ESSENTIAL ECONOMICS

Costco Marsden Park

Economic Impact Assessment

Prepared for

Costco Wholesale Pty Ltd

by

Essential Economics Pty Ltd

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Authorship

Report stage	Author	Date	Review	Date
Draft report	Sean Stephens and Austin Miller	1/10/12	Geof Snell	1/10/12
Final report	Austin Miller	16/05/13	Sean Stephens	17/05/13

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Contact details

For further details please contact:

Essential Economics Pty Ltd
96 Pelham Street
Carlton
Victoria 3053
Australia
PH 61 3 9347 5255
FAX 61 3 9347 5355
EMAIL mail@essentialeconomics.com
WEB www.essentialeconomics.com

ABN 92 079 850 427

Our Reference: 12122

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EXECUTIVE SUMMARY

1 ***Purpose***

This report has been prepared for Costco Wholesale Australia Pty Ltd ('Costco'), and presents an analysis of the potential economic impacts associated with the construction and operation of a Costco warehouse at Marsden Park. The report has been prepared as part of the Planning Proposal for the proposed development, and accompanies expert reports on other matters.

2 ***Context***

The subject site is located in an identified bulky goods retail area of the Marsden Park Industrial Precinct, which is itself a part of the North West Growth Centre. The site is well-suited to large format destination retailer such as Costco, including excellent accessibility and exposure to a regional-level catchment. Costco will integrate with other complementary uses proposed for adjacent sites including IKEA, Masters and Bunnings. A short distance north is the proposed Marsden Park Town Centre, which will be linked to the subject site by a range of commercial and retail uses.

While the Costco proposal is not a permitted use on the subject land, existing planning policy supports new retail developments where in-centre and edge-of-centre sites are not available and where they perform well against the site suitability criteria described in the draft Activity Centres Policy (May 2010).

3 ***Sequential test and Site Suitability Criteria***

Assessment of the opportunity to accommodate the proposal in other existing and planned centres, or on the edge of these centres, has been undertaken and is presented in Chapter 2.

No alternative sites are identified in surrounding centres such as the Blacktown CBD and Rouse Hill. This reflects the normal difficulty in identifying large development sites of 4ha or more in established urban areas. The large size and scale of Costco also means that development in a traditional town centre environment is also generally difficult due to objectives for intensive land uses in centres, including residential activities, which can conflict with a large-format retail warehouse.

4 ***Main Trade Area***

A Costco at the subject site will serve a large main trade area (MTA), extending northwards including Richmond and Windsor, east to Rouse Hill, south to include Blacktown and Mt Druitt, and wast as far as Penrith. The MTA is forecast to have a resident population of 749,530 in 2015, 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 $9,875m in 2015, and with substantial growth thereafter. By 2020, the MTA is expected to have available spending of $11,542m (in constant 2012 prices).

5 ***Market share***

With sales of $140m in its initial trading year, and with an estimated 70% of these sales to households (the balance going to business members), Costco would achieve only a very small market share of approximately 0.9% of available spending in 2015.

6 ***Retail trading impacts***

Costco's trading impact would be equivalent to a reduction of just 0.9% of sales at the main competing centres in the MTA and selected centres outside 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. Impacts are therefore spread widely and thinly.

7 ***Economic outcomes and net community benefit***

Costco at Marsden Park will generate considerable benefits for the wider community in the North West Growth Centre, City of Blacktown, and beyond. This 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 the subject site part of a precinct identified for future development of large floor plate/bulky goods uses.
- Application of the site suitability criteria shows that the Marsden Park site is more appropriate, in planning terms, for the proposed development.
- The Costco store would support the growth and development of the North West Growth Centre, bringing in around 700,000 shopping visits, with other businesses in the surrounding area gaining exposure to these potential customers.
- 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, 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 indicating that price savings of 10% to 25% could 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).
- Costco actively engages with local businesses and suppliers to source goods and services.
- The introduction of Costco would not generate significant adverse impacts on existing centres.

INTRODUCTION

Background

This report has been prepared for Costco Wholesale Australia Pty Ltd ('Costco'), and presents an economic analysis of the proposed construction and operation of a Costco warehouse at the subject site in Marsden Park.

The site for the proposed new Costco store is within the Sydney Business Park at Marsden Park

Costco is a recent entry to Australia, and provides a unique format offering high quality merchandise and services at low prices to retail and wholesale customers who pay an annual membership fee. The first Costco store was opened at the Docklands in Melbourne in August 2009, while NSW's first store opened in Auburn during July 2011.

Costco is able to offer well-known brand-name products at low prices through its considerable buying power and low-cost operations, thus delivering the best value possible to members. While Costco's format comparable with other large-format retailers with respect to site layout, urban design and architectural presentation, the store does not operate as a conventional shop and has very different trading characteristics to existing store types such as supermarkets, department stores, discount department stores, factory outlets, specialty shops, and bulky goods stores.

The development of a Costco store at the subject site requires an amendment to State Planning Policy (Sydney Region Growth Centres) 2006 to enable 'retail premises' and 'vehicle repair station' to be permissible with development consent on the site.

This Report

This report contains the following chapters:

1 **Project Context**: describes the proposed Costco Marsden Park proposal and the planning and strategic land use context.

2 **The Sequential Test and Site Suitability Criteria**: assesses the proposed Costco Marsden Park against the sequential test and site suitability criteria developed by the State Government in order to evaluate out-of-centre proposals.

3 **Retail Market Assessment**: provides a market assessment of the proposed Costco Marsden Park to identify the level of market demand and assess future trading patterns for the store.

4 **Retail Impact Assessment**: assesses the potential trading impacts of the proposed Costco Marsden Park on other centres in the hierarchy serving north-west Sydney.

5 **Economic Overview**: discusses the context of the Costco Marsden Park proposal in relation to economic and other outcomes relevant to assessing community benefit.

1 PROJECT CONTEXT

This chapter presents a summary of the proposed development at the subject site, and a description of the locational context for the proposal in terms of surrounding land uses. A summary of the site's attributes as a location for a major destination activity such as a Costco Warehouse is also provided.

A broad assessment of the relevant planning considerations for the precinct is presented in Section 1.4, noting that JBA Planning has prepared a detailed town planning assessment for the Planning Proposal.

1.1 Planning Proposal

The purpose of the Planning Proposal is to make a Site specific LEP to amend the Blacktown LEP 1998 to facilitate an amendment to the Growth Centres SEPP at Marsden Park Industrial Precinct to identify specific development that may be carried out with consent on the Site.

The Costco business model is that of a 'retail warehouse' which is not recognised as an individual form of development under the Standard Instrument definitions. As identified in Section 3.1, a Costco Warehouse would be defined as a mix of 'retail premises', 'business premises', 'vehicle repair station' and 'service station' uses under the Growth Centres SEPP. Retail premises and vehicle repair stations are not permissible within the B5 zone.

The objective of this proposed amendment is to permit 'retail premises' and 'vehicle repair station' uses with development consent on the Site. The purpose of the Planning Proposal is to facilitate the development of a Costco Warehouse on the Site.

The Costco Warehouse is proposed to contain approximately 14,300m^2 of floorspace and accommodate approximately 710 parking spaces. A discount petrol station will also be provided on a car park pad site.

1.2 Site Description

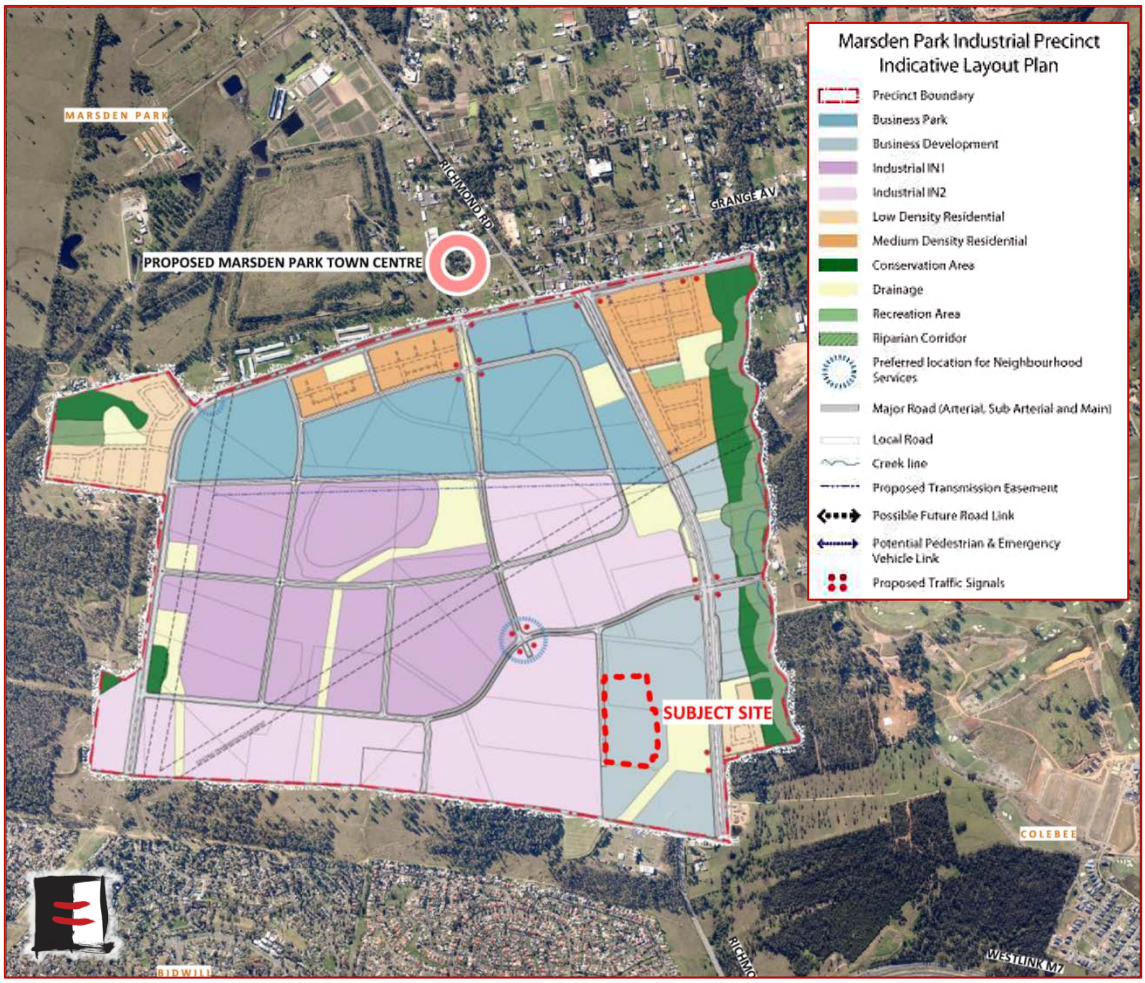
The subject site is located to the west of Richmond Road and south of the existing alignment of Hollinsworth Road in the suburb of Marsden Park.

The proposed development is located in an area identified for 'B5-Business Development' on the land use zone maps accompanying the Growth Centres SEPP prepared for the Marsden Park Industrial Precinct of the wider North West Growth Centre. North West Growth Centre is a key urban growth area for Sydney identified by the State Government in 2005, and is currently the subject of a 'precinct planning' process.

A mix of general business uses, including bulky goods retailing is proposed for the B5-Business Development area of the Marsden Park Industrial Precinct. On this basis, Masters and IKEA have secured sites immediately adjacent to the proposed Costco store.

The location of the proposed Costco Warehouse site and its context within the Marsden Park Industrial Precinct is shown in Map 1.1.

Map 1.1 Location Map



Source: NSW Department of Planning and Infrastructure, MapInfo, Essential Economics

Costco are proposing to develop a new store on currently vacant land located in the south-west of the Business Development zone. Direct access to Richmond Road will be provided by a proposed new street running along the southern boundary of the site.

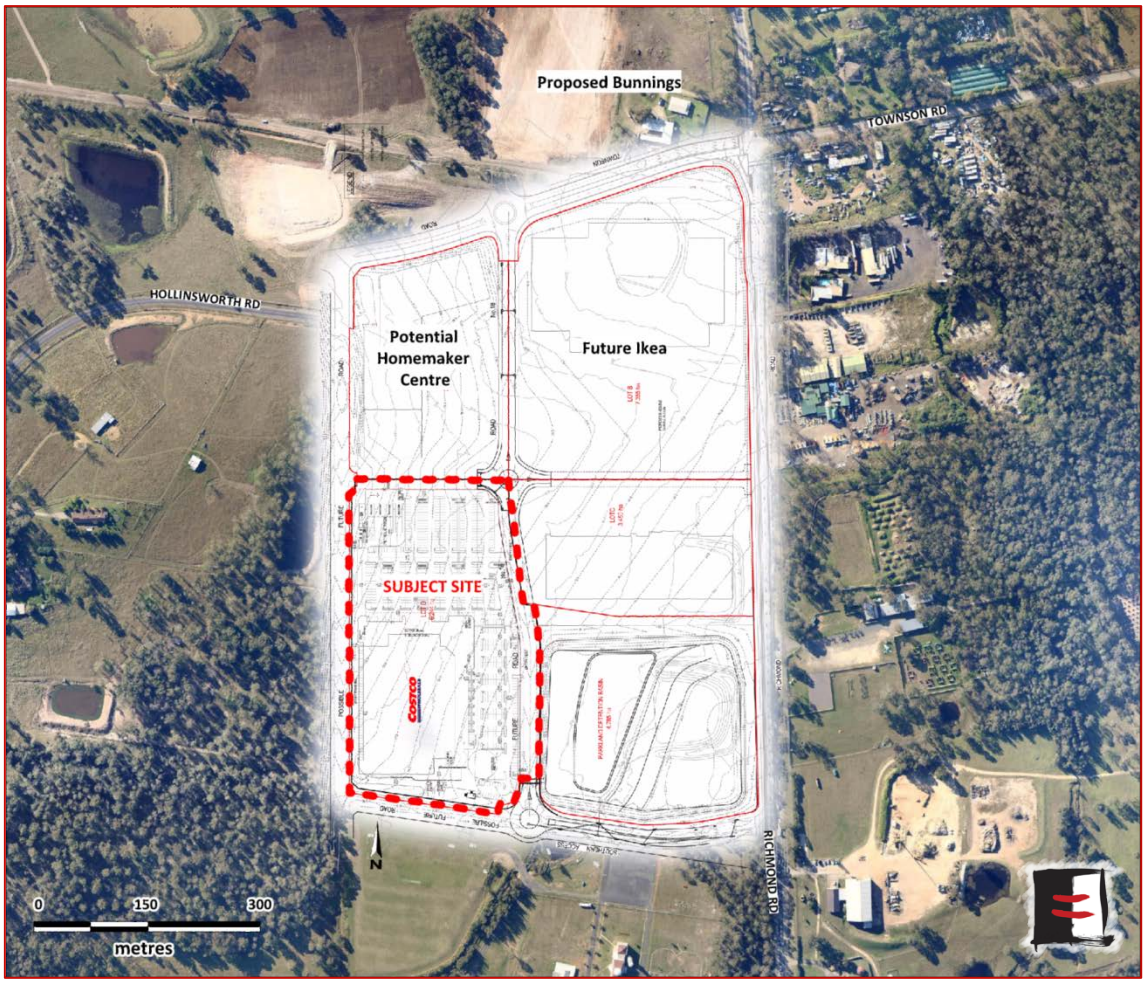
The existing alignment of Hollinsworth Road will be removed and a new extension of Townson Road will be provided a short distance further north.

The subject site will retain exposure to Richmond Road from the subject site as land located immediately east, incorporating a drainage pond, will not be developed.

In general terms, the subject site is flat, easily developable and offers a high degree of accessibility and exposure to Richmond Road. Importantly, the proposed Costco store will integrate with other large-format retailers identified for adjacent sites and contribute to the destinational appeal of the precinct.

An aerial view of the proposed Costco store is shown in Map 1.2.

Map 1.2 Aerial View of Proposed Costco and Adjacent Land Uses



Source: Costco, MapInfo, Essential Economics

1.3 Locational Context

The subject site is located in the B5 Business Development Zone, and forms part of the Business Development area identified for the Marsden Park Industrial Precinct.

The proposed Costco will have exposure and accessibility from Richmond Road, which is the major road link between:

- Richmond and Windsor in the north, and
- the M7 Motorway and Blacktown CBD in the south-east.

At present, Richmond Road is nearing road capacity and approval has been provided for a major road upgrade to a four-lane divided road running directly past the subject site. Future

provision has also been made for a six-lane road due to the anticipated increases in traffic associated with the development of the North West Growth Area.

Accessibility to the Costco site from the surrounding region is also enhanced by the proximity of the M7 motorway, which is just 1.2km to the south-east of the subject site and connects with the road network serving western Sydney.

Additional enhancements in accessibility to the subject site are associated with proposed transport network improvements within the North West Growth Area, including:

- Upgrade and new alignment of Townson Road, a short distance north of the subject site
- Proposed upgrade and extension of Schofields Road, and
- Public transport investment, including both bus and rail.

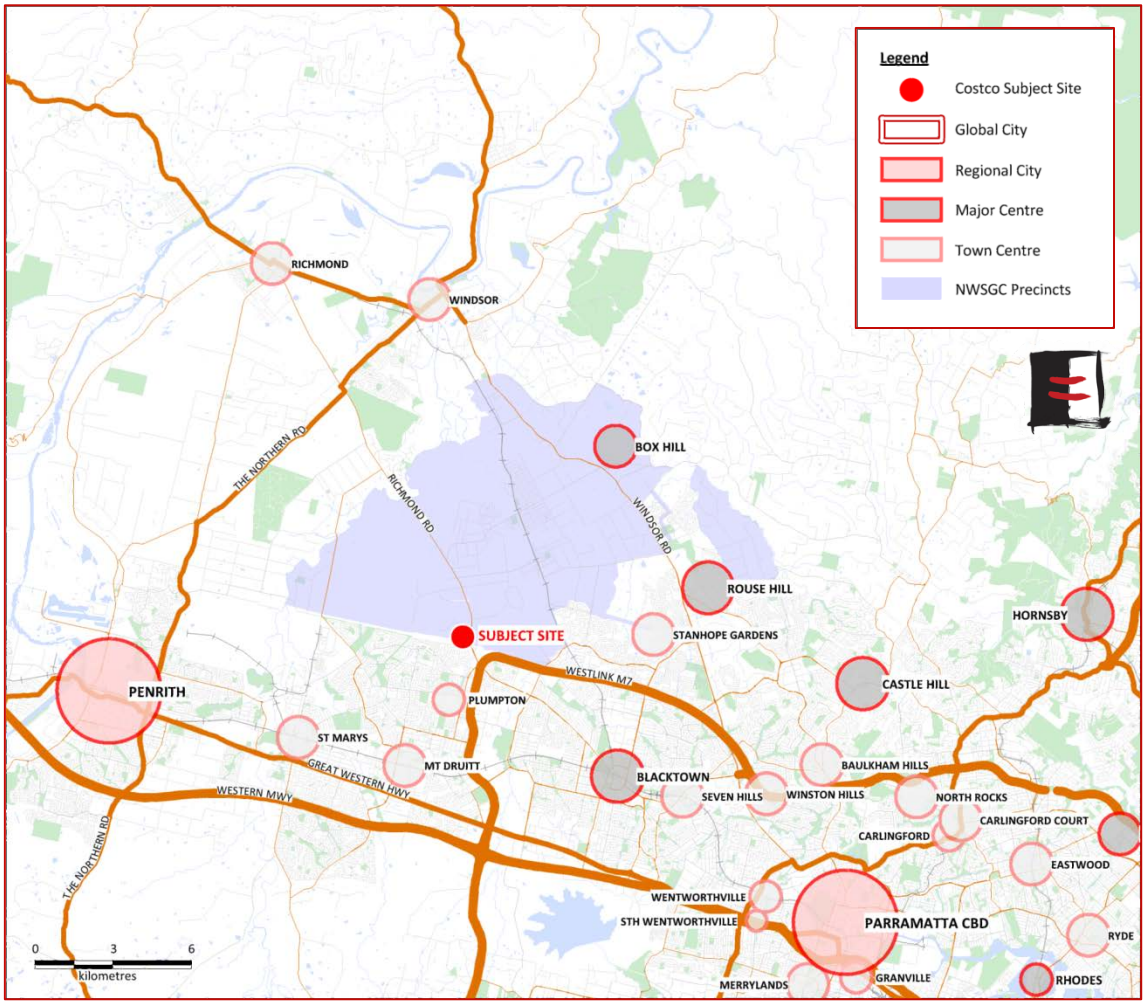
The subject site is well placed to serve both the North West Growth Centre and the broader west and north-west region of Sydney, as shown in Map 1.3. The locational advantages of the subject site are discussed in more detail in the economic analysis undertaken in this report.

Blacktown CBD is located approximately 8km south-east of the proposed Costco store along Richmond Road, and Rouse Hill is approximately 8½km to the north east of the subject site. Both centres have been nominated as Major Centres in the *Metropolitan Plan for Sydney 2036.*

The nearest centre to the subject site is the Plumpton Town Centre, located approximately 2km to the south. In physical terms, the connectivity between the Plumpton Town Centre and the subject site is limited due to the presence of a corridor reserved for a possible future motorway. This reserve runs east-west along the southern boundary of the Marsden Park Industrial Precinct.

To the north of the subject site is the Windsor Town Centre (13km), while Richmond Town Centre (16km) can be accessed directly via Richmond/Blacktown Road.

Map 1.3 Regional Context Map



Source: NSW Department of Planning and Infrastructure, MapInfo, Essential Economics

1.4 Planning Context

In the context of undertaking this economic assessment for the proposed Costco development at the subject site, relevant planning considerations include state-level retail planning policies embodied in the *Metropolitan Plan*, the *North West Region Draft Subregional Strategy,* the *draft Centres Policy for Retail and Commercial Development* (April 2009) and the *draft Activity Centres Policy* (May 2010, noting that a final Centres Policy has not yet been published).

Furthermore, it is appropriate to consider the planning framework for the North West Growth Centre, including the latest available information on the precinct planning process.

Although the proposed Costco is subject to the Growth Centres SEPP administered by the State Government, local level policies are also relevant.

A summary of these relevant planning policies is provided in the following paragraphs, noting that more detailed examination is presented in the Planning Proposal report prepared by JBA Planning.

Metropolitan Plan for Sydney 2036

This document was prepared by the NSW Government in December 2010 as an integrated planning framework to guide Sydney's growth over the next 25 years, and builds upon the material presented in the City of Cities Strategy (2005).

The most relevant themes include:

- Support for a networked, polycentric model for urban development
- Continuing support for centres as the focus for new retail, business and jobs growth, and
- Plans for sustainable development in identified growth centres, supported by an appropriate array of retail services and job opportunities.

In relation to the proposal for a Costco store at the Marsden Park Industrial Precinct, the Metropolitan Plan highlights the importance of urban growth centres such as the North West Growth Centre, in meeting the needs of the community, and to consider any potential impacts on the future and ongoing role of the Blacktown CBD and other 'Strategic Centres' including Rouse Hill.

The current Metropolitan Plan will be replaced by the finalised version of the recently released Draft Metropolitan Strategy for Sydney, with this expected late in 2013. Until the new metropolitan strategy is finalised, Metropolitan Plan for Sydney 2036 continues to be the most important strategic document for planning policy in Sydney.

Draft Metropolitan Strategy for Sydney 2031

The Draft Metropolitan Strategy for Sydney 2031 (Draft Metropolitan Strategy) was released by the Department of Planning and Infrastructure (DP&I) in March 2013. The focus of the Draft Metropolitan Strategy is to concentrate growth into centres to ensure all residents have access to jobs, services and entertainment across the metropolitan area.

Within the Draft Metropolitan Strategy, the subject site is situated within the Marsden Park Business Park which is identified as a Potential Specialised Precinct and forms part of the North West Growth Centre.

Specialised Precincts are defined under the Draft Metropolitan Strategy as:

"Places that are primarily employment destinations and/or the location of essential urban services. Specialised Precincts perform vital economic and research roles and include major airports, ports, hospitals, universities, metropolitan business parks and office clusters. They are characterised by complex interactions with the rest of the city."

A Costco Warehouse at the subject site will support the economic and employment role of the Marsden Park Specialised Centre.

Draft Centres Policy for Retail and Commercial Development (April 2009) and Draft Activity Centres Policy (May 2010)

A draft of the NSW Government's Centres Policy for Retail and Commercial Development (draft Centres Policy)was published in April 2009 for consultation purposes. This document has some relevance as an intended direction for future government policy. However, a more recent version known as the Draft Activity Centres Policy (draft Activity Centres policy) was distributed in May 2010, and the future status of this policy is uncertain in view of the metropolitan strategy currently being prepared.

The draft Centres Policy is based on six key Principles:

Principle 1: Retail and commercial activity should be located in centres

Principle 2: Centres should be able to grow and new centres form

Principle 3: Market determines need for development, planning regulates location and scale

Principle 4: Ensuring the supply of floorspace accommodates market demand

Principle 5: Support a wide range of retail and commercial premises and contribute to a competitive retail market

Principle 6: Contributing to the amenity, accessibility, urban context and sustainability of centres

The draft Centres Policy recognises the dynamic nature of the retail sector, and the need for the planning system to respond appropriately to accommodate additional retail development and facilitate the entry of new competitors and new retail formats. For example, the draft policy states that "*Planning policies should not be used to limit innovation in the development of different formats and the mix of uses in centres unless there is a public policy justification to do so. Centres should be able to respond when market and consumer preferences change*" (p7).

In considering the planning processes and principles to be applied in assessing out-of-centre proposals, the draft Centres policy proposes a sequential approach in which the proponent needs to demonstrate that the use cannot be located within a centre or on the edge of an existing centre.

It is also noted that the draft policy recognises the need for a merit-based assessment, in which the direct competitive business effects, including adverse impacts on turnover for particular businesses, is not to be taken into account when assessing new development proposals.

A limited-distribution update to the draft Centres Policy (April 2009) was released in May 2010, but has since been made available more widely for comment and review.

The May 2010 draft Activity Centres Policy retains the six principles that were identified in the previous draft of April 2009. While the policy retains the strong emphasis on encouraging new

developments into existing and planned activity centres, the section on policy implementation states:

"*In the event that a proposed new development cannot find adequate space and opportunity within an existing centre, and there is merit in that proposal, an alternative location will need to be considered*" (p7).

The process by which development proposals are to be examined comprises:

1 The Sequential Test, which encapsulates the policy preference for in-centre development, and places the onus on the proponent of a new development outside nominated centres to show that no suitable sites are available within an existing or planned activity centre, or on the edge of such centres, that can satisfy the demand to be accommodated.

2 Site Suitability Criteria, which consists of a set of criteria by which out-of-centre development would need to be assessed on their merits in order to be considered for approval. The Site Suitability Criteria includes:

- *Strategy consistent*: the consistency of the proposal against relevant regional, sub-regional or local strategies
- *Infrastructure*: the capacity for relevant infrastructure to support the proposed development or activity levels
- *Access considerations*: public transport and road access for employees, customers and suppliers
- *Urban design opportunities*: potential to integrate with surrounding land uses and contribute to urban amenity
- *Competing land issues*: effect on the supply of land for housing or industry (as appropriate), and on choice and competition in the locality
- *Proximity to labour markets*: an ability to provide job opportunities for people living in the surrounding region/locality
- *Environmental considerations*: ability to manage hazards and constraints and contribute positively to environmental outcomes
- *Public benefit considerations*: whether a particular public benefit is realised if development was to occur at one site in preference to another.

In cases where development applications are made, the policy notes that:

a) The assessment will take into consideration the economic, social and environmental costs and benefits.

b) The trading impacts of a proposal upon another business will not normally be a relevant consideration.

c) The commercial viability of a development proposal will not normally be a relevant consideration.

The draft policy provisions contained in the draft Activity Centre Policy (May 2010) provide the general basis for the subsequent analysis of the proposed Costco Marsden Park. Chapter 2 of this report presents an examination of the opportunity to accommodate the proposed development in existing and planned centres and on the edge of such centres in accordance with the Sequential Test. Chapter 2 also assesses a range of alternative locations against the Site Suitability Criteria described above. Chapters 3 to 5 present economic analysis of the proposal in order to assess its economic merits and contribution to overall public benefit.

North West Growth Centre

Costco Marsden Park is located in the North West Growth Centre, an urban development area of some 10,000 hectares identified by the State Government for substantial urban development over the next 20 to 30 years. At full development, the North West Growth Centre is expected to accommodate approximately 70,000 dwellings and 200,000 residents.

A staged land release program is being undertaken on a 'precinct planning' basis which co-ordinates planning and infrastructure across a total of 16 precincts. At present, a total of 11 precincts in the North West Growth Centre have been released for development, including the Marsden Park Industrial Precinct that incorporates the proposed Costco site. These precincts are shown in Map 1.4.

Marsden Park Industrial Precinct

Marsden Park Industrial Precinct occupies approximately 551 hectares and will be a focus for investment and employment growth in north-west Sydney. At full development, over 10,000 jobs are expected to be accommodated directly in the precinct, with the potential for some residential development of approximately 1,200 homes also identified.

Development of bulky goods retailing is an important component of the employment objectives for the Marsden Park Industrial Precinct, with approximately 40 hectares of land, including the subject site, identified for this use.

Marsden Park Precinct

Immediately north of the Marsden Park Industrial Precinct is the proposed Marsden Park Town Centre. According to current planning, the Town Centre will incorporate approximately 30,000m^2 of retail floorspace and a range of cultural, recreational and community facilities.

Marsden Park Town Centre will be approximately 1.5km north of the proposed Costco Marsden Park, and the two locations will be linked by a mix of industrial and commercial uses.

In functional terms, the Marsden Park Industrial Precinct and Marsden Park Town Centre will be integrated and operate as a wider employment precinct.

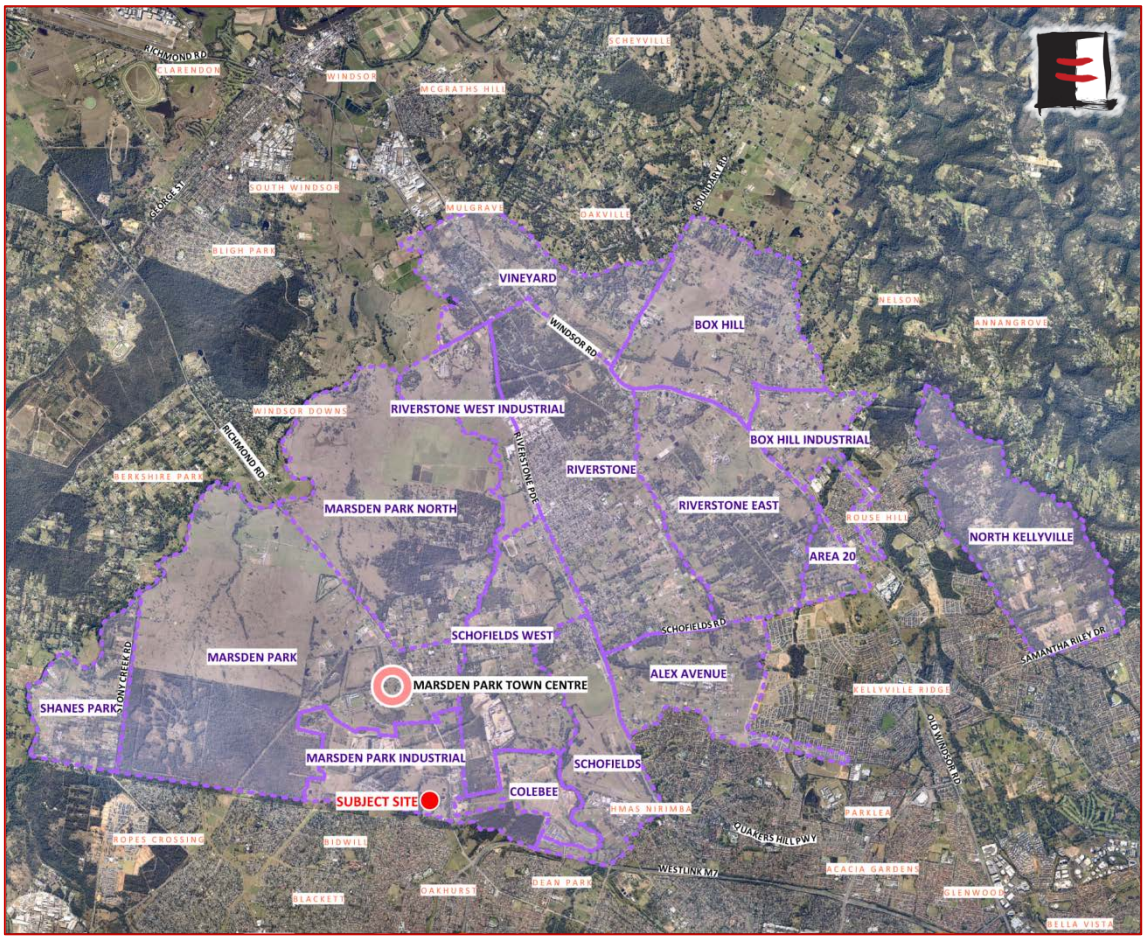
On this basis, the Costco Marsden Park proposal may be appropriately termed an 'edge-of-centre' development to the Marsden Park Town Centre in view of the functional links between the Town Centre and adjacent Marsden Park Industrial Precinct.

Other Precincts

Planning for the development of other precincts in the North West Growth Centre is ongoing.

An overall focus of this planning is the achievement of development outcomes which encourage higher density residential development than traditional greenfield urban development, and the provision of services (including retail) and employment opportunities which meet the needs of future residents.

Map 1.4 Costco Site Context for North West Growth Centre



Source: Nearmap, MapInfo, Department of Planning and Infrastructure, and Essential Economics

Local Policies

The City of Blacktown has recently adopted the Blacktown Planning Strategy 2036 which is, at this time, a confidential document for internal use by Council only. The document intends to guide future development of the City on the basis of policy direction provided by the metropolitan strategy and other key planning directions provided by the State Government.

Discussions with Council indicate that a draft Commercial Centres Study has been prepared, but that this document is also confidential at this time, as the analysis is being used in the preparation of a new Local Environment Plan (LEP) for the City.

Nonetheless, Council has publicly expressed support for a hierarchy of centres which supports the role of the Blacktown CBD as a regional centre, with major centres at Rouse Hill, Marsden Park and Mount Druitt. These considerations are relevant for assessing the Costco Marsden Park proposal.

1.5 About Costco

Overview

Costco Wholesale opened their first store in Melbourne in August 2009. The company is one of the world's largest retailers, with over 580 warehouses in the US, Canada, Mexico, UK, Taiwan, Korea, Japan and now Australia, and employs over 150,000 people around the world. Total membership is in the order of 58 million members globally.

Costco was originally set up to supply the needs of small to medium size businesses with competitively priced wholesale goods, leveraging the cost benefits associated with buying in bulk, and taking advantage of Costco's purchasing power. Costco now also serves a retail market, but still retaining an emphasis on bulk buying. Importantly, this means that retail customers use Costco for a limited range of merchandise for which bulk purchases are an option – Costco is not used as a replacement for the local store or the nearby supermarket.

Costco Business Model

The Costco business model differs markedly from the traditional retail format we are accustomed to in Australia. Costco is an example of the 'wholesale club' model, which allows Costco to use its considerable purchasing power to deliver high quality branded products to its members at low cost.

A key factor is that the company gains revenue from charging for membership, and this additional source of funds helps Costco to negotiate buying contracts with manufacturers. This structure also means that margins can be kept much lower than usual in the retail industry: typically, Costco achieves sales margins of 10% or less, and this margin is against the total cost of goods sold, not just the wholesale price. By comparison, margins can be above 30% to 40% for some competing retailers.

What this means for consumers is that – for a fee of $60 per annum (or $55 for business card holders) – high quality merchandise is available at a significantly lower price when compared against competing outlets.

Detailed analysis prepared as input to a cost-benefit assessment of the Auburn Costco shows 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.

Another important outcome is that small businesses, such as corner stores, can purchase wholesale goods at low prices, with sufficient opportunity to resell those goods (typically repackaged as individual items) at prices that are competitive with supermarkets.

While Costco has an emphasis on high quality branded merchandise, the company actively engages with and sources goods and services from local suppliers and vendors in the regions surrounding their stores.

Costco Product Range

Costco typically has about 4,000 individual products, or stock-keeping units (SKUs) on its floor at any one time, and this is much less than the 25,000 or more SKUs typically on the shelves at a full-line supermarket, or around 40,000 SKUs on offer in a large discount department store such as Kmart, Big W or Target.

The wide range of products sold at Costco includes fresh food (eggs, bread, meat, vegetables, etc), clothing, jewellery, leisure goods (tents, BBQs, etc), whitegoods, dry groceries, frozen food, electrical equipment, wine and liquor, sheets, towels, and pet food.

Trading Impact Considerations

Costco competes with a very wide range of alternative shopping locations, including supermarkets, discount department stores, specialty stores, bulky goods or homemaker outlets, individual retailers, and wholesale outlets.

The extensive regional trade area served by each Costco store means that any competitive trading impacts are distributed widely and thinly across many individual centres and stores. This has been the experience at Melbourne, where the membership base is spread across the whole metropolitan area, and adverse competitive impacts have not been noted by individual traders.

While potential adverse competitive trading impacts relate to the retail aspect of the Costco business, the benefits can be identified for the wholesale market such as those associated with the introduction of a new wholesale supplier offering highly competitive prices. The provision of low cost business supplies has potential to generate benefits for end consumers, as small businesses can on-sell their goods at lower prices.

By bringing its unique retail model to Australia, Costco has substantially increased the level of competition in the retail market. The potential benefits for consumers relate to the likely price savings associated with this competition (and this encourages price reductions by other businesses as they adjust their operations to maintain market share).

1.6 Conclusion

The subject site is well positioned to serve a regional catchment that includes north-west Sydney, by virtue of the excellent access from major transport routes. The site represents an opportunity to attract a new retail format that provides access to high quality branded merchandise at lowest cost to both consumers and businesses.

While the Costco proposal is not a permitted use on the subject land, existing planning policy supports new retail developments outside the established centres hierarchy where they can be shown to be in accordance with the Sequential Test and Site Suitability Criteria, and where the merits of such development are evident.

2 THE SEQUENTIAL TEST AND SITE SUITABILITY CRITERIA

This Chapter presents an assessment of alternative sites for the Costco operation in accordance with the sequential assessment process described in the draft Activity Centres Policy. The policy states that in-centre sites are the preferred location for new retail development and, in the absence of available land, sites on the edge of centres are the next most preferred location. Proposals that are out-of-centre must demonstrate that no in-centre or edge-of-centre sites available, and are then to be assessed against the Site Suitability Criteria (as described in Section 1.4 of this report).

As background to the subsequent assessments, this Chapter also presents a description of the criteria that are normally considered when identifying and assessing sites as potential locations for Costco stores. This range of criteria includes particular considerations that relate to the Costco operation and their requirements in terms of site size, land cost and other commercial considerations. In some cases these criteria are similar to those described in the draft Activity Centres Policy, although in other cases they provide more detail on the particular location requirements of a Costco store.

2.1 Costco Site Requirements

Costco is a retail operation with particular site requirements that are characteristic for large destination retailers. These criteria relate to factors such as:

- the size of the land and its configuration,
- the ability to accommodate a preferred warehouse design,
- the potential cost of development,
- the exposure of the site to the regional catchment and the potential access arrangements that can be achieved,
- whether the site has any planning constraints that need to be overcome (eg heritage controls, flood-prone, etc.), and
- the potential to resolve urban design issues such as the interface with adjoining uses, among others.

Of particular importance from a retail-economic perspective is whether the site is consistent with the Costco business model, described in Section 1.5, in which retail shoppers and business customers are drawn from extensive catchments. This consideration is important, not just to ensure that each Costco store is viable in itself, but also in the context of planning for a network of Costco stores serving the Sydney metropolitan area and its hinterland. Each site must have sufficient exposure and 'destinational appeal' to attract people from at least a 30 minute drive time catchment (or from an equivalent public transport catchment).

In the context of planning a new store to serve the north-west Sydney, potential sites must therefore have excellent transport access, preferably with frontage to major roads or highways that enable access from the wider region.

In this context, a summary of the main location criteria relevant for planning a new Costco store is provided below.

Development Opportunity

- *Availability*: Sites can only be developed where they are available for sale or lease. Importantly, where consolidation is required (refer below in the context of size requirements), site development is more difficult and more costly.
- *Purchase cost*: The Costco model of delivering low prices to members depends on a number of factors, including the ability to secure favourable supply contracts, ensuring very efficient operating costs, and attracting large numbers of members. At the development level, Costco also have certain requirements in terms of land purchase costs, although these of course vary according to the potential market opportunity and subsequent store performance in each location. Of relevance is the fact that land prices are typically higher for sites located within centres and, as a general rule, are even higher where consolidation of a number of properties is required. Another important factor is that the cost of the site is higher if existing 'economic' buildings are present on the site; alternatively, vacant sites can be purchased at much lower cost.
- *Development cost*: Construction and other costs can be significantly higher for sites that are difficult to develop; for example, where there is sloping land or where difficult interface issues exist, or where existing buildings require demolition or modification.

Site and Location Suitability

- *Size*: This is a very important criterion having regard for the typical size of the Costco building (usually in the range 12,000-16,000m^2) and the requirement for a large number of car parking spaces (preferably provided at-grade). The minimum site area is approximately 4ha in most locations. Critically, the site for a Costco needs to have a minimum depth in order to accommodate the normal requirements for customer and supplier access, store configuration, and provision of accessible car parking.
- *Strategic road access*: In order to serve a large regional trade area, Costco stores need to be easily accessible from major highways and arterial roads. Preferably, the connections need to be strong radially around the site so that a large regional catchment can be served.
- *Public transport*: This is not normally a significant priority, as the nature of Costco (as a location for bulk purchases) means that customers mainly use private vehicles to shop at the store. However, public transport can be beneficial to allow convenient travel for store employees.

Market Opportunity

- *Accessibility from regional catchment*: As noted above, Costco stores need to have very good access from a large surrounding regional catchment in order to generate sufficient

trade. In the context of serving the north western region of Sydney, potential sites need to serve a region that extends west as far as Penrith, and north to serve the North West Growth Centre and Richmond/Windsor; this is in addition to serving established suburbs around Blacktown.

- *Synergy with existing destination uses*: Costco is a destination retailer; that is, the store attracts people to undertake shopping visits to the local area. Where a number of destination retailers can co-locate, a critical mass can be achieved, thereby making the precinct well known as a shopping location and potentially extending the catchment it serves.

Planning Issues

- *Permissible uses*: Clearly, where a retail use is a permissible development the town planning process is much easier, leading to quicker development timeframes and lower holding costs.
- *Planning constraints*: Projects can also face planning constraints associated with factors such as heritage controls, flood-prone land and other controls that either make planning approval unlikely or make development more costly.
- *Potential linkages/synergies with existing uses*: Sites are attractive where they have a good 'fit' in terms of the surrounding land uses. Similar uses help establish the precinct as a known destination for particular types of retail services. Moreover, the introduction of Costco can be beneficial for other adjacent retail traders, due to the large number of visitors attracted to the store.
- *Urban design considerations*: Because of its large format, a Costco store can be an inappropriate development for some locations. For example, it is a difficult use to accommodate in a centre characterised by small-scale shops and a dense urban fabric. New stores are suitable for locations that already have larger-scale uses. In very rare cases (such as Manhattan in New York), inner city sites have been developed as integrated developments, but this is not likely to be the case in Australia because of the smaller scale of the market opportunity.
- *Ability to resolve interface issues*: The large store format often means that interface issues can arise. These issues can be difficult to manage where adjoining land uses are sensitive (for example on sites abutting residential areas). Issues are more manageable if adjoining land uses are similar in nature (retail, bulky goods, industrial), or where the site adjoins roads or other features (eg a creek or water course, open space, etc).

2.2 Sequential Site Assessment Criteria

A number of alternative site locations are assessed as to their availability and suitability for a Costco store, in accordance with the Sequential Test as expressed in the draft Activity Centre Policy.

It is important to note that the draft Activity Centres Policy does not provide clear definitions to determine whether land is within an activity centre or on the edge of a centre.

After consideration of the alternative centres which are potential locations for a Costco store serving north west Sydney, the sequential site assessment considers the following centres:

- Blacktown CBD
- Mount Druitt
- Plumpton
- Stanhope Gardens/Parklea
- Rouse Hill
- Marsden Park Town Centre.

2.3 Assessment of Subject Site

An assessment of the subject site at Marsden Park against the Site Suitability Criteria is presented in Table 2.1 below. This analysis is provided as a base-line against which the subsequent examination of alternative sites can be compared.

Table 2.1: Subject Site Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Generally consistent with the Marsden Park Industrial Precinct layout plan which identifies bulky goods type uses for the subject site and surrounds.
Infrastructure	Not assessed in this report – refer Planning Proposal report
Access considerations	Very high degree of accessibility from the catchment that Costco intends to serve. Direct exposure to Richmond Road and proximity to the M7 Motorway and major road networks. Strategically located to serve the North West Growth Centre as it develops.
Urban design opportunities	Not assessed in this report – refer Planning Proposal report
Competing land issues	The subject site is in the B5 Business Development zone, in which a variety of land uses are permissible, including bulky goods retail and other non-industrial uses. The proposed Costco occupies just over 1% of the 306 hectares of employment land identified in the Marsden Park Industrial Precinct.
Proximity to labour markets	The site is well-located with easy access to the wider regional labour market.
Environmental considerations	Not assessed in this report – refer Planning Proposal report
Public benefit considerations	The main public benefits associated with the subject site include the ability to conveniently serve a larger catchment, thereby reducing travel times and costs, and the opportunity to contribute to the wider success of the Marsden Park Industrial Precinct and the proposed bulky goods area.

Source: Essential Economics Pty Ltd

Note that the subject site is part of the broader Marsden Park Industrial Precinct located immediately adjacent to the proposed Marsden Park Town Centre. In combination, both will operate as a high-level regional destination for a broad mix of retail and other land uses. The proposed Costco Marsden Park and the Marsden Park Town Centre will be connected by a significant commercial precinct.

For this reason we believe it may be appropriate to consider the subject site as an 'edge-of-centre' location relative to the town centre, but within an emerging large format retail precinct.

2.4 Availability of Alternative Sites

The following sections presents an analysis of the potential to accommodate a Costco operation within, or adjacent to, other identified activity centres that are nominated as potential alternative locations (refer section 2.2 above).

These centres represent the most preferable places for retail development according to the draft Activity Centres Policy, and should be pursued where sites are available.

The assessments below relate to the availability of sites at the nominated centres, and do not include an assessment against the Site Suitability Criteria except where potential sites are identified.

Each potential centre is shown in a map, identifying the major features of the activity centre.

Note that each map also includes a blue outline of the Costco Marsden Park site to represent the scale of the land area required by the proposed Costco store.

Blacktown CBD

The Blacktown CBD is a Major Centre and a key retail, commercial, administrative and cultural centre serving the City of Blacktown and the broader north-west region of Sydney. The centre incorporates the Westpoint Shopping Centre and a strong street-based retail and commercial strip. A range of commercial, general business and light industrial uses are located on the fringe of the centre.

A review of the centre as the potential location for a Costco Warehouse suggests that no single site is available which would be able to accommodate a single-use requiring approximately 4 hectares of land.

Although parts of the CBD are under-utilised, these sites are insufficient in size to accommodate a Costco store, and no reasonable opportunity for site consolidation is apparent.

A further consideration is that a Costco store located in Blacktown would be relatively close to the western edge of the trade area currently served by the Costco at Auburn, and the 'cannibalisation' of sales from this existing Costco store is possible.

A large precinct of employment land is located north of the Blacktown CBD, between the railway line and Sunnyholt Road. No single site of sufficient size to accommodate a Costco is available.

Table 2.2: Blacktown CBD Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Consistent with the Metropolitan Plan and the draft subregional strategy as Blacktown is identified as a Major Centre. City of Blacktown supports the CBD as a centre of regional focus.
Infrastructure	Not assessed in this report.
Access considerations	Generally good access, although subject to congestion of a CBD location. Lower relative degree of accessibility from North West Growth Centre and motorway network.
Urban design opportunities	Difficulty in integrating large-format development with fine-grained urban fabric.
Competing land issues	Would displace opportunities for more intensive, small-grained retail development, although the attraction of Costco would help to promote new retail opportunities. Likely to require removal of existing major trader.
Proximity to labour markets	Well-located with respect to the wider regional labour market, and able to attract public transport usage for employees.
Environmental considerations	Not assessed in this report.
Public benefit considerations	Would have potential to drive new retail development opportunities elsewhere in Blacktown CBD, although more direct competition with CBD retailers would also occur.

Source: Essential Economics Pty Ltd

Map 2.1 Blacktown CBD Site Suitability Overview

Source: Nearmap, MapInfo, and Essential Economics

Mount Druitt

Mount Druitt is identified in the metropolitan strategy as a future Major Centre, although the City of Blacktown considers the centre a Major Centre for its own activity centre planning purposes.

The centre directly integrates with commuter rail services and incorporates the Westfield Mount Druitt centre and an adjacent commercial, retail and recreational precinct. Shopsmart Mount Druitt outlet centre, Mount Druitt Hospital and Rooty Hill RSL are located to the east.

A review of potential sites identifies no location able to accommodate a Costco Warehouse. Development of a Costco would require considerable site consolidation and the reconfiguration of the existing centre. An industrial area located west of the centre is inappropriate for a Costco store, due to poor exposure and access to the road network, as well as the need to consolidate sites.

Table 2.3: Mount Druitt Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Mt Druitt considered a future Major Centre in metropolitan planning, although City of Blacktown recognise Major Centre status for local planning purposes.
Infrastructure	Not assessed in this report.
Access considerations	Generally good access, although subject to congestion of a CBD location. Low degree of accessibility from North West Growth Centre.
Urban design opportunities	Difficulty to integrate Costco in existing land use framework. Well-established shopping centre and community uses would require major re-configuration.
Competing land issues	Would replace existing intensive retail development, although the attraction of Costco may help to promote new retail opportunities. Difficult to integrate Costco without displacing existing open space and recreational areas.
Proximity to labour markets	Well-located with respect to the wider regional labour market, and able to attract public transport usage for employees.
Environmental considerations	Not assessed in this report.
Public benefit considerations	Potential to consolidate Major centre role of Mount Druitt.

Source: Essential Economics Pty Ltd

Map 2.2 Mount Druitt Site Suitability Overview

Source: Nearmap, MapInfo, and Essential Economics

Plumpton

Plumpton is located on Jersey Road, approximately 700 metres west of the M7 Motorway, although no interchange with the motorway is provided. The centre is nominated as a Town Centre and, in a hierarchy sense, is not considered a focus for major retail developments such as a Costco.

The Plumpton Centre lacks direct access to the motorway network and exposure to a regional-level catchment is not supported by the location.

Although vacant business zoned land is available adjacent to the existing retail uses, it is too small to accommodate a Costco Warehouse development.

Table 2.4: Plumpton Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Identified as a town centre.
Infrastructure	Not assessed in this report.
Access considerations	Poor. No direct freeway access and low exposure to residents from across region
Urban design opportunities	Insufficient vacant business land to accommodate a Costco Warehouse.
Competing land issues	Would need to replace existing recreation area and would limit incremental expansion of existing uses..
Proximity to labour markets	Located central to the wider regional labour market, although poor accessibility.
Environmental considerations	Not assessed in this report.
Public benefit considerations	None identified.

Source: Essential Economics Pty Ltd

Map 2.3 Plumpton Site Suitability Overview

Source: Nearmap, MapInfo, and Essential Economics

Stanhope Gardens (Parklea)

Stanhope Gardens is nominated as a Town Centre and incorporates the Stanhope Village Shopping Centre, adjacent community uses and the Parklea Markets located in the east.

The centre is located approximately 1km west of Old Windsor Road in a well-established urban area. No potential sites are identified as appropriate for a Costco store in view of existing retail uses, and the presence of community uses and residential areas on adjacent land.

Table 2.5: Stanhope Gardens Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Identified as a town centre and not supported for major retail development.
Infrastructure	Not assessed in this report.
Access considerations	Strong local road linkages although lower relative degree of access for residents to west of Mount Druitt and south of Great Western Highway.
Urban design opportunities	No land available for Costco due to site constraints. Few opportunities for integration with complementary land uses.
Competing land issues	Would need to replace existing retail or other uses.
Proximity to labour markets	Located central to the wider regional labour market.
Environmental considerations	Not assessed in this report.
Public benefit considerations	None identified.

Source: Essential Economics Pty Ltd

Map 2.4 Stanhope Gardens Site Suitability Overview

Source: Nearmap, MapInfo, and Essential Economics

Rouse Hill

Rouse Hill is nominated as a planned Major Centre in the metropolitan strategy and is a focus for retail and commercial development serving the northern parts of the North West Growth Centre.

With direct frontage to Windsor Road and located on a bus T Way, Rouse Hill has excellent accessibility to the North West Growth Centre and areas to the north including Windsor and Richmond, although access to areas in the west of Sydney, including Penrith and St Marys is relatively lower than the subject site.

Rouse Hill contains a town centre precinct developed in street-based format. Located north and south of the town centre are residential precincts identified in the Rouse Hill Masterplan where earthworks are currently underway in preparation for unit/apartment and townhouse development.

A review of potential sites for a Costco has identified no available and appropriate locations. A Masters hardware store is proposed for a site north of Commercial Road, while the Town Centre Northern Precinct is not sufficiently large enough to accommodate a Costco outlet.

On the western side of Windsor Road, residential development is proposed, while the alignment of the future north-west rail line is a development constraint.

Table 2.6: Rouse Hill Assessment Against Site Suitability Criteria

Site suitability criteria	Assessment
Strategy consistent	Identified as a Major centre serving the northern parts of the north west growth centre.
Infrastructure	Not assessed in this report.
Access considerations	Strong regional road linkages for residents living along Windsor Road corridor. Although the centre less accessible to residents living in corridor between Mount Druitt and Penrith. Good public transport links to be enhanced by North West rail link.
Urban design opportunities	Development of a land hungry use such as Costco would not achieve the intensity of development indicated for the Northern Precinct of the Master Plan core area.
Competing land issues	Locating a Costco on the Northern Town Centre Precinct and/or Northern Residential Precincts inconsistent with land uses identified in Master Plan.
Proximity to labour markets	Located central to the wider regional labour market.
Environmental considerations	Not assessed in this report.
Public benefit considerations	Potential to further consolidate role of Rouse Hill and promote greater competition among traders within the centre.

Source: Essential Economics Pty Ltd

Map 2.5 Rouse Hill Site Suitability Overview

Source: Nearmap, MapInfo, and Essential Economics

Marsden Park Town Centre

Planning for the future of the Marsden Park Town Centre has recently been placed on exhibition. The Draft Marsden Park Precinct Planning Report identifies the potential for a town centre incorporating two supermarkets, two Discount Department Store and specialty shops, with the total retail floorspace in the order of 35,000m^2 to 40,000m^2, with an additional 10,000m^2 of commercial uses that could also be accommodated on the 12.8 hectare site

The Town Centre is proposed for a site immediately north of South Road, and adjacent to business park type uses, including office and warehousing, proposed for the Marsden Park Industrial Precinct (see also Map 1.1).

The anticipated role for the industrial precinct in accommodating bulky goods and large format retailing is noted in the Marsden Park – Retail & Employment Assessment, prepared by MacroPlan in 2012 as input to the Precinct Planning Report. The report found that:

"The Marsden Park Town Centre precinct could accommodate approximately 44,000m^2 of convenience and sub-regional retail floorspace. The 40ha of B5 zoned land at MPIP (Marsden Park Industrial Precinct) sufficiently caters for bulky goods demand over the next 20-25 years." (Page 30)

The report also notes that:

"the Marsden Park Town Centre and Marsden Park Industrial Precinct… will perform as one large consolidated area of activity with movement of residents, workers and shoppers not limited by precinct planning boundaries." (Page 1)

This observation supports the consideration of the proposed Costco Marsden Park store as an edge-of-centre location for the purposes of a sequential sites assessment.

Given the preliminary nature of planning for the Marsden Park Town Centre, no detailed assessment of potential in-centre locations for a Costco is possible. Nonetheless we note:

- A large Costco warehouse occupying a site of 4 hectares is not normally compatible with the operation of a town centre where a 'finer grain' pattern of land use is normally present. Costco would require 30% of the total town centre land area.
- Costco will be relying on exposure to Richmond Road in order to serve a regional-level catchment and that, if this was achieved in the Marsden Park Town Centre, it would crowd out other retail and commercial land uses also seeking main road exposure
- Costco are proposing to locate in the preferred location for bulky type retail uses, which has been recognised in the analysis supporting the Marsden Park Precinct Planning Report
- The proposed Costco site can be generally described as an edge-of-centre location relative to the Marsden Park Town Centre, and is part of an emerging large format retail precinct within the Marsden Park Industrial Precinct.

2.5 Conclusion

A review of the proposed Costco Marsden Park location against the Sequential Site Assessment Criteria has identified that no alternative in-centre locations are appropriate, or available, for a Costco store. The proposed Costco Warehouse requires a large site of approximately 4 hectares and allowing for a use of this scale in a town centre location is not considered feasible. The subject site has been identified as a preferred location for bulky goods type uses in the Marsden Park Industrial and Marsden Park Precinct Plans, and development of the proposed Costco will contribute to the broader land use planning objectives of the North West Growth Centre, and for retail and centres planning more generally.

3 RETAIL MARKET ASSESSMENT

This Chapter contains a retail market assessment for the proposed Costco store at the subject site in Marsden Park. 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.

3.1 Trade Area Definition

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 that will be progressively developed to serve the metropolitan area.

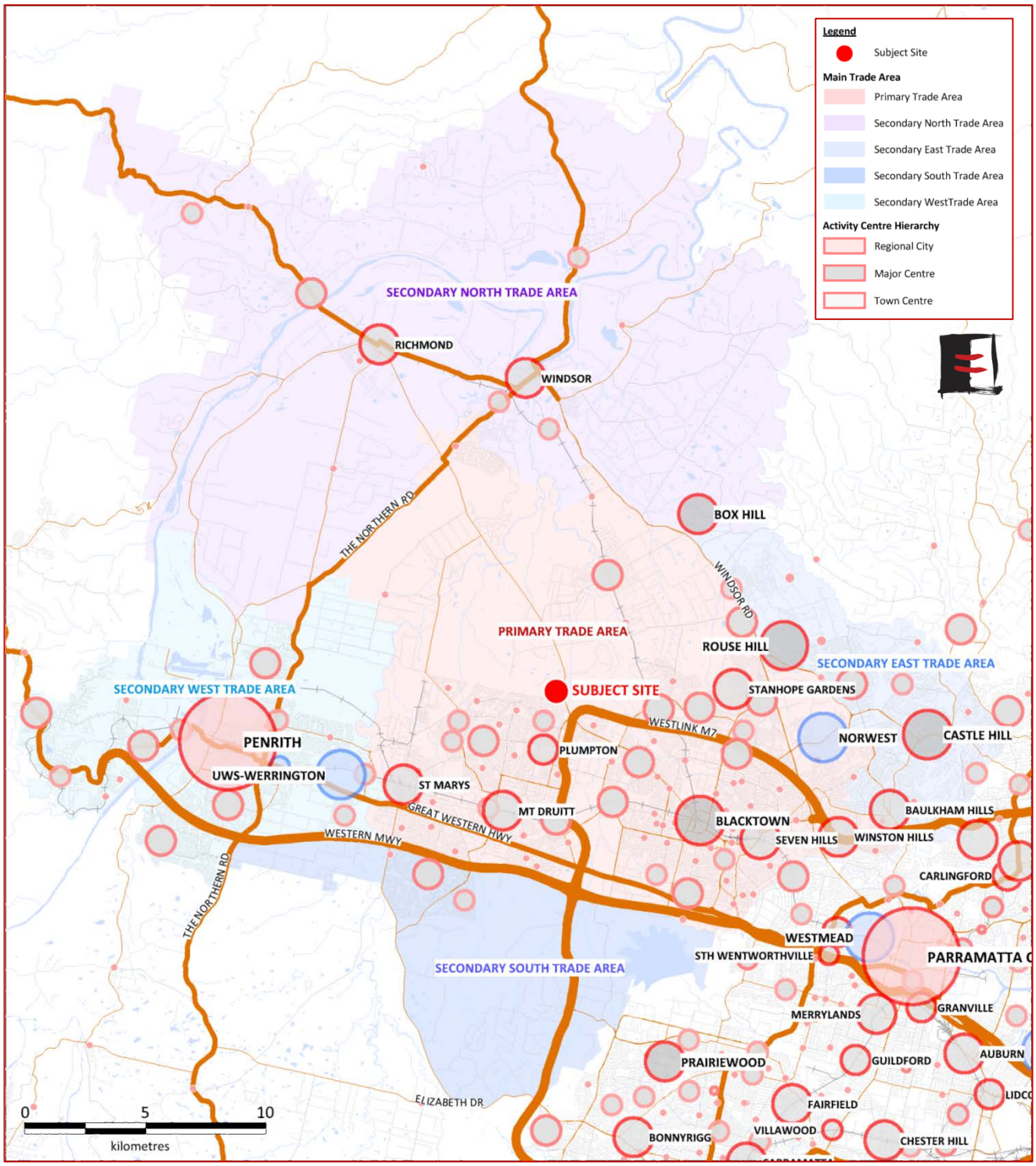
Typically, Costco stores draw around 80% of their sales from within approximately a 30-minute drive time. This trading pattern is drawn from the experience of Costco stores in other markets such as USA, Canada and UK, as well as the new stores in Australia, and reflects the fact that people are attracted from an extensive 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 Marsden Park, and is shown as Map 3.1. The MTA generally reflects a 30 minute travel time, but with consideration also to the location of competitive stores/centres.

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

- To the north: extending to Kurrajong and East Kurrajong
- To the east: generally following the alignment of Cattai Creek
- To the south: including areas south of the Western Motorway, including Mount Vernon
- To the west: bounded by the Blue Mountains National Park.

Map 3.1 Costco Marsden Park Trade Area



Source: MapInfo, Department of Planning and Infrastructure, Essential Economics

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

- **The Primary Trade Area** (PTA) includes areas generally within a 15 minute drive time of the proposed Costco Marsden Park including much of the North West Growth Centre and established suburbs including Mount Druitt, Blacktown and Kings Langley.
- **The Secondary North Trade Area** (STA-North) includes the towns of Windsor and Richmond, as well as Box Hill and areas north of the Hawkesbury River including North Richmond and Kurrajong.
- **The Secondary East Trade Area** (STA-East) incorporates suburbs east of Windsor Road including Rouse Hill, and the suburbs of Castle Hill and Baulkham Hills.
- **The Secondary South Trade Area** (STA-South) extends south of the Western Motorway and west of Prospect Reservoir to include suburbs such as Mount Vernon and Horsley Park.
- **The Secondary West Trade Area** (STA-West) incorporates the areas around Penrith including Emu Plains and Blaxland, as well as Mount Pleasant and Cambridge Park.

3.2 Trade Area Population

The MTA has a resident population of approximately 708,210 persons in 2012, including approximately 378,400 people in the PTA as shown in Table 3.1.

By 2015, which has been adopted as the first full year of trading for the proposed new Costco, the MTA is forecast to have a total population of approximately 749,530 residents, including 400,000 residents in the PTA, and a combined 349,530 residents in the STA. That is, by the time that the proposed Costco Marsden Park has established trading patterns, the population of the MTA will have increased by approximately 40,000 persons on the population in 2012.

By 2020 the MTA is forecast to contain a residential population of 819,660 persons due to the ongoing development of the North West Growth Centre, and infill residential development in established urban areas.

Beyond 2020, continued population growth is also expected. This means that for the foreseeable future, Costco Marsden Park will be trading in an environment of strong population growth in the MTA, and increased demand for retail goods and services by residents in this catchment.

The focus for population growth is expected to be the PTA, where approximately 55% of the forecast population growth in the MTA by 2020 will be located. However, all trade area sectors are anticipated to experience population increases over the forecast period.

The population estimates in Table 3.1 have been prepared with reference to the latest available ABS Estimated Resident Population figures and population projections from a range of sources, including official State Government projections and population forecasts prepared by relevant local governments.

Table 3.1 Main Trade Area Population Forecasts, 2006 to 2030

	2006	2012	2015	2020	2025	2030
Population (No.)						
Primary Trade Area	**350,500**	**378,400**	**400,000**	**439,400**	**483,100**	**523,500**
Secondary Trade Area	**306,190**	**329,810**	**349,530**	**380,260**	**417,890**	**447,000**
- Secondary North Trade Area	49,390	51,980	53,850	59,440	79,610	95,660
- Secondary East Trade Area	101,340	114,650	124,410	139,270	148,050	152,290
- Secondary South Trade Area	31,240	32,760	33,070	33,170	33,250	33,470
- Secondary West Trade Area	124,220	130,420	138,200	148,380	156,980	165,580
Main Trade Area	**656,690**	**708,210**	**749,530**	**819,660**	**900,990**	**970,500**
Average Annual Growth (%)						
Primary Trade Area	**-**	**+1.2%**	**+1.9%**	**+1.9%**	**+1.9%**	**+1.6%**
Secondary Trade Area	**-**	**+1.1%**	**+2.0%**	**+1.7%**	**+1.9%**	**+1.4%**
- Secondary North Trade Area	-	+0.8%	+1.2%	+2.0%	+6.0%	+3.7%
- Secondary East Trade Area	-	+1.9%	+2.8%	+2.3%	+1.2%	+0.6%
- Secondary South Trade Area	-	+0.9%	+0.3%	+0.1%	+0.0%	+0.1%
- Secondary West Trade Area	-	+0.6%	+2.0%	+1.4%	+1.1%	+1.1%
Main Trade Area	-	+1.1%	+1.9%	+1.8%	+1.9%	+1.5%
Average Annual Growth (No.)						
Primary Trade Area	**-**	**+4,650**	**+7,200**	**+7,880**	**+8,740**	**+8,080**
Secondary Trade Area	**-**	**+3,940**	**+6,570**	**+6,150**	**+7,530**	**+5,820**
- Secondary North Trade Area	-	+430	+620	+1,120	+4,030	+3,210
- Secondary East Trade Area	-	+2,220	+3,250	+2,970	+1,760	+850
- Secondary South Trade Area	-	+250	+100	+20	+20	+40
- Secondary West Trade Area	-	+1,030	+2,590	+2,040	+1,720	+1,720
Main Trade Area	**-**	**+8,590**	**+13,770**	**+14,030**	**+16,270**	**+13,900**

Source: ABS ERP Data, NSW Dept of Planning 2008 Population Forecasts, id Forecast for selected LGAs, NWSGA Precinct Plans and Essential Economics
Note: Figures are rounded

3.3 Retail Spending Analysis

In 2012 the residents of the MTA had total available retail expenditure of approximately $9,025m in 2012 dollars. This substantial level of expenditure reflects the extensive trade area that the proposed Costco store would serve.

The estimate of total available retail spending by MTA residents has 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 3.2.

Estimates of per capita spending are presented in Table 3.2, with total available spending shown in Table 3.3.

Retail spending per capita in the MTA is below the average for metropolitan Sydney as a whole, across all retail categories.

In the STA-East, spending by residents is above the Sydney average for all categories, reflecting the higher income demographic in this area.

Table 3.2 Main Trade Area per Capita Retail Expenditure, 2012 ($2012)

Trade Area	Food, Liquor, Grocery	Food Catering	Apparel	Home-wares	Bulky Merch	General Merch	Retail Services	Total Spend Per Capita
Per Capita Retail Spending								
Primary Trade Area	**$5,060**	**$1,600**	**$1,160**	**$900**	**$1,120**	**$1,660**	**$510**	**$12,010**
Secondary North Trade Area	$5,330	$1,720	$1,240	$960	$1,210	$1,790	$530	$12,780
Secondary East Trade Area	$5,590	$2,270	$1,630	$1,220	$1,420	$2,160	$680	$14,970
Secondary South Trade Area	$5,220	$1,690	$1,250	$930	$1,190	$1,760	$550	$12,590
Secondary West Trade Area	$5,340	$1,740	$1,250	$970	$1,260	$1,810	$550	$12,920
Total Secondary Trade Area	**$5,410**	**$1,920**	**$1,380**	**$1,050**	**$1,300**	**$1,920**	**$590**	**$13,570**
Main Trade Area	**$5,230**	**$1,750**	**$1,260**	**$970**	**$1,200**	**$1,780**	**$550**	**$12,740**
Metro Sydney	*$5,250*	*$2,000*	*$1,360*	*$1,040*	*$1,170*	*$1,890*	*$580*	*$13,290*
Variation from Metro Sydney average								
Primary Trade Area	**-3.6%**	**-20.0%**	**-14.7%**	**-13.5%**	**-4.3%**	**-12.2%**	**-12.1%**	**-9.6%**
Secondary North Trade Area	+1.5%	-14.0%	-8.8%	-7.7%	+3.4%	-5.3%	-8.6%	-3.8%
Secondary East Trade Area	+6.5%	+13.5%	+19.9%	+17.3%	+21.4%	+14.3%	+17.2%	+12.6%
Secondary South Trade Area	-0.6%	-15.5%	-8.1%	-10.6%	+1.7%	-6.9%	-5.2%	-5.3%
Secondary West Trade Area	+1.7%	-13.0%	-8.1%	-6.7%	+7.7%	-4.2%	-5.2%	-2.8%
Total Secondary Trade Area	**+3.0%**	**-4.0%**	**+1.5%**	**+1.0%**	**+11.1%**	**+1.6%**	**+1.7%**	**+2.1%**
Main Trade Area	**-0.4%**	**-12.5%**	**-7.4%**	**-6.7%**	**+2.6%**	**-5.8%**	**-5.2%**	**-4.1%**

Source: MarketInfo and Essential Economics

Total retail spending by residents of the MTA is shown in Table 3.3, 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 forecast growth in the MTA population shown in Table 3.1.

In terms of spending by retail category, considerable growth is forecast in non-food retail expenditure, with average annual growth of 3.9% in spending by MTA residents over the period 2012 to 2030. This represents a higher growth rate than is expected in food retailing (2.6% pa).

Over the whole period, total retail expenditure is forecast to increase from $9,025m in 2012 to $15,630m in 2030, representing a very considerable increase in spending capacity to support new retail development.

Table 3.3 Main Trade Area Forecasts Retail Expenditure, 2012 to 2030

Retail Category	2012	2015	2020	2025	2030	AAGR 2012-2030
Food, Liquor, Grocery	$3,702 m	$3,968 m	$4,449 m	$5,013 m	$5,534 m	+2.4%
Food Catering	$1,237 m	$1,360 m	$1,585 m	$1,850 m	$2,115 m	+3.1%
Food	***$4,938 m***	***$5,328 m***	***$6,034 m***	***$6,863 m***	***$7,648 m***	***+2.6%***
Apparel	$893 m	$978 m	$1,153 m	$1,363 m	$1,577 m	+3.3%
Homewares	$689 m	$774 m	$959 m	$1,191 m	$1,448 m	+4.3%
Bulky Merchandise	$853 m	$940 m	$1,108 m	$1,310 m	$1,518 m	+3.4%
General Merchandise & Leisure	$1,262 m	$1,422 m	$1,761 m	$2,187 m	$2,661 m	+4.3%
Non-Food	***$3,697 m***	***$4,114 m***	***$4,980 m***	***$6,051 m***	***$7,204 m***	***+3.9%***
Retail Services	$390 m	$433 m	$528 m	$648 m	$778 m	+4.0%
Total available retail-spending	**$9,025 m**	**$9,875 m**	**$11,542 m**	**$13,562 m**	**$15,630 m**	**+3.2%**

Source: Population forecasts (Table 3.1), MarketInfo and Essential Economics
Note: Average Annual Growth Rate (AAGR)

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 $3,395m in annual retail spending over the period 2012-2030).

Table 3.4 Trade Area Sectors Forecasts Retail Expenditure, 2012 to 2030

Trade Area/Spending Category	2012	2015	2020	2025	2030	AAGR 2012-2030
Primary Trade Area						
Food	$2,520 m	$2,714 m	$3,085 m	$3,510 m	$3,938 m	+2.6%
Non-Food	$2,026 m	$2,250 m	$2,736 m	$3,333 m	$4,004 m	+3.9%
Total Retail Spending	**$4,547 m**	**$4,964 m**	**$5,821 m**	**$6,843 m**	**$7,941 m**	**+3.2%**
Total Secondary Trade Area						
Food	$2,418 m	$2,614 m	$2,949 m	$3,353 m	$3,711 m	+2.5%
Non-Food	$2,060 m	$2,297 m	$2,773 m	$3,366 m	$3,978 m	+3.8%
Total Retail Spending	**$4,478 m**	**$4,912 m**	**$5,722 m**	**$6,719 m**	**$7,689 m**	**+3.2%**
Main Trade Area						
Food	$4,938 m	$5,328 m	$6,034 m	$6,863 m	$7,648 m	+2.6%
Non-Food	$4,086 m	$4,547 m	$5,509 m	$6,699 m	$7,982 m	+3.9%
Total Retail Spending	**$9,025 m**	**$9,875 m**	**$11,542 m**	**$13,562 m**	**$15,630 m**	**+3.2%**

Source: Population forecasts (Table 3.1), MarketInfo and Essential Economics
Note: Average Annual Growth Rate (AAGR)

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 North 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 (+$2,518m over the eight years to 2020) 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/m^2, and allowing for 15% of new retail spending in internet-only sales, this amount of new spending would support more than 335,000m^2 of new retail floorspace development. The Costco development (at 14,300m^2) represents just 4.2% of this retail development opportunity.

Note that this comparison is inflated because Costco also serves a wholesale role to the business sector.

3.4 Retail Sales by Type

The proposed Costco store at Marsden Park is forecast to generate sales of approximately $140m (2012 dollars) in 2015, which is taken as the first full year of trading. This estimate is based on our own expectations of trading performance, as well as discussions with Costco and consideration of sales levels achieved at 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 $94.8m) 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 Costco Marsden Park Forecast Turnover, 2015

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%	$96.6m	65%	$62.8m	66.2%
Food Court/Cafe	1%	$1.4m	90%	$1.3m	1.3%
Apparel	4%	$5.6m	100%	$5.6m	5.9%
Homewares	6%	$8.4m	80%	$6.7m	7.1%
Bulky Merchandise	6%	$8.4m	75%	$6.3m	6.6%
General Merchandise	11%	$15.4m	70%	$10.8m	11.4%
Retail Services	1%	$1.4m	95%	$1.3m	1.4%
Non-Retail	2%	$2.8m	0%	na	na
Total	100%	$140.0m	67.7%	$94.8m	100%

Source: Costco Wholesale, Essential Economics

Sales of Food, Liquor and Groceries are expected to represent 66% of the total sales to households at the proposed store. Other major retail categories include General Merchandise (11.4%), Bulky merchandise (6.6%), and Homewares (7.1%).

3.5 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 $94.8m in 2015 as shown in Table 3.5, which is assumed to be the first full year of operation.

An estimated $85.3m 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 $9.5m (or 10% of sales) captured from beyond this trade area.

These sales reflect very low market shares, with the total sales derived from the MTA ($85.3m in 2015) resulting in a market share of just 0.9% overall as shown in Table 3.6.

Table 3.6 Costco Marsden Park Forecast Market Share from MTA, 2015 ($2012)

Retail Type	Food, Liquor, Grocery	Food Catering	Apparel	Home-wares	Bulky Merch	General Merch	Retail Services	Total Sales to MTA
Sales to H'hlds	$62.8m	$1.3m	$5.6m	$6.7m	$6.3m	$10.8m	$1.3m	$94.8m
Sales from MTA	$56.5m	$1.1m	$5.0m	$6.0m	$5.7m	$9.7m	$1.2m	$85.3m
MTA Spending	$3,968m	$1,360m	$978m	$774m	$940m	$1,422m	$433m	$9,875m
Market Share	*1.4%*	*0.1%*	*0.5%*	*0.8%*	*0.6%*	*0.7%*	*0.3%*	*0.9%*

Source: Essential Economics

Across the retail categories the projected market share also low, with the highest market share being 1.4% in the Food, Liquor and Groceries market and 0.8% in Homewares.

These market shares are very low, reflecting the extensive 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.

3.6 Conclusion

A new Costco at the subject site in Marsden Park is expected to serve a large main trade area, with a forecast resident population of 749,530 in 2015, which is expected to be the first full year of operation. The level of available retail spending of these residents is considerable, with total available spending of $9,875m in 2015, and with substantial growth thereafter. By 2020, the MTA is expected to have available spending of $11,542m (in constant 2012 prices).

With sales of $140m 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 0.9% of available spending in 2015. 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 IMPACT ASSESSMENT

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

Retail trading impacts are considered at the centre-wide level, with the emphasis on identifying the 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.

4.1 Regional Impact

The proposed new Costco store at Marsden Park is expected to generate $140m in turnover in its first full year of trading in 2015, of which an estimated $85.3m would be drawn in retail sales from residents of the MTA.

An assessment of the overall regional impact arising from the introduction of a new Costco at Marsden Park in 2015 is presented in Table 4.1. This considers the extent to which growth in MTA spending 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.

Even with the introduction of Costco Marsden Park in 2015, an additional $765m in new retail spending will be generated in the identified MTA over the period 2012 to 2015. This available spending will be directed to centres within the MTA and beyond, supporting existing retailers and leading to opportunities for retail expansion.

Costco will have only a minor effect on the spending patterns in the wider region, and only partly meet the significant demand for new retail floorspace that is required to serve the population of the North West Growth Centre and the wider MTA.

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 Costco Marsden Park Regional Impact Assessment, 2015

	2012	2015	2020	2025	2030
Costco Marsden Park					
Costco Marsden Park Turnover from Main Trade Area ($m)[1]		$85.3m	$99.7m	$117.7m	$136.5m
Main Trade Area Retail Spending ($m)	$9,025m	$9,875m	$11,542m	$13,562m	$15,630 m
Main Trade Area T/O to Other Centres ($m)[2]	$9,025m	$9,790m	$11,443m	$13,444m	$15,494 m
Change in Turnover to Other Centres Relative to 2012 ($m)		**+$765m**	**+$2,418m**	**+$4,419m**	**+$6,469m**

Source: Essential Economics
Note: (1) Assumes constant MTA Market Share; (2) Excludes Costco Marsden Park

4.2 Competition

Costco Marsden Park will serve a MTA that extends across much of north-west Sydney (see also Chapter 3). Within this region, a large number of centres and freestanding big box and other retailers serve the retail needs of residents.

A list of the main centres identified as competing with Costco Marsden Park for a share of retail spending by MTA residents is shown in Table 4.2.

In addition to the centres listed in Table 4.2, many smaller neighbourhood and small village centres serve the convenience retail and service needs of MTA residents. These centres have not been explicitly identified for the purposes of this assessment as they are unlikely to experience a meaningful trading impact from the proposed Costco store which offers regional-level destination retailing. Costco Marsden Park's MTA is overlaid with the Sydney Metropolitan Plan activity centre hierarchy in Map 4.1. Centres classified as village and above have been included in the impact assessment, along with major homemaker centres.

The selected list of centres serving the MTA have total retail floorspace provision estimated at approximately 1,415,050m^2, as shown in Table 4.2.

Detailed calculations of current (2012) turnover performance for these centres are shown in Table 4.3, and are based on published data, where available, and where data is not available on the application of typical average retail performance. According to these estimates, the identified centres serving the MTA have combined annual turnover of approximately $8,163m in 2012.

The estimated share of total centre turnover that would be derived from MTA residents is also estimated in Table 4.3 and is based on our understanding of likely trading patterns.

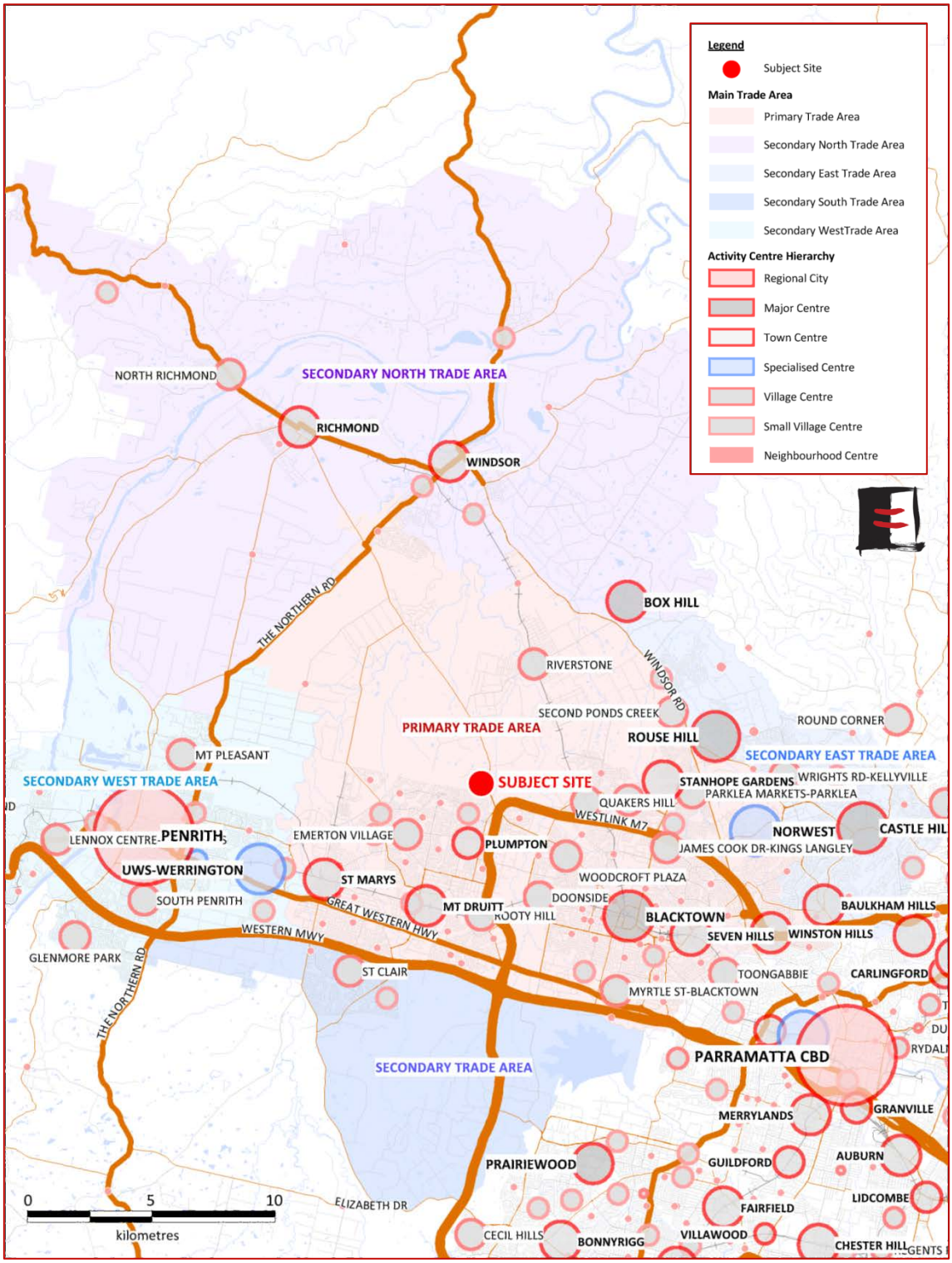
According to this analysis, approximately 69% of all turnover achieved by the selected centres can be attributable to spending by residents in the MTA. Having regard for the level of available retail spending in the MTA ($9,622m in 2012), this represents an aggregate market share of 61.5% of total MTA 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. A share of sales will also be internet-only retail spending, that is, sales via the internet that do not have a local 'bricks and mortar' component.

The most significant individual centre in terms of market share is the Penrith CBD, which captures a total of 8.0% of total spending by MTA residents. However, the analysis shows that the Blacktown CBD and Castle Hill are also very significant shopping destinations.

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 4.3.

Figure 4.1 Competition Map



Source: MapInfo, Department of Planning and Infrastructure, Essential Economics

Table 4.2 Selected Competing Centres by Trade Area Sector

Centre	Estimated Retail Floorspace	Department Store	Discount Department Store	Other Tenants
Primary Trade Area				
Marsden Park Town Centre (Proposed)	-	-	-	-
Blacktown	110,000m^2	Myer	Big W, Target, Kmart	Woolworths, Coles, Franklins
Mt Druitt	69,000m^2	-	Target, Kmart	Woolworths, Coles, Best & Less, Go:Lo, Rebel Sport
St Marys	44,500m^2	-	Target	Woolworths
Stanhope Village	15,500m^2	-	Kmart	Coles
Bella Vista	26,000m^2	-	-	Bunnings, Harvey Norman, Nick Scali
Homebase - Prospect	25,500m^2	-	-	Fantastic Furniture, Good Guys, Freedom
Blacktown Megacenta	25,000m^2	-	-	Bunnings, Harvey Norman
Winston Hills	22,500m^2	-	Big W	Coles, Woolworths, ALDI
Seven Hills	19,500m^2	-	-	Woolworths, Coles, ALDI
Plumpton	18,500m^2	-	Big W	Woolworths
Norwest	13,500m^2	-	-	Woolworths, Coles
Rooty Hill/ Rooty Hills South	9,500m^2	-	-	IGA
Parklea Markets-Parklea	9,500m^2	-	-	-
Riverstone	8,000m^2	-	-	SupaIGA
The Ponds (opening 2014)	7,000m^2	-	-	supermarket
James Cook Dr-Kings Langley	6,500m^2	-	-	Coles, Woolworths
Doonside	5,500m^2	-	-	SupaIGA
Other Selected Centres	*34,350m^2*			
Sub-Total of Selected Centres	**469,850m^2**			
Secondary North Trade Area				
Richmond Town Centre	34,500m^2	-	Big W	Woolworths
Windsor Town Centre	21,400m^2	-	Country Target	Coles
Home Central - McGrath's Hill	16,500m^2	-	-	Bunnings, Harvey Norman
Mulgrave Homemaker Centre	15,000m^2	-	-	Bunnings, Harvey Norman
North Richmond	5,000m^2	-	-	Coles
Box Hill Town Centre (Proposed)	-	-	-	-
Sub-Total of Selected Centres	**92,400m2**			
Secondary East Trade Area				
Castle Hill	125,000m^2	David Jones, Myer	Target, Kmart	Bi:Lo, Dan Murphy's, Coles
Castle Hill Homemaker Centres	88,000m^2	-	-	Harvey Norman, Officeworks, Good Guys, Spotlight, Bing Lee
Rouse Hill	69,000m^2	-	Big W, Target	Coles, Woolworths
Baulkham Hills	17,500m^2	-	-	Coles, Woolworths, ALDI
Wrights Rd-Kellyville	10,000m^2	-	-	Coles, Woolworths, IGA
Other Selected Centres	*8,500m^2*			
Sub-Total of Selected Centres	**318,000m^2**			

Table 4.2 (continued)

Centre	Estimated Retail Floorspace	Department Store	Discount Department Store	Other Tenants
Secondary South Trade Area				
Minchinbury Homemaker	12,000m^2	-	-	Bunnings
St Clair	12,000m^2	-	-	Woolworths
Erskine Park	5,500m^2	-	-	ALDI
Sub-Total of Selected Centres	**29,500m^2**			
Secondary West Trade Area				
Penrith	146,000m^2	Myer	Big W, Target, Kmart	Coles, Woolworths., Franklins, ALDI, Good Guys, Officeworks
Penrith Homemaker Centre	47,000m^2	-	-	Bing Lee, Anaconda, Harvey Norman, Domayne
South Penrith	23,500m^2	-	-	-
Glenmore Park	18,000m^2	-	-	Woolworths
Emu Plains	14,000m^2	-	-	Woolworths, ALDI, Go:Lo
Other Selected Centres	*50,300*m^2			
Sub-Total of Selected Centres	**298,800m^2**			
Centres beyond the MTA				
Westfield Hornsby	100,000m^2	David Jones, Myer	Big W, Kmart, Target	Coles, Woolworths, Rebel, Bing Lee, Dan Murphy's
Stockland Wetherill Park	51,000m^2	-	Big W, Target	Woolworths, Franklins, Best & Less
Carlingford Court	33,000m^2	-	Target	Coles, Woolworths
Westfield North Rocks	22,500m^2	-	Kmart	Coles
Sub-Total of Selected Centres	**206,500m^2**			
Total Selected Centres	**1,415,050m^2**			

Source: Shopping Centre News, Property Council NSW Shopping Centre Directory, Essential Economics, and various consultant reports

Table 4.3 Trading Patterns and Market Shares for Competing Centres by Trade Area Sector, 2012

Centre	Estimated Retail Floorspace	Estimated Average Sales/m^2	Estimated Total Sales/Yr	Estimated Share Attributable to MTA Residents	Estimated Total Sales drawn from MTA Residents	Market Share of MTA Spend
Primary Trade Area						
Marsden Park Town Centre (Proposed)	-	-	-	-	-	-
Blacktown	110,000m^2	$5,500/m^2	$600.0m	80%	$480.0m	5.3%
Mt Druitt	69,000m^2	$5,600/m^2	$388.5m	95%	$369.1m	4.1%
St Marys	44,500m^2	$6,000/m^2	$265.0m	95%	$251.8m	2.8%
Stanhope Village	15,500m^2	$6,700/m^2	$104.5m	95%	$99.3m	1.1%
Bella Vista	26,000m^2	$3,000/m^2	$78.0m	75%	$58.5m	0.6%
Homebase - Prospect	25,500m^2	$3,000/m^2	$76.5m	50%	$38.3m	0.4%
Blacktown Megacenta	25,000m^2	$3,000/m^2	$75.0m	65%	$48.8m	0.5%
Winston Hills	22,500m^2	$8,600/m^2	$194.5m	50%	$97.3m	1.1%
Seven Hills	19,500m^2	$6,100/m^2	$119.5m	60%	$71.7m	0.8%
Plumpton	18,500m^2	$7,300/m^2	$134.2m	100%	$134.2m	1.5%
Norwest	13,500m^2	$7,000/m^2	$94.5m	100%	$94.5m	1.0%
Rooty Hill/ Rooty Hills South	9,500m^2	$6,000/m^2	$57.0m	100%	$57.0m	0.6%
Parklea Markets-Parklea	9,500m^2	$3,700/m^2	$35.0m	95%	$33.3m	0.4%
Riverstone	8,000m^2	$6,000/m^2	$48.0m	100%	$48.0m	0.5%
The Ponds (Proposed)	7,000m^2	$4,000/m^2	$28.0m	100%	$28.0m	0.3%
James Cook Dr-Kings Langley	6,500m^2	$7,000/m^2	$45.5m	95%	$43.2m	0.5%
Doonside	5,500m^2	$6,000/m^2	$33.0m	100%	$33.0m	0.4%
Other Selected Centres	*34,350m^2*	*$6,277/m^2*	*$215.6m*	*98%*	*$211.6m*	*2%*
Sub-Total of Selected Centres	**484,350m^2**	**$5,352/m^2**	**$2,592.3m**	**83.7%**	**$2,197.3m**	**24.3%**
Secondary North Trade Area						
Richmond Town Centre	34,500m^2	$6,500/m^2	$225.0m	95%	$213.8m	2.4%
Windsor Town Centre	21,400m^2	$6,600/m^2	$142.0m	95%	$134.9m	1.5%
Home Central - McGrath's Hill	16,500m^2	$3,000/m^2	$49.5m	75%	$37.1m	0.4%
Mulgrave Homemaker Centre	15,000m^2	$3,000/m^2	$45.0m	75%	$33.8m	0.4%
North Richmond	5,000m^2	$7,500/m^2	$37.5m	65%	$24.4m	0.3%
Box Hill Town Centre (Proposed)	-	-	-	-	-	-
Sub-Total of Selected Centres	**92,400m^2**	**$5,400/m^2**	**$499.0m**	**89.0%**	**$443.9m**	**4.9%**
Secondary East Trade Area						
Castle Hill	125,000m^2	$6,822/m^2	$852.8m	60%	$511.7m	5.7%
Castle Hill Homemaker Centres	88,000m^2	$3,500/m^2	$308.0m	45%	$138.6m	1.5%
Rouse Hill	69,000m^2	$4,900/m^2	$335.0m	85%	$284.8m	3.2%
Baulkham Hills	17,500m^2	$8,000/m^2	$140.0m	60%	$84.0m	0.9%
Wrights Rd-Kellyville	10,000m^2	$8,500/m^2	$85.0m	95%	$80.8m	0.9%
Other Selected Centres	*8,500m^2*	*$7,212/m^2*	*$61.3m*	*71%*	*$43.4m*	*0.5%*
Sub-Total of Selected Centres	**318,000m^2**	**$5,604/m^2**	**$1,782.1m**	**64.1%**	**$1,143.1m**	**12.7%**
Secondary South Trade Area						
Minchinbury Homemaker	12,000m^2	$3,700/m^2	$44.0m	80%	$35.2m	0.4%
St Clair	12,000m^2	$6,000/m^2	$72.0m	90%	$64.8m	0.7%
Erskine Park	5,500m^2	$5,600/m^2	$31.0m	100%	$31.0m	0.3%
Sub-Total of Selected Centres	**29,500m^2**	**$4,983/m^2**	**$147.0m**	**89.1%**	**$131.0m**	**1.5%**

Table 4.3 (continued)

Centre	Estimated Retail Floorspace	Estimated Average Sales/m^2	Estimated Total Sales/Yr	Estimated Share Attributable to MTA Residents	Estimated Total Sales drawn from MTA Residents	Market Share of MTA Spend
Secondary West Trade Area						
Penrith	146,000m^2	$6,550/m^2	$958.1m	75%	$718.6m	8.0%
Penrith Homemaker Centre	47,000m^2	$6,250/m^2	$293.8m	60%	$176.3m	2.0%
South Penrith	23,500m^2	$7,300/m^2	$171.1m	80%	$136.9m	1.5%
Glenmore Park	18,000m^2	$6,500/m^2	$117.0m	60%	$70.2m	0.8%
Emu Plains	14,000m^2	$7,800/m^2	$109.0m	75%	$81.8m	0.9%
Other Selected Centres	*50,300m^2*	*$5,706/m^2*	*$287.0m*	*83%*	*$237.6m*	*2.6%*
Sub-Total of Selected Centres	**298,800m^2**	**$6,479/m^2**	**$1,935.9m**	**73.4%**	**$1,421.2m**	**15.7%**
Centres beyond the MTA						
Westfield Hornsby	100,000m^2	$6,100/m^2	$614.4m	15%	$92.2m	1.0%
Stockland Wetherill Park	51,000m^2	$5,300/m^2	$269.0m	15%	$40.4m	0.4%
Carlingford Court	33,000m^2	$5,500/m^2	$182.2m	25%	$45.6m	0.5%
Westfield North Rocks	22,500m^2	$6,300/m^2	$141.6m	25%	$35.4m	0.4%
Sub-Total of Selected Centres	**206,500m^2**	**$5,846/m^2**	**$1,207.2m**	**18%**	**$213.5m**	**2.4%**
Total Selected Centres	**1,429,550m^2**	**$5,711/m^2**	**$8,163.5m**	**67.6%**	**$5,550.0m**	**61.5%**

Source: Shopping Centre News, Property Council NSW Shopping Centre Directory, Essential Economics, and various consultant reports

4.3 Potential Trading Impacts

The Costco at Marsden Park is expected to draw from an extensive trade area, which is a feature of Costco operations. As indicated in Table 4.2 and Table 4.3, a large number of Major, Town and Village shopping centres are located within the Costco MTA. In 2012, these centres generated total retail sales estimated at $8,163m (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 $9,001m in 2015 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 61.5% to 63.7%, which is associated with the expansion of Stanhope Village and the development of The Ponds centre and a Masters store at Rouse Hill. These retailers are expected to be trading prior to the opening of the proposed Costco store.

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 2015 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 Blacktown CBD is estimated to achieve a 5.5% market share of MTA spending, the analysis assumes that approximately 13.75% of the distributed impact would be experienced at this centre, as a major

regional retail facility serving the MTA and as a large activity 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 ($85.3m as shown in Table 3.6).

4 Present these calculations of expected loss of turnover at existing centres in 2015 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 4.3 shows that the introduction of a new Costco store at Marsden Park 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 across the Blacktown CBD of -$11.6m, yet this represents just a loss of 1.8% of the total turnover that would otherwise have been achieved in 2015. Importantly, even with this marginal reduction in turnover, the centre would still be achieving significant growth in turnover over the period 2012 to 2015.

Other centres that are among those with the highest impact are Mt Druitt (-$9.0m), Penrith CBD (-$8.7m), Castle Hill (-$6.2m) and Rouse Hill (-$6.1m), yet the impact in each case is estimated to be very minor, at around -0.7% to -2.1 % of sales.

Across all affected centres in the Primary Trade Area, impacts are expected to average a -1.4% loss of turnover compared with the situation in the absence of the Costco store, while impacts on the secondary trade areas are expected to average -0.9%.

It is expected that the Costco store will have no net negative impact on other traders that will locate in Marsden Park and commence trading prior to the operations of the proposed Costco store. 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 positive impact will be likely to outweigh any trading impacts. Furthermore, the direct competition between Costco and other bulky goods traders in the Marsden Park Industrial Precinct is likely to be limited due to the different core product ranges offered between the various traders.

The results of this retail trading impact analysis lead to the conclusion that the introduction of Costco at Marsden Park 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 Auburn; 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, 2015

Centre	Estimated Total Sales in 2012	Estimated Total Sales in 2015 (*) (No Costco)	Market Share of MTA Spending	Distribution of Costco Impact	Costco Impact on 2015 Sales
Primary Trade Area					
Marsden Park Town Centre (Proposed)	-	-	-	-	-
Blacktown	$600.0m	$656.6m	5.5%	-$11.6m	-1.8%
Mt Druitt	$388.5m	$425.2m	4.2%	-$9.0m	-2.1%
St Marys	$265.0m	$290.0m	2.9%	-$3.7m	-1.3%
Stanhope Village	$104.5m	$146.6m	1.4%	-$2.2m	-1.5%
Bella Vista	$78.0m	$85.4m	0.7%	-$0.9m	-1.0%
Homebase - Prospect	$76.5m	$83.7m	0.4%	-$0.6m	-0.7%
Blacktown Megacenta	$75.0m	$82.1m	0.6%	-$0.9m	-1.2%
Winston Hills	$194.5m	$212.9m	1.1%	-$1.4m	-0.7%
Seven Hills	$119.5m	$130.8m	0.8%	-$0.9m	-0.7%
Plumpton	$134.2m	$146.9m	1.5%	-$2.6m	-1.8%
Norwest	$94.5m	$103.4m	1.1%	-$1.4m	-1.3%
Rooty Hill/ Rooty Hills South	$57.0m	$62.4m	0.6%	-$0.8m	-1.3%
Parklea Markets-Parklea	$35.0m	$38.3m	0.4%	-$0.5m	-1.3%
Riverstone	$48.0m	$52.5m	0.5%	-$0.9m	-1.8%
The Ponds (Proposed)	-	$29.9m	0.3%	-$0.4m	-1.3%
James Cook Dr-Kings Langley	$45.5m	$49.8m	0.5%	-$0.6m	-1.3%
Doonside	$33.0m	$36.1m	0.4%	-$0.6m	-1.6%
Other Selected Centres	*$215.6m*	*$236.0m*	*2.4%*	*-$2.1m*	*-1.0%*
Sub-Total of Selected Centres	**$2592.3m**	**$2868.5m**	**25.3%**	**-$40.9m**	**-1.4%**
Secondary North Trade Area					
Richmond Town Centre	$225.0m	$246.2m	2.4%	-$3.1m	-1.3%
Windsor Town Centre	$142.0m	$155.4m	1.5%	-$2.3m	-1.5%
Home Central - McGrath's Hill	$49.5m	$54.2m	0.4%	-$0.5m	-1.0%
Mulgrave Homemaker Centre	$45.0m	$49.2m	0.4%	-$0.4m	-0.8%
North Richmond	$37.5m	$41.0m	0.3%	-$0.3m	-0.7%
Box Hill Town Centre (Proposed)	-	-	-	-	-
Sub-Total of Selected Centres	**$499.0m**	**$546.1m**	**5.0%**	**-$6.6m**	**-1.2%**
Secondary East Trade Area					
Castle Hill	$852.8m	$933.2m	5.8%	-$6.2m	-0.7%
Castle Hill Homemaker Centres	$308.0m	$337.1m	1.6%	-$1.3m	-0.4%
Rouse Hill	$335.0m	$401.6m	3.5%	-$6.1m	-1.5%
Baulkham Hills	$140.0m	$153.2m	1.0%	-$0.8m	-0.5%
Wrights Rd-Kellyville	$85.0m	$93.0m	0.9%	-$0.8m	-0.8%
Other Selected Centres	*$61.3m*	*$67.1m*	*0.5%*	*-$0.4m*	*-0.6%*
Sub-Total of Selected Centres	**$1782.1m**	**$1985.3m**	**13.3%**	**-$15.8m**	**-0.8%**
Secondary South Trade Area					
Minchinbury Homemaker	$44.0m	$48.2m	0.4%	-$0.3m	-0.7%
St Clair	$72.0m	$78.8m	0.7%	-$0.9m	-1.2%
Erskine Park	$31.0m	$33.9m	0.4%	-$0.3m	-0.9%
Sub-Total of Selected Centres	**$147.0m**	**$160.9m**	**1.5%**	**-$1.6m**	**-1.0%**
Secondary West Trade Area					
Penrith	$958.1m	$1048.5m	8.2%	-$8.7m	-0.8%
Penrith Homemaker Centre	$293.8m	$321.5m	2.0%	-$2.1m	-0.7%
South Penrith	$171.1m	$187.3m	1.6%	-$1.3m	-0.7%
Glenmore Park	$117.0m	$128.0m	0.8%	-$0.7m	-0.5%
Emu Plains	$109.0m	$119.3m	0.9%	-$0.8m	-0.7%
Other Selected Centres	*$287.0m*	*$314.1m*	*2.7%*	*-$2.3m*	*-0.7%*
Sub-Total of Selected Centres	**$1935.9m**	**$2118.7m**	**16.2%**	**-$16.4m**	**-0.8%**

Table 4.4 (continued)

Centre	Estimated Total Sales in 2012	Estimated Total Sales in 2015 (*) (No Costco)	Market Share of MTA Spending	Distribution of Costco Impact	Costco Impact on 2015 Sales
Centres beyond the MTA					
Westfield Hornsby	$614.4m	$672.4m	1.0%	-$0.9m	-0.1%
Stockland Wetherill Park	$269.0m	$294.4m	0.5%	-$0.4m	-0.1%
Carlingford Court	$182.2m	$199.4m	0.5%	-$0.4m	-0.2%
Westfield North Rocks	$141.6m	$155.0m	0.4%	-$0.3m	-0.2%
Sub-Total of Selected Centres	**$1207.2m**	**$1321.1m**	**2.4%**	**-$2.1m**	**-0.2%**
Total Selected Centres	**$8163.5m**	**$9000.6m**	**63.7%**	**-$83.4m**	**-0.9%**
Impact on Other Centres				**-$11.4m**	
Costco Total Sales to Households ($140.0m x 70%)				**$94.8m**	

Source: Essential Economics, figures quoted in 2012 dollars

4.4 Implications for Land Use Planning

The proposed Costco Marsden Park store would play an important role in the provision of retail services to the North West Growth Centre, and the wider north-western part of the Sydney metropolitan area. Having regard for the fact that the development of the North West Growth Centre is a process expected to take 20-plus years, it is appropriate to consider any impact the proposed Costco may have in the function and role of the proposed activity centre hierarchy.

Considerations for North West Growth Centre

The North West Growth Corridor Plan prepared by the Department of Planning estimates that the North West Growth Centre will accommodate approximately 200,000 new residents when fully constructed.

In indicative terms, each resident could be expected to support in the order of 1.7m^2 of retail floorspace within the local centres hierarchy, in order to meet their day-to-day retail requirements. This estimate excludes the spending that will also be directed to higher-order centres outside the region, such as central Sydney and the Parramatta CBD.

On this basis, the population of the North West Growth Centre could eventually support approximately 340,000m^2 of retail floorspace in the centres hierarchy directly serving this region (i.e. 200,000 persons X 1.7m^2 per person).

The proposed Costco store of 14,300m^2 represents just 4.2% of this additional demand for retail floorspace in the North West Growth Centre. As the only Costco store directly serving the North West Growth Area, this suggests that the proposed store will have little, if any impact on the development of a robust and accessible hierarchy of centres serving the region.

Note that this share of 4.2% of potential retail demand does not take into account the high share of Costco sales which will be generated from non-residents of the North West Growth Centre, and the share of Costco sales to the business sector.

Table 4.5 Estimated Demand for Retail Floorspace by NWGC Residents

Description	
North West Growth Area Population at Full Development	200,000 persons
Demand for retail floorspace in local centres hierarchy[1]	1.7 m^2/person
Additional demand for local retail floorspace	**+340,000 m^2**
Costco Marsden Park Retail Floorspace	14,300 m^2
Costco Marsden Park share of additional local retail floorspace	**4.2%**

Source: NSW Dep't Planning NWGC Plan, and Essential Economics
1. Excludes CBD and other higher-order spending outside the region.

Support for development of Marsden Park Industrial Precinct

The decision by Costco to develop a store in the Marsden Park Industrial Precinct represents a major investment in an emerging business precinct. In combination with the planned investments by IKEA, Masters and Bunnings, the attraction of major national and international traders will support the development of the wider Marsden Park Industrial Precinct.

Development of a successful bulky goods and large-format retail precinct which attracts patronage from across north-west Sydney will enhance the attractiveness of Marsden Park Industrial Precinct as an investment location by increasing the market recognition of the precinct and exposing visitors to the range of services available across the precinct.

Furthermore, the presence of Costco may be attractive to potential business investors in the Industrial Precinct and Marsden Park Town Centre. For many businesses, the presence of a Costco will provide access to a range of wholesale and low-cost goods.

It is anticipated that the early success of the Marsden Park Industrial Precinct in attracting significant investment, including Costco, will serve as a catalyst for additional development opportunities.

4.5 Conclusion

This assessment of retail trading impacts shows that the proposed new Costco store at Marsden Park would be unlikely to create a significant adverse trading impact on other retail centres in the 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 2015, strong ongoing growth in retail spending in the MTA will mean that other opportunities for retail expansion over the period leading up to the opening of the store (2012 to 2015) and beyond (post 2015) will be supportable, including planned developments in the North West Growth Centre and elsewhere.

The measured impacts for nearby centres and major retail precincts are around a 0.9% loss of sales, which is very minor in the context of a competitive retail environment.

5 ECONOMIC OVERVIEW

This section presents an assessment of the effect of the proposed Costco Marsden Park store on net community benefit.

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 a 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.

5.1 Contribution to Planning Objectives

The proposed Costco Marsden Park store is located on a site within the 'B5- Business Development Zone' in the Marsden Park Industrial Precinct. This area has been identified for the development of bulky retail type uses (amongst other large format uses), and is a site well-located for traders seeking access to a regional-level catchment, such as Costco. The proposed Costco will integrate with a range of other major brand large-format retailers expected to include IKEA, Masters and Bunnings.

It is concluded that the development is in accordance with local and state planning policy. This has 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 Blacktown CBD) would not be adversely affected by the introduction of Costco at the subject site.

5.2 Contribution to North West Growth Centre

A specific objective for the Marsden Park Industrial Precinct is the creation of employment and investment opportunities which serve the population of the North West Growth Centre and surrounding areas.

With a total site area of approximately 550 hectares, it is important that the Industrial Precinct achieves strong levels of investment and activity early in the development cycle, which will become a catalyst for subsequent development activity. Strong interest from bulky goods and

large-format traders, including Costco, is consistent with this outcome. Development of the proposed Costco Marsden Park will create local employment and investment, as well as attract visitation and activity to the Industrial Precinct from across north-west Sydney.

Costco is estimated to achieve sales of approximately $140m in its first full year of operation, in 2015, and this has potential to attract a total of approximately 700,000 shopping visits to the precinct on an annual basis. The customer visitation generated by Costco is expected to benefit other traders in the surrounding precinct, and will provide some additional exposure to potential customers for businesses in the broader Marsden Park Industrial Precinct and adjacent Marsden Park Town Centre.

5.3 Competition Benefits

Costco Marsden Park will provide a new retail format to north-west Sydney which improves consumer choice and provides customers, including businesses, with a wide range of products at highly competitive prices.

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

Introduction of Costco to Marsden Park will contribute 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. 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.

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

5.4 Employment Outcomes

The proposed Costco Marsden Park would be expected to generate in the order of 330 employment positions when developed, and this is equivalent to an estimated 250 Full-Time Equivalent (FTE) 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 North West Growth Centre and the City of Blacktown, 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 FTE 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).

5.5 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 job, and 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.

5.6 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 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 0.9% of the available spending of MTA residents, and the trading impact would be equivalent to a reduction of just 0.9% of sales captured by a range of existing centres.

Costco Marsden Park is not expected to undermine the development of the proposed centres hierarchy in the North West Growth Centre, with the proposed Costco comprising just 4% of the total retail floorspace which might be supported locally by residents.

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.