

3 RETAIL MARKET ASSESSMENT

3.1 Introduction

This Chapter contains a retail market assessment for the proposed Costco store at the subject site in Casula. The assessment includes the following information:

- Identification of the trade area likely to be served by the Costco store;
- Existing and forecast population levels in the trade area;
- Existing and forecast levels of available retail spending of trade area residents;
- Estimate of likely retail sales at the Costco store; and
- Estimate of likely market share for the Costco store.

3.2 Trade Area

A retail trade area is an analytical tool that represents the spatial influence of a centre and the region from which it is expected to draw the majority of its turnover. The extent of the trade area is defined by a number of factors which include the location of existing and proposed retail competition, the surrounding arterial road and freeway network, and physical barriers to movement (such as water courses, railway lines, etc). For Costco another relevant consideration is the network of future Costco stores (possibly just 5 in total) that will be progressively developed to serve the metropolitan area.

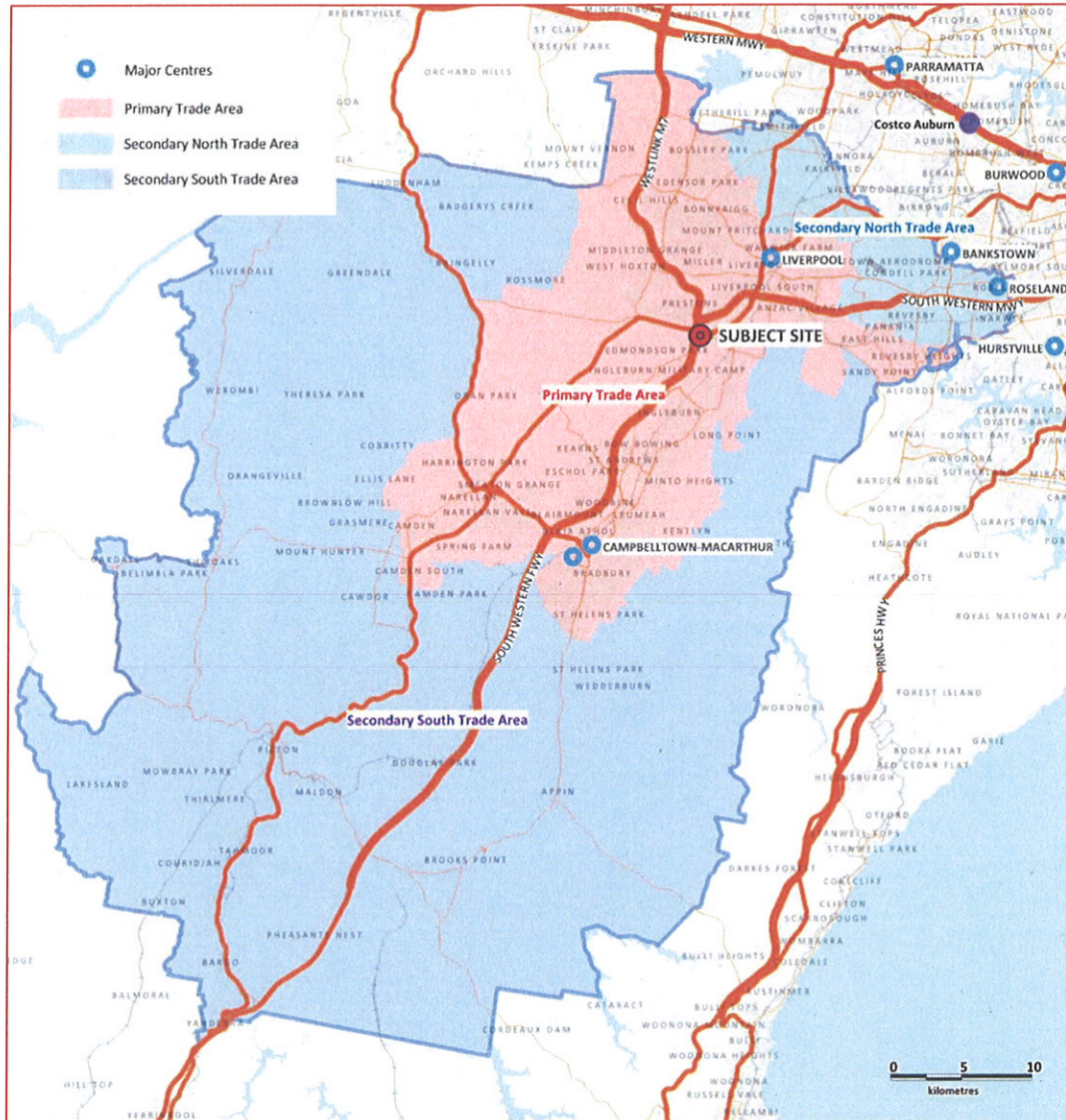
Typically, Costco stores draw around 80% of their sales from within approximately a 30-minute drive time. This trading pattern is drawn from the experience of Costco stores in other markets such as USA, Canada and UK, as well as the new store in Docklands Melbourne, and reflects the fact that people are attracted from a very wide region in order to shop at Costco.

A Main Trade Area (MTA) has been drawn to identify the likely trading influence of a Costco store at the subject site in Casula, and is shown as Figure 3. The MTA generally reflects a 30 minute travel time, but with consideration also to the location of competitive stores/centres, and the opportunity to draw people from beyond the southern fringes of Sydney.

The MTA defined for the proposed store at Casula covers a wide area that extends generally as follows:

- To the north: bounded by Prospect Creek
- To the east: bounded the Holsworthy Military Reserve
- To the south: extending to the townships of Yanderra and Buxton
- To the west: bounded by the Blue Mountains National Park.

Figure 8: Costco Trade Area



Prepared by Essential Economics with MapInfo and StreetPro

For the purposes of economic analysis, the MTA has been disaggregated into a primary and two secondary trade areas:

- The Primary Trade Area (PTA) covers metropolitan Sydney's outer South Western urban areas, extending from Liverpool in the north to Campbelltown and Narellan in the south, and determined by the influence of the main transport routes.
- The Secondary North Trade Area (SNTA) includes suburbs north of Liverpool and extending eastwards towards Bankstown and Roselands. In this area there may be some competition and overlapping catchments between the new store and the Auburn store currently being constructed on Parramatta Road.

- The Secondary South Trade Area (SSTA) extends southwards to include the rural townships and hinterland areas as far south as Yanderra and bounded by the Holsworthy Military Reserve and Blue Mountains National Park.

3.3 Trade Area Population

The MTA had a resident population of approximately 778,000 persons in 2010, including approximately 480,000 people in the PTA, 243,000 people in the SNTA and 55,000 people in the SSTA, as shown in Table 3.1.

The population estimates in Table 3.1 have been prepared with reference to the latest available ABS Estimated Resident Population figures for 2009. These figures have then been used to rebase the *NSW State and Regional Population Projections 2006-2036: 2008 Release* prepared by the Department of Planning, Demography Unit.

By 2013, which has been adopted as the first year of trading for the proposed new Costco, the MTA is forecast to have a total population of approximately 814,000 residents, comprising 510,000 residents in the PTA, and a combined 304,000 residents in the STA. Ongoing growth means that by 2020 the MTA is forecast to contain a residential population of 927,000 persons.

The focus for population growth is expected to be the PTA, associated with the ongoing urban development in the South West Growth Centre. Average annual growth rates in the PTA are expected to increase from 2.0% pa over the period 2010-2013, to an average of 2.5% pa during the period 2015-2020. Lower growth rates are expected in each of the secondary trade areas.

Overall population growth in the MTA is very strong, with an additional 16,900 residents being added each year by 2020.

Table 3.1: Population Trends and Forecasts, Costco Main Trade Area, 2010 to 2020

Trade Area	2010	2013	2015	2020
<u>Population (No.)</u>				
Primary Trade Area	480,100	510,100	534,000	605,300
- Secondary North Trade Area	242,970	246,430	248,320	254,780
- Secondary South Trade Area	54,660	57,697	59,850	66,570
Total Secondary	297,630	304,127	308,170	321,350
Main Trade Area	777,730	814,230	842,170	926,650
<u>Average Annual Growth (%)</u>				
Primary Trade Area	+1.9%	+2.0%	+2.3%	+2.5%
- Secondary North Trade Area	+1.2%	+0.5%	+0.4%	+0.5%
- Secondary South Trade Area	+1.7%	+1.8%	+1.8%	+2.2%
Total Secondary	+1.3%	+0.7%	+0.7%	+0.8%
Main Trade Area	+1.7%	+1.5%	+1.7%	+1.9%
<u>Average Annual Growth (No.)</u>				
Primary Trade Area	+8,740	+10,000	+11,950	+14,260
- Secondary North Trade Area	+2,940	+1,150	+950	+1,290
- Secondary South Trade Area	+920	+1,010	+1,080	+1,340
Total Secondary	+3,860	+2,170	+2,020	+2,640
Main Trade Area	+12,600	+12,170	+13,970	+16,900

Source: NSW Dept Planning (Demography Unit) 2008 Release; ABS ERP March 2010; Essential Economics

Note: Totals Rounded

3.4 Retail Expenditure

In 2010 the residents of the MTA had total available retail expenditure of approximately \$8,730m in 2010 dollars. This substantial level of expenditure reflects the extensive trade area that the proposed Costco store would serve.

These estimates of total available retail spending by MTA residents have been prepared with reference to average per capita spending data from the MarketInfo micro-simulation spending model and population data presented in the preceding section 3.3.

Estimates of average per capita spending are presented in Table 3.2, with total available spending shown in Table 3.3. The MarketInfo data shows that retail spending per capita in the MTA is substantially below the average for metropolitan Sydney as a whole, across all retail categories.

Table 3.2: Average Retail Spending Per Capita, Costco Main Trade Area, 2010

Trade Area	Food, Liquor, Grocery	Food Catering	Apparel	Homewares	Bulky Merch'dise	General Merch. & Leisure	Retail Services	Total Spend Per Capita
<u>Average Per Capita Retail Spending</u>								
Primary Trade Area	\$4,800	\$1,520	\$1,130	\$860	\$1,080	\$1,610	\$440	\$11,440
Secondary North Trade Area	\$4,570	\$1,360	\$1,010	\$760	\$890	\$1,480	\$400	\$10,470
Secondary South Trade Area	\$5,150	\$1,700	\$1,260	\$960	\$1,270	\$1,820	\$510	\$12,670
Total Secondary Trade Area	\$4,680	\$1,430	\$1,050	\$790	\$960	\$1,540	\$420	\$10,870
Main Trade Area	\$4,750	\$1,480	\$1,100	\$830	\$1,040	\$1,590	\$430	\$11,220
<i>Metro Sydney</i>	<i>\$5,040</i>	<i>\$1,980</i>	<i>\$1,350</i>	<i>\$1,020</i>	<i>\$1,160</i>	<i>\$1,880</i>	<i>\$580</i>	<i>\$13,010</i>
<u>Variation from Metro Sydney average %</u>								
Primary Trade Area	-4.8%	-23.2%	-16.3%	-15.7%	-6.9%	-14.4%	-24.1%	-12.1%
Secondary North Trade Area	-9.3%	-31.3%	-25.2%	-25.5%	-23.3%	-21.3%	-31.0%	-19.5%
Secondary South Trade Area	+2.2%	-14.1%	-6.7%	-5.9%	+9.5%	-3.2%	-12.1%	-2.6%
Total Secondary Trade Area	-7.1%	-27.8%	-22.2%	-22.5%	-17.2%	-18.1%	-27.6%	-16.4%
Main Trade Area	-5.8%	-25.3%	-18.5%	-18.6%	-10.3%	-15.4%	-25.9%	-13.8%

Source: MarketInfo 2009, MDS market Data Systems; Essential Economics. Updated to 2010 dollar values

Table 3.3 shows total available retail spending in the MTA, with spending and growth details for individual retail categories. The forecasts to 2020 reflect real growth in average per capita spending (ie excluding inflation) and growth in population numbers.

Table 3.3: Total Retail Spending by Retail Category, Costco Main Trade Area, 2010 to 2020

Retail Category	2010	2013	2015	2020	Average Annual Growth 2010-2020
Food, Liquor, Grocery	\$3,696 m	\$3,922 m	\$4,099 m	\$4,631 m	+2.3%
Food Catering	\$1,155 m	\$1,257 m	\$1,334 m	\$1,558 m	+3.0%
<u>Food</u>	<u>\$4,852 m</u>	<u>\$5,179 m</u>	<u>\$5,432 m</u>	<u>\$6,189 m</u>	<u>+2.5%</u>
Apparel	\$856 m	\$909 m	\$954 m	\$1,102 m	+2.6%
Homewares	\$649 m	\$740 m	\$817 m	\$1,052 m	+5.0%
Bulky Merchandise	\$805 m	\$897 m	\$972 m	\$1,194 m	+4.0%
General Merchandise & Leisure	\$1,233 m	\$1,392 m	\$1,517 m	\$1,918 m	+4.5%
<u>Non-Food</u>	<u>\$3,544 m</u>	<u>\$3,937 m</u>	<u>\$4,261 m</u>	<u>\$5,266 m</u>	<u>+4.0%</u>
Retail Services	\$335 m	\$369 m	\$397 m	\$488 m	+3.8%
Total available retail spending	\$8,730 m	\$9,485 m	\$10,090 m	\$11,943 m	+3.2%

Source: MarketInfo 2009, MDS market Data Systems; Essential Economics. Updated to 2010 dollar values

In terms of spending by retail category, it is evident that considerable growth is forecast in non-food retail expenditure, with average annual growth of 3.2 % in spending by MTA residents over the period 2010 to 2020. This represents a higher growth rate than is expected in food retailing (2.5% pa).

Over the whole period, total retail expenditure is forecast to increase from \$8,730m in 2010 to \$11,943m in 2020, representing a very considerable increase in spending capacity to support new retail development.

Further detail on expected spending patterns is shown in Table 3.4, highlighting in particular the substantial increase in expenditure that is expected in the PTA (an increase of \$2,436m in annual retail spending over the period 2010-2020).

Table 3.4: Forecast Retail Expenditure by Type and Trade Area Sector, 2010 to 2020

Trade Area/Spending Category	2010	2013	2015	2020	Average Annual Growth 2010-2020
<u>Primary Trade Area</u>					
Food	\$3,034 m	\$3,285 m	\$3,485 m	\$4,086 m	+3.0%
Non-Food	\$2,250 m	\$2,534 m	\$2,772 m	\$3,521 m	+4.6%
Retail Services	\$210 m	\$235 m	\$255 m	\$322 m	+4.4%
Total Retail Spending	\$5,493 m	\$6,053 m	\$6,513 m	\$7,929 m	+3.7%
<u>Secondary North Trade Area</u>					
Food	\$1,443 m	\$1,491 m	\$1,523 m	\$1,615 m	+1.1%
Non-Food	\$1,004 m	\$1,079 m	\$1,136 m	\$1,307 m	+2.7%
Retail Services	\$97 m	\$104 m	\$109 m	\$124 m	+2.5%
Total Retail Spending	\$2,544 m	\$2,674 m	\$2,768 m	\$3,047 m	+1.8%
<u>Secondary South Trade Area</u>					
Food	\$375 m	\$403 m	\$424 m	\$488 m	+2.7%
Non-Food	\$290 m	\$324 m	\$352 m	\$438 m	+4.2%
Retail Services	\$28 m	\$31 m	\$33 m	\$41 m	+4.0%
Total Retail Spending	\$692 m	\$758 m	\$809 m	\$967 m	+3.4%

Source: MarketInfo 2009, MDS market Data Systems; Essential Economics. Updated to 2010 dollar values

In summary, significant opportunity exists for new retail development to occur at the subject site to serve a wide regional population, noting that growth in the retail market is being driven by:

- Growth in resident population, particularly associated with ongoing urban expansion in the South West Growth Centre; and
- Growth in average per capita retail spending in real terms (ie adjusted to exclude inflation).

While major new retail developments in the region will take up some of this opportunity arising from growth in expenditure capacity, the extent of new retail demand (+\$2,436m over the ten years) will generate very considerable opportunity for retail expansion. For example, on the basis of a broad estimate that average trading levels in the retail sector will be approximately \$6,000/m², this amount of new spending would support more than 400,000m² of new retail floorspace development. The Costco development (at 13,638m²) represents just 3.3% of this retail development opportunity, noting that this comparison is inflated because Costco also serves a wholesale role.

3.5 Retail Turnover by Product Type

The proposed Costco store at Casula is forecast to generate sales of approximately \$120m (2010 dollars) in 2013, which is taken as the first full year of trading. This estimate is based on discussions with Costco and their experience with other stores.

Although most retail traders factor in significant growth in sales over the first few years as stores reach maturity, the experience for Costco in Melbourne has been that the unique offer at Costco has resulted in very strong first year results. With this in mind, turnover performance at the proposed new store is expected to be strong in the first years after opening, although with potential for growth over time as new residents move into the region.

Of the total level of sales, approximately 67% (or \$80.8m) would be retail sales generated by households, with the 33% balance generated by sales to (mainly small) businesses. This is a feature of the Costco operation worldwide, where membership is available to both households and businesses.

Table 3.5 shows the estimated distribution of Costco sales by retail category and indicates the proportion of sales in each category that would be expected to be supported by household spending (as opposed to business spending). This allocation of sales by retail type takes into account Costco trading features worldwide, but modified for the anticipated trading situation at the subject site.

Table 3.5: Estimated Costco Retail Turnover by Main Retail Components, 2013 (2010 dollars)

Retail Category	Estimated Allocation of Sales	Estimated Total Sales by Type	Estimated Allocation of Sales to Households	Estimated Sales to Households	Share of Total Sales to Households
Food, Liquor, Grocery	69.0%	\$82.8 m	65.0%	\$53.8 m	66.6%
Food Court/Cafe	1.0%	\$1.2 m	100.0%	\$1.2 m	1.5%
Apparel	4.0%	\$4.8 m	95.0%	\$4.6 m	5.6%
Homewares	6.0%	\$7.2 m	75.0%	\$5.4 m	6.7%
Bulky Merchandise	6.0%	\$7.2 m	75.0%	\$5.4 m	6.7%
Leisure/General	11.0%	\$13.2 m	70.0%	\$9.2 m	11.4%
Retail Services	1.0%	\$1.2 m	95.0%	\$1.1 m	1.4%
Non-Retail	2.0%	\$2.4 m	0.0%	na	na
Total	100.0%	\$120.0 m	67.3%	\$80.8 m	100.0%

Source: Essential Economics; Costco

Sales of Food, Liquor and Groceries are expected to represent 66.6% of the total sales to households at the proposed store. Other major retail categories include Leisure and General Merchandise (11.4%), Bulky merchandise (6.7%), and Homewares (6.7%).

3.6 Market Share Analysis

In this assessment, calculations of market share are based on Costco drawing 90% of its sales from within the MTA, and with 10% from beyond the MTA. These figures are adopted in order to ensure that a conservative approach is taken in assessing likely market shares and likely trading impacts; noting that, typically, Costco stores draw of 80% of sales from the MTA, and this would mean even lower market share and lower trading impacts than indicated in this analysis.

Costco is expected to generate sales to households of \$80.8m in 2013 as shown in Table 3.5, which would be the first full year of operation. An estimated \$72.7m in sales (90% of total retail turnover) would be expected to be drawn from residents in the MTA, as earlier defined, and with the balance of \$8.1m (or 10% of sales) captured from beyond this trade area.

Table 3.5 shows that these sales reflect very low market shares in all retail categories, with the total sales derived from the MTA (\$72.7m in Year 1) resulting in a market share of just 0.8% overall. Across the retail categories the projected market share is similarly low, with the highest market share being 1.2% in the Food, Liquor and Groceries market and 0.7% in Homewares.

Table 3.6: Costco Market Share Analysis, 2013 (2010 dollars)

Retail Type	Food, Liquor, Grocery	Food Catering	Apparel	Homewares	Bulky Merchandise	Leisure/General	Retail Services	Total Sales to MTA Residents
Costco Sales from MTA	\$48.4 m	\$1.1 m	\$4.1 m	\$4.9 m	\$4.9 m	\$8.3 m	\$1.0 m	\$72.7 m
Available Spending of MTA Residents	\$3,922.1 m	\$1,256.8 m	\$908.9 m	\$739.9 m	\$896.6 m	\$1,391.7 m	\$369.5 m	\$9,485.4 m
Market Share	1.2%	0.1%	0.5%	0.7%	0.5%	0.6%	0.3%	0.8%

Source: Essential Economics

These market shares are very low, reflecting the wide trade area (in geographic terms) that the proposed store will serve, and the significant resident population. Traditional retail stores such as supermarkets and department stores tend to have much more tightly defined catchments in which they achieve a much higher market share.

As a comparison, supermarkets can capture up to 40% or so of available grocery spending in their relevant catchment that typically extends in a radius of about 2 km from the store. Discount department stores tend to achieve market shares in their core product categories of around 10-15%, drawn from a more extended geographic area.

3.7 Conclusion

A new Costco at the subject site in Casula is expected to serve a large main trade area, with a forecast resident population of 814,000 in 2013, which is expected to be the first year of operation. The level of available retail spending of these residents is considerable, with total available spending of \$9,485m in 2013, and with substantial growth thereafter. By 2020, the MTA is expected to have available spending of \$11,943m (in constant 2010 prices).

With sales of \$120m in its initial trading year, and with an estimated 67% of these sales to households (the balance going to business members), Costco would achieve only a very small market share of approximately 0.8% of available spending in 2013. With such a small market share, Costco would be expected to have only a marginal effect, if any, on other retailers. This aspect is addressed in the next Chapter.

4 RETAIL TRADING IMPACTS

4.1 Introduction

This chapter examines the likely trading impact of the proposed Costco Liverpool store, in particular its impact on other retail centres in the MTA.

These retail trading impacts are undertaken at the centre-wide level, with the emphasis on identify levels of impacts that are likely to lead to a diminution in the role of competing centres or the loss of critical anchor tenants. Direct competitive impacts (ie on an individual basis for specific businesses) are not considered to be legitimate considerations on which new retail developments are assessed.

4.2 Regional Impact

In its first year of trading the proposed new Costco store at Casula is expected to generate \$120m in turnover, of which an estimated \$72.7m would be drawn in retail sales from residents in the MTA.

An assessment of the overall regional impact arising from the introduction of a new Costco at the subject site in 2013 is presented in Table 4.1. This analysis considers the extent to which growth in spending in the identified catchment would be captured by the Costco store, and the available growth in spending that would otherwise be able to support existing and new retail facilities elsewhere.

The analysis shows that, even with the introduction of Costco in 2013, an additional \$683m in new retail spending will be generated in the identified main trade area over the period 2010-2013. This available spending will be directed to centres within the MTA and beyond, supporting existing retailers and leading to opportunities for retail expansion. For example, with a broad average turnover performance across the retail sector of \$5,500/m² in 2013, the \$683m in additional spending could support approximately 124,000m² of new retail floorspace development, over and above the retail floorspace associated with the Costco store. This serves to illustrate how Costco will have only a minor effect on the spending patterns in the wider region, as well as highlighting the ongoing need for new retail floorspace to serve this growing part of Sydney.

Spending growth will continue to occur over time, with Costco continuing to capture just a small share of the available growth in spending.

Table 4.1: Regional Impact of Costco on MTA Retail Expenditure (2010 dollars)

Year	2010	2013	2015	2020
MTA total available retail spending (\$m)	\$8,730 m	\$9,485 m	\$10,090 m	\$11,943 m
Costco turnover from MTA (\$m) ¹	-	\$72.7 m	\$76.9 m	\$89.7 m
MTA retail spending available to other centres/retailers (\$m) ²	\$8,730 m	\$9,413 m	\$10,013 m	\$11,853 m
Change in available spending to other centres relative to 2010 (\$m)		+\$683 m	+\$1,280 m	+\$3,120 m

Source: Essential Economics

Note: 1 Assumes constant MTA Market Share; 2 Excludes Costco Liverpool

4.3 Competing Centres

The Costco MTA will serve a wide regional catchment that extends across much of south-western Sydney and its southern hinterland. Within this region, a large number of centres and freestanding big box retailers serve the retail needs of local residents. The main centres which have been identified as competing for expenditure from MTA residents are listed in Table 4.2, while the subsequent Table 4.3 presents analysis of the turnover performance and trading patterns of these centres in order to identify the share of total available retail spending that these facilities currently capture.

In addition to the centres listed in Table 4.2, many smaller neighbourhood and village centres serve the retail and service needs of MTA residents. These centres outside of the City of Liverpool have not been explicitly identified for the purposes of this assessment, as these smaller centres and individual retailers serve localised roles in smaller catchments, mainly for convenience shopping, and are unlikely to be significantly adversely affected by the proposed Costco store which offers regional-level destination retailing.

The retail facilities likely to face the most direct competitive impact of the proposed Costco store are the higher-order shopping centres located either within or just beyond the MTA.

The identified centres serving the MTA have total retail floorspace provision estimated at approximately 1,067,550m², as shown in Table 4.2.

Detailed calculations of current (2010) turnover performance for these centres are shown in Table 4.3, and are based on published data where available, and on the application of typical average retail performance where data is not available. According to these estimates, the identified centres serving the MTA have combined annual turnover of approximately \$5,474m per year.

The analysis in Table 4.3 also examines the extent to which these selected centres capture available spending by residents in the MTA. For this exercise, each centre has been examined to assess its trade catchment and estimate the share of total centre turnover that would be derived from MTA residents.

According to this analysis, approximately 74% of all turnover achieved by the selected centres can be attributable to spending by residents in the MTA. Having regard for the level of available retail spending in the MTA (\$8,730m in 2010), this represents an aggregate market share of 46% of total MTA spending.

The remaining spending is directed to other, mostly smaller, retail facilities and to individual stores located throughout the MTA, and to major shopping destination outside the trade area, including central Sydney.

The most significant individual centre in terms of market share is Liverpool CBD, which captures a total of 7.1% of total spending by MTA residents. However, the analysis shows that Campbelltown is also a very significant shopping destination, particularly for people living in the southern parts of the trade area. In fact, the combined trading performance of retail components at Campbelltown exceeds that achieved by retailers in Liverpool CBD.

The market share estimates presented in Table 4.3 provide the basis for estimating the likely distribution of impacts associated with the introduction of Costco at the subject site, as later examined in Section 4.4.

Table 4.2: Selected Main Competing Centres

Centre	Estimated Retail Floorspace	Department Store	Discount Department Store	Other Tenants
<u>CENTRES IN CITY OF LIVERPOOL</u>				
Liverpool CBD inc Westfield Liverpool	130,000 m2	Myer	Target	Woolworths, Coles, Toys R Us
Megacentre Liverpool	29,300 m2			Harvey Norman, Domayne, Forty Winks
Crossroads Homemaker	50,000 m2			Bunnings, The Good Guys, Bing Lee, BBQs Galore, Capt'n Snooze
Casula Mall	21,200 m2		Kmart	Coles, Franklins
Carnes Hill Marketplace	15,550 m2		Big W	Woolworths, Dan Murphy's
Moorebank	14,800 m2			Franklins, Woolworths
Leppington Major Centre (proposed)		Centre unlikely to be developed within timeframe		
Warwick Farm	11,000 m2			Fantastic Furniture
Green Valley Plaza	9,850 m2			Coles, Woolworths
Miller Community Shopping Centre	9,650 m2			Coles, Woolworths
Cecil Hills	6,954 m2			Coles, Woolworths
Wattle Grove Plaza	3,345 m2			Coles
Other small centres in Liverpool	36,800 m2			Various Independents
Sub-total of Selected Centres	338,450 m2			
<u>CENTRES IN BALANCE OF MTA</u>				
Macarthur Square	77,900 m2	David Jones	Big W, Target	Coles, Woolworths, Best & Less
Ingleburn Fair	8,000 m2		Target Country	Coles
Bonnyrigg Plaza	21,200 m2		Big W	Woolworths, Franklins, Go-Lo, Priceline
Minto Mall SC	25,350 m2		Kmart	Aldi, Coles, Woolworths
Campbelltown Town Centre (incl Mall)	65,000 m2		Kmart, Target	Coles, Woolworths, Franklins
Narellan Town Centre	27,000 m2		Big W	Coles, Woolworths, Go-Lo,
Glenquarie Shopping Centre	11,000 m2			Coles, Franklins, Go-Lo
Campbelltown Homemaker Strip	70,000 m2			The Good Guys, BCF, Harvey Norman, Dick Smiths, JB Hi-Fi, Bing Lee
Oran Park Town Centre (proposed)	10,000 m2	-	-	-
Turner Road Town Centre (proposed)	15,000 m2	-	-	-
Turner Road Bulky Goods (proposed)	40,000 m2	-	-	-
Centro Roselands	61,400 m2	Myer	Target	Coles, Food for Less, Lincraft
Cabramatta Town Centre	50,000 m2			Woolworths
Stockland Wetherill Park	51,200 m2		Big W, Target	Woolworths, Franklins,
Fairfield Forum	15,000 m2		Kmart	Coles, Food For Less
Neeta City SC	24,400 m2		Big W	Woolworths,
Bass Hill Plaza	19,600 m2		Target	Woolworths, Franklins
Riverwood Plaza	7,800 m2			Woolworths, Coles
Bankstown Homemaker	70,000 m2			Dick Smiths, Fantastic Furniture, Freedom, BBQs Galore, The Good Guys, Bing Lee
Sub-total of Selected Centres	604,850 m2			
<u>CENTRES BEYOND THE MTA</u>				
Bankstown Square	66,100 m2	David Jones	Kmart, Target	Woolworths
Westfield Hurstville	58,150 m2	Myer	Kmart, Target	Coles, Food for Less, Aldi
Sub-total of Selected Centres	124,250 m2			
TOTAL SELECTED CENTRES	1,067,550 m2			
Source:	Essential Economics; Leyshon Consulting; Property Council of Australia			
Note:	total excludes proposed new centres including Oran Park and Turner Road			

Table 4.3: Trading Patterns and Market Shares for Selected Centres, 2010

Centre	Retail Floorspace	Estimated Average Sales/m2	Turnover 2010	Turnover to MTA Residents, %	Turnover to MTA Residents, \$m	MTA Market Share
<u>CENTRES IN CITY OF LIVERPOOL</u>						
Liverpool CBD inc Westfield Liverpool	130,000 m2	\$5,300/m2	\$689.0m	90%	\$620.1m	7.1%
Megacentre Liverpool	29,300 m2	\$3,500/m2	\$102.6m	85%	\$87.2m	1.0%
Crossroads Homemaker	76,600 m2	\$3,000/m2	\$229.8m	95%	\$218.3m	2.5%
Casula Mall	21,200 m2	\$7,703/m2	\$163.3m	100%	\$163.3m	1.9%
Carnes Hill Marketplace	15,550 m2	\$6,991/m2	\$108.7m	100%	\$108.7m	1.2%
Moorebank	14,800 m2	\$5,000/m2	\$74.0m	95%	\$70.3m	0.8%
Leppington Major Centre (proposed)	Centre unlikely to be developed within timeframe					
Warwick Farm	11,000 m2	\$2,500/m2	\$27.5m	85%	\$23.4m	0.3%
Green Valley Plaza	9,850 m2	\$7,000/m2	\$69.0m	95%	\$65.5m	0.8%
Miller Community Shopping Centre	9,650 m2	\$6,500/m2	\$62.7m	100%	\$62.7m	0.7%
Cecil Hills	6,950 m2	\$7,000/m2	\$48.7m	100%	\$48.7m	0.6%
Wattle Grove Plaza	3,350 m2	\$6,500/m2	\$21.7m	100%	\$21.7m	0.2%
Other small centres in Liverpool	36,800 m2	\$6,000/m2	\$220.8m	100%	\$220.8m	2.5%
Sub-total of Selected Centres	338,450 m2	\$5,135/m2	\$1,738.0m	94%	\$1,643.9m	18.7%
<u>CENTRES IN BALANCE OF MTA</u>						
Macarthur Square	77,900 m2	\$6,555/m2	\$510.6m	85%	\$434.0m	5.0%
Ingleburn Fair	8,000 m2	\$6,500/m2	\$52.0m	100%	\$52.0m	0.6%
Bonnyrigg Plaza	21,200 m2	\$4,465/m2	\$94.7m	90%	\$85.2m	1.0%
Minto Mall SC	25,350 m2	\$5,500/m2	\$139.4m	100%	\$139.4m	1.6%
Campbelltown Town Centre	65,000 m2	\$4,879/m2	\$317.1m	95%	\$301.3m	3.5%
Narellan Town Centre	27,000 m2	\$8,056/m2	\$217.5m	100%	\$217.5m	2.5%
Glenquarie Shopping Centre	11,000 m2	\$6,600/m2	\$72.6m	100%	\$72.6m	0.8%
Campbelltown Homemaker Strip	70,000 m2	\$3,500/m2	\$245.0m	85%	\$208.3m	2.4%
Oran Park Town Centre (proposed)	(10,000 m2)	-	-	-	-	-
Turner Road Town Centre (proposed)	(15,000 m2)	-	-	-	-	-
Turner Road Bulky Goods (proposed)	(40,000 m2)	-	-	-	-	-
Centro Roselands	61,400 m2	\$4,607/m2	\$282.9m	30%	\$84.9m	1.0%
Cabramatta Town Centre	50,000 m2	\$4,000/m2	\$200.0m	70%	\$140.0m	1.6%
Stockland Wetherill Park	51,200 m2	\$5,694/m2	\$291.5m	60%	\$174.9m	2.0%
Fairfield Forum	15,000 m2	\$3,364/m2	\$50.5m	55%	\$27.8m	0.3%
Neeta City SC	24,400 m2	\$5,200/m2	\$126.9m	50%	\$63.4m	0.7%
Bass Hill Plaza	19,600 m2	\$6,000/m2	\$117.6m	50%	\$58.8m	0.7%
Riverwood Plaza	7,800 m2	\$6,000/m2	\$46.8m	60%	\$28.1m	0.3%
Bankstown Homemaker	70,000 m2	\$3,500/m2	\$245.0m	45%	\$110.3m	1.3%
Sub-total of Selected Centres	604,850 m2	\$4,977/m2	\$3,010.1m	73%	\$2,198.4m	25.2%
<u>CENTRES BEYOND THE MTA</u>						
Bankstown Square	66,100 m2	\$5,072/m2	\$335.3m	40%	\$134.1m	1.5%
Westfield Hurtsville	58,150 m2	\$6,720/m2	\$390.8m	15%	\$58.6m	0.7%
Sub-total of Selected Centres	124,250 m2	\$5,843/m2	\$726.0m	28%	\$192.7m	2.2%
TOTAL SELECTED CENTRES	1,067,550 m2	\$5,128/m2	\$5,474.1m	74%	\$4,026.0m	46.1%

Source: Essential Economics; Leyshon Consulting; Property Council of Australia

Note: total excludes proposed new centres including Oran Park and Turner Road

4.4 Potential Trading Impact on Centres in the MTA

The Costco at Casula is expected to draw from a very wide trade area, which is a feature of Costco operations. As indicated in Table 4.2 and Table 4.3, a large number of regional and sub-regional shopping centres are located within the Costco MTA, and they generate total sales estimated at \$5,474m in 2010 (refer Table 4.3).

Assuming that these centres continue to achieve the same market share as they currently do (and as presented in Table 4.3), these centres will have total combined turnover of \$6,305m in 2013 in the absence of the Costco development. This information is shown in Table 4.4 below, and implies a small increase in total market share performance from 46.1% to 49.7%, which is associated with the inclusion of new retail developments at Carnes Hill, Oran Park and Turner Road. The proposals at Oran Park and Turner Road have been included by reference to planned developments in the precinct structure plans prepared for parts of the South West Growth Centre, while the expansion of Carnes Hill has been included based on information from council regarding possible future developments.

An estimate of the likely impact that the introduction of Costco would have on existing retailers has been undertaken by applying the following approach:

- 1 Calculate likely market share performance of each centre in 2013 in the absence of the Costco development.
- 2 Use the market shares as a basis for distributing the trading impacts arising from the Costco development, but with appropriate adjustments to reflect likely differentiations in the eventual trading impacts. For example, although Liverpool CBD is estimated to achieve a 7% market share of MTA spending, the analysis assumes that approximately 14% of the distributed impact would be experienced at this centre, as the main regional retail facility serving the MTA and as a major competing centre located relatively close to the subject site.
- 3 Apply the adjusted market shares (reflecting an expected distribution of impact) to the estimated turnover at Costco that is attributable to MTA residents (\$72.7m as shown in Table 3.6).
- 4 Present these calculations of expected loss of turnover at existing centres in 2013 as a proportional loss of turnover when compared against the turnover performance that would otherwise have been achieved in the absence of the Costco development.

The analysis in Table 4.4 shows that the introduction of a new Costco store at the subject site in Casula would have the effect of reducing centre turnover by a small margin across a wide range of competing centres, when compared against the turnover that these centres would have achieved in the absence of Costco.

The most significant impact in dollar terms is an expected reduction in turnover at Liverpool CBD of \$10.3m, yet this represents just a loss of 1.4% of the total turnover that would otherwise have been achieved in 2013. Importantly, even with this marginal reduction in turnover, the centre would still be achieving significant growth in turnover over the period 2010 to 2013.

Other centres that are among those with the highest impact are Casula Mall, Megacentre Liverpool, and Campbelltown, yet the impact in each case is estimated to be very minor, at around -1.3-1.4% of sales.

Across all affected centres in the City of Liverpool, impacts are expected to average a 1.0% loss of turnover compared with the situation in the absence of the Costco store, while impacts on selected centres beyond Liverpool are even less.

Importantly, the analysis shows that Costco is likely to lead to a net gain in turnover performance in the remainder of the Crossroads precinct, and this is due to the flow-on effect on these retailers as large numbers of customers are attracted to the area to visit Costco. This initial positive impact has potential to further stimulate tenant interest in the precinct, which is important given the relatively large amount of vacant floorspace currently evident.

The results of this retail trading impact analysis lead to the conclusion that the introduction of Costco at Casula would not be likely to generate any significant disruption in the operation of the retail hierarchy serving the region. Certainly these low impacts would not be expected to lead to the closure of major traders or a change in the range and quality of retail provision in each of the affected centres.

The results of the analysis are supported by the situation for the Costco store at Docklands; following the construction of this store no significant adverse trading impacts have been reported at any of the centres surrounding the site.

Table 4.4: Estimated Retail Trading Impacts on Selected Centres, 2013

Centre	Estimated Total Sales in 2010	Total Sales in 2013 (No Costco)	Market Share of MTA Spending	Distribution of Costco Impact	Costco Impact on 2013 Sales
CENTRES IN CITY OF LIVERPOOL					
Liverpool CBD inc Westfield Liverpool	\$689.0m	\$748.6m	7.1%	-\$10.3m	-1.4%
Megacentre Liverpool	\$102.6m	\$111.4m	1.0%	-\$1.5m	-1.3%
Crossroads Homemaker	\$229.8m	\$249.7m	1.6%	+\$0.4m	+0.2%
Casula Mall	\$163.3m	\$177.4m	1.9%	-\$2.4m	-1.4%
Carnes Hill Marketplace	\$108.7m	\$118.1m	1.6%	-\$2.0m	-1.3%
Moorebank	\$74.0m	\$80.4m	0.8%	-\$0.9m	-1.1%
Leppington Major Centre (proposed)		Centre unlikely to be developed within timeframe			
Warwick Farm	\$27.5m	\$29.9m	0.3%	-\$0.4m	-1.3%
Green Valley Plaza	\$69.0m	\$74.9m	0.8%	-\$0.5m	-0.7%
Miller Community Shopping Centre	\$62.7m	\$68.2m	0.7%	-\$0.5m	-0.8%
Cecil Hills	\$48.7m	\$52.9m	0.6%	-\$0.4m	-0.8%
Wattle Grove Plaza	\$21.7m	\$23.6m	0.2%	-\$0.2m	-0.8%
Other small centres in Liverpool	\$220.8m	\$239.9m	2.5%	-\$0.9m	-0.4%
Sub-total of Selected Centres	\$1,738.0m	\$1,922.0m	19.1%	-\$19.7m	-1.0%
CENTRES IN BALANCE OF MTA					
Macarthur Square	\$510.6m	\$554.8m	5.0%	-\$7.2m	-1.3%
Ingleburn Fair	\$52.0m	\$56.5m	0.6%	-\$0.4m	-0.8%
Bonnyrigg Plaza	\$94.7m	\$102.8m	1.0%	-\$0.7m	-0.7%
Minto Mall SC	\$139.4m	\$151.5m	1.6%	-\$1.7m	-1.1%
Campbelltown Mall	\$317.1m	\$344.6m	3.5%	-\$5.0m	-1.5%
Narellan Town Centre	\$217.5m	\$236.3m	2.5%	-\$2.7m	-1.1%
Glenquarie Shopping Centre	\$72.6m	\$78.9m	0.8%	-\$0.6m	-0.8%
Campbelltown Homemaker Strip	\$245.0m	\$266.2m	2.4%	-\$3.5m	-1.3%
Oran Park Town Centre (proposed)	-	\$70.6m	0.7%	-\$0.5m	-0.8%
Turner Road Town Centre (proposed)	-	\$101.0m	1.1%	-\$0.8m	-0.8%
Turner Road Bulky Goods (proposed)	-	\$152.1m	1.4%	-\$1.6m	-1.0%
Centro Roselands	\$282.9m	\$307.3m	1.0%	-\$0.9m	-0.3%
Cabramatta Town Centre	\$200.0m	\$217.3m	1.6%	-\$1.2m	-0.5%
Stockland Wetherill Park	\$291.5m	\$316.8m	2.0%	-\$2.2m	-0.7%
Fairfield Forum	\$50.5m	\$54.8m	0.3%	-\$0.2m	-0.4%
Neeta City SC	\$126.9m	\$137.9m	0.7%	-\$0.5m	-0.4%
Bass Hill Plaza	\$117.6m	\$127.8m	0.7%	-\$0.5m	-0.4%
Riverwood Plaza	\$46.8m	\$50.8m	0.3%	-\$0.2m	-0.5%
Bankstown Homemaker	\$245.0m	\$266.2m	1.3%	-\$0.9m	-0.3%
Sub-total of Selected Centres	\$3,010.1m	\$3,594.3m	28.4%	-\$31.5m	-0.9%
CENTRES BEYOND THE MTA					
Bankstown Square	\$335.3m	\$364.3m	1.5%	-\$2.2m	-0.6%
Westfield Hurtsville	\$390.8m	\$424.6m	0.7%	-\$1.0m	-0.2%
Sub-total of Selected Centres	\$726.0m	\$788.8m	2.2%	-\$3.3m	-0.4%
TOTAL SELECTED CENTRES	\$5,526.4m	\$6,328.3m	49.7%	-\$54.4m	-0.9%
COSTCO SALES TO MTA (90% OF \$83.2m)				\$72.7m	
COSTCO SALES TO NON-MTA (10% OF \$83.2m)				\$8.1m	
COSTCO TOTAL SALES TO HOUSEHOLDS (\$120.0m x 70%)				\$80.8m	

Source: Essential Economics Pty Ltd; figures quoted in 2010 dollars

Sensitivity assessment of impacts in the City of Liverpool

Table 4.5 presents a sensitivity assessment of the potential trading effects on centres within the City of Liverpool, and has been undertaken by adjusting the following parameters in the preceding analysis:

1 *The share of impacts likely to fall on centres in Liverpool has been adjusted upwards.*

For example, the analysis in Table 4.4 estimates that all centres in Liverpool achieve a combined market share of 19.1% of MTA retail spending, and the adjustments made for individual centres means that the total loss of sales for centres in Liverpool is -\$19.7m, or around 27% of the total sales at Costco to MTA residents (ie, \$19.7m impact ÷ \$72.7m sales to MTA = 27%).

In the sensitivity assessment, it is assumed that 50% of the trading impact from the Costco store would be distributed among centres in Liverpool, pro rata according to the preceding analysis in Table 4.4. This arbitrary inflation of impacts on centres in Liverpool is likely to be an over-estimate of the pattern of trading impacts, having regard for the wide geographic catchment served by Costco stores and the observed impacts at the Docklands Costco store in Melbourne.

Note that no adjustment has been applied to the Crossroads precinct, which is expected to experience a net positive impact associated with the increased profile of the locations when Costco opens.

2 *Impacts are calculated by distributing the total retail sales achieved at the Costco store*

The preceding analysis in Table 4.4 is undertaken by distributing the turnover at Costco that is attributable to retail customers from the MTA (ie \$72.7m in sales). For the sensitivity analysis, Costco's total retail sales (estimated at \$80.8m – refer Table 3.5) are used as the basis for calculating impacts on turnover in the City of Liverpool.

The sensitivity assessment shows that, even with these changes to inflate the potential trading impacts on centres in Liverpool, the total effect across all centres is a 2.1% loss of sales. The most significant impacts in percentage terms are expected to be on major destination centres such as Liverpool (2.8% loss of sales), regional bulky goods precincts (2.7% loss of sales at Liverpool Megacentre and at Warwick Farm), and centres located in close proximity to the site (2.8% loss of sales at Casula Mall).

Nevertheless, the impacts for individual centres are still very low and would not be expected to lead to the loss of major tenants or a change in the role of each centre.

Table 4.5: Sensitivity Assessment of Trading Impacts on Centres in Liverpool

Centres in City of Liverpool	Total Sales in 2013 (No Costco)	Market share of MTA spending	Adjusted for inflated impact	Distribution of Costco Impact	Costco Impact on 2013 Sales
Liverpool CBD inc Westfield Liverpool	\$748.6m	7.1%	19.7%	-\$21.2m	-2.8%
Megacentre Liverpool	\$111.4m	1.0%	2.8%	-\$3.0m	-2.7%
Crossroads Homemaker*	\$163.0m	1.6%	1.6%	+\$0.4m	+0.2%
Casula Mall	\$177.4m	1.9%	5.2%	-\$5.0m	-2.8%
Carnes Hill Marketplace	\$151.8m	1.6%	4.4%	-\$4.1m	-2.7%
Moorebank	\$80.4m	0.8%	2.2%	-\$1.8m	-2.2%
Leppington North (proposed)	-	-	-	-	-
Warwick Farm Homemaker	\$29.9m	0.3%	0.7%	-\$0.8m	-2.7%
Green Valley Plaza	\$74.9m	0.8%	2.1%	-\$1.1m	-1.5%
Miller Community Shopping Centre	\$68.2m	0.7%	2.0%	-\$1.1m	-1.6%
Cecil Hills	\$52.9m	0.6%	1.5%	-\$0.8m	-1.6%
Wattle Grove Plaza	\$23.6m	0.2%	0.7%	-\$0.4m	-1.6%
Other small centres in Liverpool	\$239.9m	2.5%	7.0%	-\$1.9m	-0.8%
Sub-total of Selected Centres	\$1,922.0m	19.1%	50.0%	-\$40.8m	-2.1%

Source: Essential Economics Pty Ltd; refer text

Note: * No adjustment made for impact on Crossroads

It is emphasised that the sensitivity assessment presented in Table 4.5 is not likely to eventuate as Costco stores typically draw from across a very wide regional trade area, so that the trading effects would similarly be spread across many competing centres.

Effect on Crossroads precinct

The proposed Costco Liverpool store would perform as a key retail anchor in the Crossroads Homemaker precinct and would enhance the attractiveness of this location for shopping activity by increasing the recognition and range of services available at the precinct.

With anticipated sales of \$120m in its initial year of trading to both households and businesses, and allowing for an average spend of \$180 per visit (based on the current understanding of shopping patterns at Costco) the Costco store would attract an estimated total of some 670,000 shoppers per year to the Crossroads site. Many of these visits would involve people who otherwise would shop at the Crossroads precinct, and this has potential to lead to improved trading performance for other tenants at the precinct.

This is an important consideration as the Crossroads precinct has recently lost one of its main anchor tenants (Clive Peeters) and a number of vacancies are evident in other parts of the precinct.

Over time, the overall positive effect on the performance of the Crossroads precinct is likely to be greater than shown in the analysis presented above (refer Table 4.4), particularly if new tenants can be secured following the introduction of Costco.

4.5 Conclusion

This assessment of retail trading impacts shows that the proposed new Costco store in Casula would be unlikely to create an adverse trading impact on other retail and associated activities in the City of Liverpool or elsewhere in the wider MTA. This conclusion reflects the large trade area served by Costco stores, with trading impacts spread widely and thinly across many competing centres and individual competitors.

Importantly, the analysis shows that even with the introduction of Costco in 2013, strong ongoing growth in retail spending in the MTA means that other opportunities for retail expansion over the period leading up to the opening of the store (2010-2013) and beyond (post 2013) will be supportable, including planned developments in the South West Growth Centre and elsewhere.

The measured impacts for nearby centres and major retail precincts are around a 1.4% loss of sales, which is very minor in the context of a competitive retail environment. Sensitivity analysis indicates that, even with arbitrarily inflated impacts, the effect on main competing centres will still only be around a 2.5-2.8% loss of sales.

The new Costco would be likely to improve trading performance in the Crossroads homemaker precinct by bringing in around 670,000 visitors per year, and this is an important component given the current high vacancy rate in the precinct.

5 ECONOMIC OUTCOMES

5.1 Introduction

This section presents an assessment of the effect of the new Costco store on net community benefit.

In this context it is acknowledged that the Draft Centres Policy (April 2009) makes specific reference to matters that should properly be considered when assessing net community benefit. In particular, the policy distinguishes between effects that might be considered to represent transfers between individuals and firms (ie transfer effects), and other effects that determine the net effect on state welfare. Examples of transfer effects include employment generation on-site, and trading effects on other centres (as examined in Chapter 4 of this report). Examples of net state welfare effects include environmental benefits or costs (such as increased travel costs and emissions), effects on the delivery of infrastructure, and the contribution of the project to retail choice and competition (as would be shown by increased price competition and efficiency of retail supply).

The analysis in this Chapter includes consideration of a range of potential effects, some of which might be considered as transfer effects and might therefore not lead to an overall net state welfare effect but which are considered to be important in terms of the impact on the local and regional economy.

The economic analysis undertaken for the proposed Costco development at Auburn was prepared in the context of Part 3A of the Environmental Planning and Assessment Act (1979) and the State Environmental Planning Policy (Major Project) 2005. The Auburn analysis included a detailed assessment of the costs and benefits likely to flow from the proposed development, presented in a formal cost benefit analytical framework. For this current Planning Proposal, a formal assessment of costs and benefits has not been undertaken; however, some of the information from the Auburn proposal is relevant for the current proposed development at Casula, and the results are referred to where relevant.

5.2 Contribution to Planning Objectives

The proposed development of a Costco store at the Crossroads site in Casula is in accordance with the planning objectives as set out in the City of Liverpool's Business Centres and Corridors Strategy. This strategy is underpinned by economic analysis undertaken by Leyshon Consulting, and identifies significant ongoing demand for retail floorspace expansion associated with forecast growth in population and spending capacity. Further retail development at Crossroads is supported, especially for large floor plate uses that cannot easily be accommodated in identified centres in the municipality.

Having regard for the results of the sequential site assessment (refer Chapter 2), which shows that alternative sites are not available to accommodate the proposed development; and the analysis in Chapter 4, which shows that existing centres (including Liverpool CBD) would not be adversely affected by the introduction of Costco at the subject site, it is concluded that the development is in accordance with local and state policy.

5.3 Contribution to Existing Retail Cluster

The introduction of Costco at the Crossroads precinct would assist in lifting the performance of that existing cluster of mainly bulky goods uses, and this is important given the current high vacancy rate at the precinct.

Costco is estimated to achieve sales of approximately \$120m in its first years of operation, in 2013, and this has potential to attract a total of approximately 670,000 shopping visits to the precinct on an annual basis. The additional customer visitation would be expected to substantially increase tenant interest in the wider Crossroads precinct, having regard for the opportunity to leverage sales from this wider visitor base.

5.4 Retail Competition Benefits

As described in Section 1.5 of this report, Costco represents a new format not yet seen in the Sydney context (with the Auburn store still under construction), and only recently introduced to Australia at their new site in Melbourne.

The Costco format emphasises high quality branded goods at the lowest prices, with sales margins much lower than typically applied in the retail industry.

The introduction of Costco contributes to choice and competition in the broader retail and wholesale markets, with benefits derived from these price savings, coupled with the ability to purchase products in bulk packaging. Costco also offer one-off sales for particular merchandise lines, and further discounts are attached to these sales.

A detailed analysis of the price savings associated with the introduction of Costco was undertaken as part of the economic analysis prepared for the Auburn store. The exercise was undertaken in the Melbourne context, where the prices for a representative sample of Costco product lines were compared against advertised prices at competing retailers. Price savings for individual product items were then weighted according to the sales volume for the store as a whole, with the exercise undertaken separately for business card holders and household members.

Overall, the analysis showed that prices at Costco are in the order of 25% lower overall than the price of the same products purchased from competing retailers, and this figure is approximately the same for both household and business card holders. Of course for some products the savings are much lower, while higher savings are achievable for other products. For a very few product lines Costco was more costly than competing stores at the time that prices were collected.

Having regard for the difficulties associated with measuring price competition, and factors including seasonal variations, opportunities for further in-store discounts, and so on, the economic analysis for Auburn concluded that Costco delivers a price saving of approximately 10-25% when compared against competing retailers.

In the Auburn example, the net positive effect for households and businesses (ie allowing for the cost of membership) was calculated as a positive effect on net community benefit of around \$13-46m. A similar sort of benefit is likely to be generated by the Costco store in Casula, although a separate analysis has not been prepared in this case.

Importantly, these price savings represent a tangible indication of the potential community benefits associated with increased retail competition.

5.5 Ongoing Employment Creation

The Costco development at the Crossroads site in Casula would be expected to generate in the order of 330 employment positions when developed, and this is equivalent to an estimated 250 Equivalent Full-Time (EFT) positions. An increase in the number of jobs is likely to occur as the store gains in popularity and as further growth in population and spending occurs throughout the MTA.

Many of these jobs would be filled by people living in the City of Liverpool, and this tendency for the take-up of jobs by people living in the general area is observed universally in the retail sector.

In addition to the 250 EFT direct jobs at Costco, a further 225 indirect or flow-on jobs would be created indirectly through the employment multiplier effect. These indirect jobs would be located in Sydney and in other parts of NSW and interstate, thus reflecting the inter-industry links that are a feature of the national economy.

In essence, the employment multiplier for the retail sector shows that for every 'direct' job created, another 'indirect' (or flow-on) job is created in the wider economy; in this case, the employment multiplier has a value of '1.9'. These employment multipliers are based on Input-Output analyses and National Accounts information published by the ABS (refer Cat.No.5210.0).

5.6 Investment and Construction Employment

The Costco development would involve an estimated Capital Investment of approximately \$35m, which includes construction costs and store fit-out but excludes land purchase cost or the GST component.

Construction costs of this order will generate approximately 80 direct construction-related jobs over a 12-month construction period. This estimate is based on approximately \$450,000 construction cost for one FTE jobs, which is derived from detailed analysis of National Accounts figures by Essential Economics.

In addition, an employment multiplier also applies in this instance (where the multiplier is equivalent to 2.6; ie, an additional 1.6 indirect jobs are created for every 1 direct job), with the result that another 130 or so indirect or flow-on jobs would be generated during the construction phase. These indirect jobs would be distributed across the national economy, reflecting inter-industry links.

In total, the construction of the Costco development is estimated to generate approximately 210 direct and indirect FTE construction-related jobs over a 12-month construction period.

5.7 Trading Impacts

Analysis presented in this report shows that the Costco development would not be expected to have an adverse trading impact on existing retail facilities or shopping centres in the City of Liverpool or in other parts of the MTA.

The lack of trading impact arising from the introduction of Costco is principally because Costco – as a destination retailer – draws customers from a very extensive regional catchment, and thus the store achieves only a very small share of all available retail spending by MTA residents. The analysis in this report shows that Costco would attract just 0.8% of the available spending of MTA residents, and its trading impact would be equivalent to a reduction of just 1.0% of sales captured by existing centres in the City of Liverpool.

A sensitivity assessment shows that, even if impacts are distributed more heavily on nearby centres in the City of Liverpool, the average impact would still be just a 2.1% loss of sales when the Costco opens in 2013. These very low levels of impact would not lead to any diminution in the roles of existing centres and would not be expected to lead to the loss of any major anchor tenants.

An important consideration is that the limited offer at a Costco store (4,000 SKUs) means that Costco cannot and does not compete on a daily basis for household or business spending that is otherwise directed to supermarkets, department stores, discount department stores, specialty shops and other retail formats.

5.8 Conclusion

The introduction of Costco at the Crossroads site in Casula would generate considerable benefits for the precinct and for the wider community in the City of Liverpool and beyond. This conclusion is supported by the following considerations:

- The proposal is in accordance with planning objectives that recognise the need for retail development to meet ongoing growth in demand, with Crossroads an identified site for future development of large floor plate uses.
- The sequential site analysis concludes that no alternative sites can be identified as being more appropriate, in planning terms, for the proposed development.
- The Costco store would support the existing precinct at Crossroads, bringing in around 670,000 shopping visits, with potential to improve the current poor performance of the precinct.
- The development involves approximately \$35m in capital investment and would create approximately 80 construction jobs over a 12-month construction phase, plus a further 130 indirect or flow-on jobs elsewhere in the economy over that 12-month period due to the employment multiplier.
- Approximately 250 EFT jobs would be generated (involving 330 employment positions), plus a further 225 EFT jobs elsewhere in the local and national economies due to the employment multiplier effect.
- The introduction of Costco will provide shoppers with improved retail choice and competitive prices, with analysis undertaken for the Auburn store indicating that price savings of 10-25% would be achieved.
- Costco will provide small businesses with the opportunity to purchase low cost, high quality merchandise for their own use or for re-sale (noting that sales to business would represent approximately 33% of all sales at Costco).
- The development would not generate significant adverse impacts on existing centres in the City of Liverpool and further afield.