficulty will be in identifying “designated” centres, due to a lack of available data upon which to base rational designations. This issue is further explored below.

3. New Activity Centres – allow new activity centres to be established to support equitable and convenient access to services, while also supporting productive settlement patterns.

This should primarily occur in a planned manner in support of new residential areas on the urban periphery. There is little warrant for new activity centres in mature urban areas.

4. Hierarchy – protect higher order centres that support a productive settlement pattern, while allowing for smaller scale activity centres to emerge and diversify.

The Productive Economy Discussion Paper has a positive inclination towards “Urban CBDs” – which might mean Regional Centres and District Centres, as these are specifically mapped in the Paper - but appears to be allowing the out-of-Centre camel to get its nose under the tent at hierarchical levels below District Centre. We consider that this is far too broad.

A definition of “smaller scale” is therefore required. That definition might accord to the current description of ‘Local Centre’, or some form of development scale between that and ‘Neighbourhood Centre’. However, in reality there have been a great many Mixed Use and Urban Corridor zones created in recent years that accommodate a retail component – the 500sqm limit in Urban Corridor zones being a prime example. Properly regulated, out-of-Centre retail development at this scale is warranted in order to service the new residential forms that are now appearing in the inner ring of LGAs, but only as part of an integrated mixed-use development.

⁹ Productive Economy Discussion Paper, p. 36

Recommendations

It is argued herein that the metric of “long-term consumer benefit” is the correct one for the planning system to facilitate competition without damaging the well-planned hierarchy of retail facilities that has developed in Adelaide. Competition within and between the existing hierarchy should continue to be the principal means of achieving this benefit to the consumer. New Centres should come into being in a planned rather than an *ad-hoc* manner, with warrant being the prime determinant.

DPTI lacks the market intelligence to make strategic decisions arising from the framework outlined in the Productive Economy Discussion Paper. It previously compiled the Retail Database in 1993, 1999 and 2007, but has not done so since. Property & Advisory has maintained the database on an ongoing basis as our retail analysis work has demanded, with some 300 Centres being updated thus far, including over 600 new tenancy records and several completely new Centres. However, there has been very substantial new construction in the past 12 years. DPTI needs to re-compile the database to make valid strategic decisions.

That being done, there then comes the question of warrant for new retail developments at a time of nascent floorspace oversupply. DPTI should undertake a catchment analysis to determine which areas of Greater Adelaide are oversupplied and undersupplied with retail floorspace. Areas of undersupply should be targeted for new development, and out-of-Centre development should be positively discouraged in areas of oversupply. This may be done on the basis of ABS SA2 districts, for which DPTI has already prepared population projections to 2031. Expenditure capability is also a factor in such catchment analysis.

As an adjunct, it is to be hoped that DPTI will produce population projections on a timely basis in 2021. Since the 2016 projections were prepared, it is apparent that

- population growth has not always met expectations; and
- the ratio of infill/urban periphery development has varied significantly from forecasts, with much more infill development than expected.

Both these factors have implications for the retail landscape.

Conclusion

Broadly speaking, we think that the Productive Economy Discussion Paper has got the economic metrics correct.

We also think this represents a welcome swing of the pendulum away from unrestricted retail development and back towards the planned approach and Centres hierarchy that has delivered benefits to consumers and the Adelaide community more generally over the past 2 – 3 decades. We have highlighted herein where the new planning system can strategically build on the ideas presented.

We trust that the above discussion and recommendations are of assistance in preparing your response to the Paper. If there is any additional information you require, or any aspect of this advice that you wish to discuss, we will be pleased to oblige.

*In accordance with our normal practice, we confirm that this letter has been prepared for purposes of **Chapley Group**. Property & Advisory accepts no responsibility for any statements herein other than for the stated purpose.*

*This advice is confidential to **Chapley Group**. No responsibility is accepted to any third party and neither the whole of this letter nor any part or reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.*

Yours faithfully

PROPERTY & ADVISORY

A handwritten signature in blue ink, appearing to read 'A Lucas', is positioned above the printed name.

Andrew Lucas
Senior Consultant