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27 July, 2011

Michael Warrell
Liverpool City Council
Strategic Planner
33 Moore Street, Liverpool NSW 2170

Dear Michael,

Re: Peer Review: Economic Impact Assessment - Weekend Markets Site, Orange Grove Road, Warwick Farm

Introduction

Hill PDA has been commissioned by Liverpool City Council (Council) to undertaken an independent peer review of the economic impacts associated with the proposed rezoning of the weekend markets site on Orange Grove Road, Warwick Farm.

We understand that the proponent is seeking to rezone the current site from B5 Business Development to B6 Enterprise Corridor uses. The rezoning is pertaining to the reuse of the existing building on site for the purposes of outlet retailing.

In accordance with our project brief, this peer review begins by considering relevant judgments of the NSW Land and Environment Court. Following this the proposed development is considered within the context of relevant planning policy guidance. Next, the review undertakes a critique of the Economic Impact Assessment (EIA) submitted within the rezoning application. This was undertaken by Leyshon Consulting Pty Ltd in May 2011. Bespoke expenditure and impact modelling work was then undertaken relating to the implications of the proposed rezoning is undertaken. Finally, the peer review provides a conclusion with our recommendations.

We should note that over and above the EIA, our peer review considers the letter prepared by Leyshon Consulting Pty Ltd which provides additional information on the proposed development. This is dated 23 June 2011.

Previous Court Judgements

There are two NSW Land and Environment Court judgments which are of particular relevance in the consideration of this rezoning application. These are:

- Westfield Management Pty Limited & Anor v Gazcorp Pty Limited & Ors (2004)
- Direct Factory Outlets Homebush v Strathfield Municipal Council (2006)

A synopsis of the findings of these judgments, insofar as they are of relevance to the consideration of this rezoning request, is provided below.

Westfield Management Pty Limited & Anor v Gazcorp Pty Limited & Ors (2004)

This judgement relates to the weekend markets site when it was originally developed and utilised as an outlet centre in 2003. The court found that the use of the site for such retail purposes, which was granted development consent by Liverpool City Council, was unlawful on the grounds that such use was prohibited under the local environmental plan.

Direct Factory Outlets Homebush v Strathfield Municipal Council (2006)

This judgement relates to an appeal against the refusal of development consent for an extension to the Direct Factory Outlet Centre (DFO) in Homebush. In dismissing the appeal the judge concluded that:

"Whether the goods [sold by DFO] ***are this year's or last year's fashion makes no difference to the fact that the main characteristics of a DFO centre are similar to those of a mainstream shopping centre. Like other shops that do not cater for the industrial area, DFO outlets should be located in commercial zones."***

In other words outlet centres are general retail and deserve no special treatment from all other forms of retail. Above all they do not comply with the definition of bulky goods.

Planning Policy Context

Draft Activity Centres Policy (2009)

The Draft Activity Centres Policy focuses upon six key principles. These relate to:

- The need to reinforce the importance of centres and clustering business activities;
- The need to ensure the planning system is flexible, allows centres to grow and new centres to form;
- The market is best placed to determine need. The planning system should accommodate this need whilst regulating its location and scale.
- Councils should zone sufficient land to accommodate demand including larger retail formats;
- Centres should have a mix of retail types that encourage competition; and
- Centres should be well designed to encourage people to visit and stay longer.

We note that the proposed development is not located in a centre and therefore it does not complete with key principles 1 and 2 of the Draft Centres Policy. However in our view it does comply with the other four key principles as it provides additional retail uses on an existing retail site and within an established area. It is a response to market-led demand and would aid in competition in the retail sector. It would also provide flexibility in the planning system and would support the establishment of a new type of retailing in Liverpool LGA.

We note that the Draft Activity Centres Policy outlines a specific approach towards spot rezonings such as this. It states that Councils should adopt a positive approach to spot rezonings, particularly where there is an undersupply of retail floorspace in the local area. It also requires that proposed rezonings should undertake a sequential test and consider site suitability criteria.

The sequential approach examines the ability of suitable land within existing, or adjacent to, existing centres to accommodate the proposed development. This results from the preference for retail development to be located within existing centres. Sites should then be analysed using the site suitability criteria assessment. We should note that this process has not been undertaken by the proponent.

Draft Competition SEPP (July 2010)

The proposed state-wide planning policy removes artificial barriers on competition between retail businesses. The new Draft SEPP proposes:

- The commercial viability of a proposed development may not be taken into consideration by a consent authority, usually the local council, when determining development applications;
- The likely impact of a proposed development on the commercial viability of other individual businesses may also not be considered unless the proposed development is likely to have an overall adverse impact on the extent and adequacy of local community services and facilities, taking into account those to be provided by the proposed development itself; and
- Any restrictions in local planning instruments on the number of a particular type of retail store in an area, or the distance between stores of the same type, will have no effect.

In our opinion the proposed development is consistent with the draft Competition SEPP because it allows competition between retailers to exist and leaves it to the market to decide what is viable on this site.

Draft South West Subregional Strategy (2007)

With respect to Enterprise Corridor zonings, we note that the Draft South West Subregional Strategy ('the Strategy') aims to encourage a mix of office, retail and warehouse uses in such zones where such uses support the role of existing centres. The clustering of such uses in these locations is encouraged. Bulky goods retailing which would complement, rather than detract from, the role of existing centres is permissible.

The Strategy identifies the Orange Grove Road area as being a bulky goods cluster. In this regard the Strategy states that consideration could be given to expanding the bulky goods retail offer in this location whilst limiting expansion in other locations.

As we have seen outlet centre uses does not comprise bulky goods uses and therefore in this regard the proposed development does not make a positive contribution to the Strategy.

Under Action B4.1 the Strategy states that *"...**the net community benefit criteria and specific criteria relating to bulky goods retail outlets included in The Right Place for Business and Services will continue to apply as a merit based test for any major development applications and spot rezonings**"*. The proponent has not done this.

Liverpool City Centres Hierarchy Review (2006)

The Liverpool City Centres Hierarchy Review ('the Review') identified a significant quantum of retail floorspace which would be required in Liverpool LGA over the period to 2031. It recorded demand for some 350,593sqm of additional retail floorspace over the 2006 to 2031 period, albeit the majority of this (205,040sqm or 58%) is attributable to the Western Rural area which forms part of the South West Growth Centre.

As noted in the EIA the Review provides recommendations for how this demand should be accommodated across the LGA. It recommended that some 48,500sqm of additional retail floorspace be provided at Cross Road/ Orange Grove/ Other Locations in order to support the existing bulky goods cluster. A further 68,140sqm was deemed to be appropriate for Liverpool CBD. Whilst the proposed development would contribute towards meeting the need for additional retail floorspace over the period, it does not reflect the locational advice contained in the Review.

Notwithstanding this, we acknowledge that the Review did not specifically consider the provision of an outlet centre within the LGA over the 2006 to 2031 period.

Liverpool Local Environment Plan (2008)

We have reviewed the provisions of the Liverpool LEP as part of the peer review. We note that one of the objectives of the B6 zoning which is sought by the proponent is that retail activity is limited in order to support the economic strength of existing centres. We also acknowledge that it restricts the size of any individual retail premises to a maximum of 1,000sqm gross floor area.

Characteristics of Outlet Centre Retailing

Outlet centres comprise a retail format focused upon the provision of discount branded clothing and footwear goods to the general public. Outlet centres are a relevantly new retail format to Australia and, in addition to clothing and footwear goods, sell an element of household goods and other non-bulky items. Although NSW does accommodate a number of these centres already, the largest being DFO in Homebush (approximately 16,500sqm), it has yet to accommodate the larger-sized outlet centres greater than 20,000sqm found in other states, such as the HarbourTown in Docklands, Victoria (30,000sqm), the HarbourTown in West Perth, Western Australia (24,000sqm) and the DFO Airport in Hendra, Queensland (24,000sqm). We understand that HarbourTown is actively seeking to develop a larger outlet centre facility within Sydney, and given the size of the weekend markets site this could be of a sufficient size to accommodate an outlet centre of around 25,000sqm retail floorspace.

Because of the nature of outlet centre retailing it will draw some expenditure away from nearby centres which sell similar goods. However, because outlet centres are few and far between they attract shoppers from a much larger catchment area than the traditional retail centres. Given that shoppers are being drawn into the area who would not otherwise have visited it, outlet centres have potential to create spin-off (ancillary or secondary) trade for nearby retail centres.

Furthermore because the outlet centres provided only a limited range of goods they perform a different role to that of centres which provide a more varied retail mix. Centres also provide other services not available in outlet centres including convenience (food) shopping, commercial services such as banks, leisure options such as hotels and cinemas and public administrative functions, as well as being centres of employment.

Indeed, there are cases of branded store chains having stores in both a large regional centre as well as in an outlet centre in the locality. There are some brand stores that are both in DFO Homebush and Westfield Burwood. This occurs because the stores are performing different roles and serving different catchments. The branded store within a regional centre is likely to be smaller high cost fitout store and selling higher-end, more recent fashion. The branded store in the outlet centre is likely to be a larger low cost fitout store selling predominantly factory seconds and out of season stock.

In this particular case the economic impact on the whole of Liverpool LGA of an outlet centre on the Orange Grove Weekend Markets site would be net positive because it would lead to an increase in retained retail expenditure generated by residents of Liverpool. There would also be some capture of expenditure generated from residents outside Liverpool and some (albeit small level) of secondary expenditure captured by Liverpool CBD.

Notwithstanding this Liverpool CBD is likely to experience added competition and loss of trade as a result of the redirection of shopping trips by local residents from the CBD to the new outlet centre. The provision of an outlet centre would therefore be contrary to some of the aims of the NSW Draft Centres Policy which seeks to protect and enhance existing centres. Relevant planning instruments and LEC judgements require Council to consider the impacts on existing and planned centres rather than on the LGA as a whole.

Economic Impact Assessment, Leyshon Consulting (May 2011)

The EIA undertakes an analysis of population and expenditure growth within the South West Subregion (Liverpool, Campbelltown, Camden and Wollondilly LGAs) in addition to Fairfield LGA. It uses this as a basis for undertaking assessment of retail demand over the 2006 to 2021 period.

Trade Area

The EIA has a trade area that encompasses Liverpool, Campbelltown, Camden, Fairfield and Wollondilly LGAs.

The nature of outlet retailing is such that it attracts residents from a wide catchment area. This is because such centres occupy a unique position within the retail sector and residents will be prepared to travel some distance to shop at one. On this basis we agree that Fairfield LGA should be included in the trade area for an outlet centre on the weekend markets site.

We should note however that the South West Subregion already contains one outlet centre in Queen Street, Campbelltown LGA, which comprises the Brands on Sale Outlet Centre of approximately 11,000sqm retail floorspace. The presence of this outlet centre will serve to limit the trade area of the proposed outlet centre in the southern part of the South West Subregion (i.e. Campbelltown and Camden LGAs).

In our view the trade area utilised in the EIA is too large. We are of the opinion that the MacArthur Region (Campbelltown, Camden and Wollondilly LGAs) should be viewed as a Secondary Trade Area.

Population Growth

Notwithstanding the size of the catchment area, we agree with the approach towards calculating population projections which are based on the 2010 Department of Planning (as was) LGA-wide estimates.

Retail Spend

The per capita expenditure rates used in the EIA modest and are between 13% and 19% lower than those derived by Hill PDA based on Marketinfo 2009. Marketinfo generates retail expenditure by combining and updating data from the Population Census and the ABS Household Expenditure Survey using "microsimulation modelling techniques". Thus Marketinfo is the best available source for quantifying retail expenditure.

Target Turnover

The EIA has used a turnover rate of $5,500 per sqm to calculate demand based on the total retail expenditure derived for the catchment area. This compares to a rate of approximately $4,800 per sqm based on the ABS Retail Census 1999 (adjusted to 2011 based on CPI) for all types of retail. This should be increased slightly when considering new retail development in order to allow such development to trade above industry benchmark levels and above financially sustainable levels. On this basis we accept turnover rate used in the EIA.

Outlet Centre Definition

We note that there has been some discussion between the Council and Leyshon Consulting regarding the potential to define 'outlet centre' retail.

We note that the previous court judgement relating to this site was based on the planning instrument affecting the land at that time. As such, there is nothing to preclude Council permitting an outlet centre but prohibiting general retail via a local planning instrument. However, in order to achieve this Council would need to provide a definition of 'outlet retailing' which differentiates it from general retail and this would be difficult given the similar nature of both. Enforcing such a restriction may also prove to be problematic.

Impact

The EIA considers the impact of an outlet centre of 10,000sqm outlet centre on the site. It also considers the implications of an additional 10,000sqm of 'traditional retail' and 5,000sqm of bulky goods/ big box retail being provided on the site, given the FSR ratio which would apply to it as a result of the rezoning.

We have a number of concerns with the approach adopted:

- The EIA does not seek quantify the impacts of the proposed development on any one individual centre, for example Liverpool CBD. Rather it discusses average impacts across Liverpool LGA only. An essential requirement of impact assessments is that the impact upon centres is considered.
- We consider the assumed floorspace split to be unrealistic given that the B6 zoning being sought restricts individual retail premises to a maximum of 1,000sqm. On this basis the proposed development would not

be able to accommodate, say, a medium-sized or large supermarket. As such the constitution of the 10,000sqm of 'traditional retail' referred to in the EIA is unclear.

Community and Economic Benefit

We note that there has been some discussion between Council and Leyshon Consulting regarding the social impact of the loss of the weekend markets. Given that the proposed development would be open daily and would attract shoppers into Liverpool LGA from a large area by virtue of its wide trade area, in our view it would provide a higher community and economic benefit than if the site were retained for weekend market use only.

Hill PDA Expenditure Modelling

In order provide a 'sanity-check' of the data used in the EIA we have undertaken broad-level bespoke expenditure and impact modelling to test the findings.

The Hill PDA expenditure model is based on ABS and Marketinfo 2009 data. For the purposes of this peer review we will use a Primary Trade Area (PTA) for the outlet centre which comprises Liverpool and Fairfield LGAs only. The PTA comprises the area from within which the proposed development would draw the majority of its trade. In our view the wider MacArthur Region (Camden, Campbelltown and Wollondilly) forms a Secondary Trade Area (STA) which will account for some, but a much less significant quantum, of retail trade.

Based on our model the PTA contained around 370,000 persons in 2009 who generated an estimated $3.9bn in retail expenditure. This is forecast to increase to $4.6bn by 2016. The STA contained around 250,000 persons in 2009 that generated an estimated $3.0bn in retail expenditure. This is forecast to increase to $4.0bn in 2016.

Based on the above, the PTA is forecast to accommodate an increase in retail expenditure of some $0.7bn between 2009 and 2016, whilst the STA is forecast to record a $1.0bn increase in expenditure over the same period..

Brand outlet expenditure is mostly apparel but also includes other items such as travel goods and some homewares. This expenditure represents around 11% of total household expenditure on retail goods and services.

On this basis, outlet store type expenditure in the PTA is forecast to increase from $431m in 2009 to $509m in 2016 or $71m (18%) over that 7 year period. Outlet store type expenditure generated by the STA is forecast to increase from $327m in 2009 to $438m in 2016 or $110m (34%) over the period.

For the purpose of the expenditure and impact modelling we have developed three scenarios:

- Scenario 1: The EIA assumes a split of 10,000sqm outlet retail, 10,000sqm traditional retail and 5,000sqm bulky goods retail. What constitutes 'traditional retail' is unclear, how we assume for the purposes of impact modelling that it may comprise a supermarket of 1,000sqm and 9,000sqm of specialty retailing.
- Scenario 2: An outlet retailing centre of 25,000sqm (comprising say 1,000sqm of meals on premises, 20,000sqm of apparel and 4,000sqm of homewares and other goods);

- Scenario 3: 20,000sqm of outlet retailing, 2,000sqm of general specialty retail and 3,000sqm of bulky goods.

As stated above we believe the mix proposed by Leyshon is unlikely due to the high number of specialty stores (around 9,000sqm equivalent to 70 to 100 specialties). Next to a "half size" outlet centre and without a large anchor supermarket we believe the specialties would not be attractive. We therefore believe that Scenarios 2 and 3 are more likely outcomes.

By using industry benchmark turnovers of $5,000/sqm for outlet retailing, $9,500/sqm for supermarkets, $6,000/sqm for specialty retailing and $3,500/sqm for bulky goods retailing we estimate that a centre under Scenario 1 would trade at around $130m. A centre with a retail mix under Scenario 2 or 3 would trade at around $125m.

Under Scenario 2 the brand outlet centre trading at $124m represents 24% of total brand outlet store type merchandise generated by the PTA in 2016 and 13% of the PTA and STA combined. It represents 3.1% of total retail expenditure generated by the PTA and 1.5% of the PTA and STA combined.

By way of comparison, based on applying the same target turnover rates to the estimated brand outlet store type merchandise floorspace within Liverpool CBD (35,135sqm based on IBECOM data) this equates to a turnover of some $176m. As such, the Liverpool CBD accounts for an estimated 35% of the total brand outlet store type merchandise generated in the PTA19% of that generated in the PTA and STA combined at 2016.

Hill PDA Impact Modelling

Trade will be redirected from a range of competing retail centres and facilities. Without undertaking household survey work it is difficult to quantify the proportion of expenditure currently being directed towards outlet malls. Anecdotally we know that DFO Homebush has a wide and thin trade area and that some expenditure generated by the PTA is captured there. An outlet centre at Orange Grove will redirect a large proportion of that expenditure.

However, much of the turnover of a new development on the site will be redirected from existing centres in the PTA with comparable (i.e. clothing and apparel) stores, such as Westfield Liverpool.

Given that the final retail floorspace mix which would be developed is unknown it is difficult to quantify impacts. Scenario 2 (25,000sqm outlet centre) will have a wider trade area than a 10,000sqm outlet centre. A larger outlet centre would therefore impact to a lesser extent on local retailers compared to the impact of a mix of retail floorspace. Moreover, bulky goods floorspace is likely to complement, rather than detract from, existing bulky goods cluster at Orange Grove. As such, the retail floorspace mix will determine the extent of the impact at a local level.

Notwithstanding the above, in order to quantify the potential capture from existing centres Hill PDA prepared a bespoke gravity model. The main principles in the gravity model are that:

1. Like for like stores compete with one another. That is the grocery/ food retailer will compete with existing grocery/ food retailers in the locality, and likewise with specialty stores and department stores;

2. The level of redirected expenditure from a centre is directly proportional to the turnover of that centre. Hence more expenditure will be drawn from a centre that has higher trading levels;

3. The level of redirected expenditure from a centre is indirectly proportional to the distance from the Subject Site. This is based on the premise that shoppers will try to minimise distance, time and travel costs when travelling to undertake shopping – particularly "chore" shopping (predominantly for food, groceries and other regular items).

The results of the impact modelling are shown in the tables below. The impact scenarios assume that the proposed outlet centre would have commenced trading and would have achieved a settled pattern of trading by 2015. Consequently 2015 is the 'test' year at which point in time impacts are assessed. 2011 is used as a benchmark against which impacts over time are measured (i.e. the 2011 to 2015 period).

Table 1 - Impact of Scenario 1 – Leyshon's Suggested Retail Mix

Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2011	Turnover in 2015 without Proposal	Turnover in 2015 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2015	Shift in turnover from 2011 to 2015	% Shift in turnover from 2011 to 2015
Proposed Centre					129.5	129.5			
Liverpool CBD	2.0	119,850	620.0	697.8	634.9	-62.9	-9.0%	14.9	2.4%
Casula	5.7	26,100	155.0	174.4	170.6	-3.8	-2.2%	15.6	10.1%
Carnes Hill	10.6	17,400	121.7	137.0	135.1	-1.9	-1.4%	13.4	11.0%
Crossroads	7.7	57,650	202.0	227.4	225.2	-2.1	-0.9%	23.2	11.5%
Orange Grove	1.0	36,500	128.0	144.1	138.2	-5.8	-4.1%	10.2	8.0%
Warwick Farm	1.8	20,000	70.0	78.8	76.5	-2.3	-2.9%	6.5	9.3%
Fairfield	7.2	78,800	327.0	351.2	343.7	-7.5	-2.1%	16.7	5.1%
Cabramatta	3.2	41,500	204.0	219.1	208.7	-10.4	-4.8%	4.7	2.3%
Prairiewood	8.2	36,250	268.8	288.7	283.0	-5.7	-2.0%	14.2	5.3%
Brands on Sale	19.1	11,000	54.0	58.9	58.0	-0.9	-1.6%	4.0	7.4%
Other Localities						-26.1			
TOTAL		**445,050**	**2150.5**	**2377.3**	**2403.4**	**0.0**	**1.1%**	**123.4**	**11.8%**

Table 2 - Impact of Scenario 2 – 25,000sqm Brand Outlet Centre

Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2011	Turnover in 2015 without Proposal	Turnover in 2015 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2015	Shift in turnover from 2011 to 2015	% Shift in turnover from 2011 to 2015
Proposed Centre					124.5	124.5			
Liverpool CBD	2.0	119,850	620.0	697.8	636.7	-61.2	-8.8%	16.7	2.7%
Casula	5.7	26,100	155.0	174.4	171.0	-3.4	-2.0%	16.0	10.3%
Carnes Hill	10.6	17,400	121.7	137.0	134.7	-2.3	-1.7%	12.9	10.6%
Crossroads	7.7	57,650	202.0	227.4	227.4	0.0	0.0%	25.4	12.6%
Orange Grove	1.0	36,500	128.0	144.1	144.1	0.0	0.0%	16.1	12.6%
Warwick Farm	1.8	20,000	70.0	78.8	78.8	0.0	0.0%	8.8	12.6%
Fairfield	7.2	78,800	327.0	351.2	343.0	-8.2	-2.3%	16.0	4.9%
Cabramatta	3.2	41,500	204.0	219.1	213.1	-6.0	-2.7%	9.1	4.4%
Prairiewood	8.2	36,250	268.8	288.7	281.1	-7.6	-2.6%	12.3	4.6%
Brands on Sale	19.1	11,000	54.0	58.9	56.9	-2.0	-3.3%	2.9	5.5%
Other Localities						-33.8			
TOTAL		**445,050**	**2150.5**	**2377.3**	**2411.2**	**0.0**	**1.4%**	**136.2**	**12.1%**

Table 3 - Impact of Scenario 3 – Mixed Bulky Goods, Convenience Retail and Brand Outlet Centre

Retail Centre	Distance from Subject Site (km)	Approx. Retail Floor Space	Turnover in 2011	Turnover in 2015 without Proposal	Turnover in 2015 with Proposal	Immediate Shift in Turnover	% Shift in Turnover in 2015	Shift in turnover from 2011 to 2015	% Shift in turnover from 2011 to 2015
Proposed Centre					125.5	125.5			
Liverpool CBD	2.0	119,850	620.0	697.8	641.0	-56.8	-8.1%	21.0	3.4%
Casula	5.7	26,100	155.0	174.4	170.1	-4.3	-2.5%	15.1	9.8%
Carnes Hill	10.6	17,400	121.7	137.0	134.4	-2.6	-1.9%	12.7	10.4%
Crossroads	7.7	57,650	202.0	227.4	226.1	-1.3	-0.6%	24.1	11.9%
Orange Grove	1.0	36,500	128.0	144.1	140.6	-3.5	-2.4%	12.6	9.8%
Warwick Farm	1.8	20,000	70.0	78.8	77.4	-1.4	-1.7%	7.4	10.6%
Fairfield	7.2	78,800	327.0	351.2	342.3	-8.9	-2.5%	15.3	4.7%
Cabramatta	3.2	41,500	204.0	219.1	211.1	-8.0	-3.6%	7.1	3.5%
Prairiewood	8.2	36,250	268.8	288.7	281.1	-7.6	-2.6%	12.3	4.6%
Brands on Sale	19.1	11,000	54.0	58.9	57.4	-1.5	-2.6%	3.4	6.2%
Other Localities						-29.6			
TOTAL		**445,050**	**2150.5**	**2377.3**	**2406.9**	**0.0**	**1.2%**	**130.9**	**11.9%**

The above tables show the variation of impacts on existing centres. A description of the column headings follows:

1. First column is the competitive retail centre being impacted upon;
2. Second column is the distance in kilometres from the subject site;
3. Third column is the size of the centre (occupied retail space only) measured in leasable square metres;
4. Fourth column is estimated turnover in 2011 measured in 2010 dollars;
5. Fifth column is turnover in 2015 if there are no further additions to retail supply (measured in 2010 dollars);
6. Sixth column is turnover in 2015 following opening of the subject centre at Orange Grove;

7. Seventh column is the immediate shift in turnover or difference in turnover levels between development and no development scenarios;
8. Eighth column is the % shift in turnover
9. Ninth column is the shift in turnover over time from 2011 to 2015
10. Tenth column is the % shift in turnover measured from 2011.

The modelling assumes the following:

1. 25% of brand outlet centre turnover is redirected from centres beyond the PTA. Mostly this relates to other brand outlet centres such as DFO Homebush and Campbelltown.
2. 15% of bulky goods expenditure is redirected from outlets outside the PTA; and
3. 10% of all other expenditure is redirected from other centres not listed above.
4. Liverpool centres will increase turnover at 3% per annum due to population growth (1.7%) and real growth in retail spend per capita (1.3%). 1.3% real growth in retail spend per capita is the historic trend since 1986[1].
5. Fairfield centres will increase turnover at 1.8% per annum due to population growth (0.5%) and real growth in retail spend.

The main limitation with the above model is that it does not allow for cumulative impacts or the contraction of the trade areas which may occur. For example as Leppington major centre develops into a major centre it will begin to contract Liverpool's trade area to the east of the M7. Another scenario is an additional outlet centre say in Leppington – although it's likely that this will be well beyond the 2015 date in the above analysis.

Analysis

There are no universal measures of significance of impact. There are references in various consultancy reports and statements in the Land and Environment Court which suggest than a loss of trade below 5% is considered insignificant, 5% to 10% is low to moderate, 10% to 15% is moderate to high and above 15% is a strong or significant impact.

The model shows that the immediate impact on Liverpool CBD will be below 10% loss in trade. This is not a strong impact but Westfield Liverpool is an underperforming centre. In 2010 Westfield achieved retail sales of $463m[2]. This equated to a turnover per square metre of $5,805 per sqm – some 11% below the median of all 91 'Big Gun' shopping centres in Australia (i.e. shopping centres in excess of 45,000sqm retail floorspace). It ranked 70th nationally. A brand outlet centre in Orange Grove is likely to worsen the performance of Westfield to 15% to 19% below the national median. Whist this appears moderately significant the proposed development would need to impact Westfield's a lot more before it threatens economic sustainability.

1 Hill PDA estimate from ABS retail sales, population and CPI data
2 Source: Shopping Centre News Big Guns 2011

Over time these impacts will lessen with growth in trade area expenditure. In less than 5 years it's likely that trading levels will resume in the CBD to their 2011 levels as shown in the above tables. Given that, we conclude that the impacts are more short term rather than long term and they are manageable.

The impacts on all the other centres are immediately below 5% loss in turnover and are therefore considered insignificant.

Conclusions

In conclusion we note that the proponent has not fulfilled the requirement under the draft Centres Policy to undertake a net community benefit test given that the planning application relates to a rezoning application. Furthermore the EIA submitted with the planning application has not considered the impact upon existing retail centres in sufficient depth.

Notwithstanding this, our assessment indicates some capacity to support the proposed development as a result of expenditure growth in the PTA alone. There will be some diversion of trade away from Liverpool CBD and other defined centres. However such a development has the potential to draw trade from a wide area attracting residents who would not otherwise visit the LGA There is the opportunity for some secondary expenditure to be captured by Liverpool CBD, albeit it would not be a high level.

We note that Liverpool CBD is forecast to experience a $77.8m or 12.5% increase in trade by 2015 as a result of both population growth and real growth in retail spend of existing residents[3] without the proposed development being implemented. The proposed development should be seen within this context. In all three of the scenarios modelled by Hill PDA Liverpool CBD, and indeed all the centres in the surrounding retail hierarchy, would continue to experience an increase in retail expenditure captured to 2015 despite the opening of an outlet centre on the weekend markets site.

Council should also be mindful that if development did not proceed at Orange Grove then a similar outcome could be realised in Fairfield. If this were to happen the impacts on the Liverpool CBD will be much the same.Should you have any questions concerning our proposal, please do not hesitate to contact us in our Sydney office on 02 9252 8777.

3 Assumed to be 1.3% per annum in line with historic trends

Yours sincerely,

Adrian Hack
Principal
Hill PDA

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