

18 July, 2012

Chris Lalor
Acting Manager, Strategic Planning
Camden Council
PO Box 183,
Camden NSW 2570

Dear Chris,

Re: Narellan Town Centre Economic Impact Assessment - Peer Review

Introduction

Hill PDA was commissioned by Camden Council ('Council') to complete a peer review of the 'Narellan Town Centre: Economic Impact Assessment' ('the EIA') undertaken by Deep End Services (dated 30th May 2012). The EIA seeks to justify the proposed extension of Narellan Town Centre through the rezoning of adjacent land to B2 Local Centre zone as described in the Camden Local Environmental Plan 2010.

At the present time Narellan Town Centre contains around 37,000sqm of shopfront floorspace including Big W (6,500sqm), Woolworths (3,800sqm), Coles (3,400sqm) and an 8-screen United Cinema (4,000sqm).

The proposed extension which would be facilitated by the rezoning involves two stages as follows:

- Stage 1 (to be completed by 2015) would comprise an additional 33,000sqm (gross lettable area or GLA) of additional retail floorspace including two discount department stores and a relocated and expanded Coles supermarket, in addition to new mini-majors and specialty stores. Additional non-retail floorspace would also be provided.
- Stage 2 (to be completed by 2020) would add a 12,000sqm (GLA) department store tenant and further mini-majors and specialties of 7,100sqm (GLA).

As a result of these additional stages, the total quantum of retail floorspace provided in Narellan would increase to some 88,000sqm (GLA) by 2021.

Hill PDA provides a wide range of services including strategic asset management, feasibility studies, economic appraisal, economic impact analysis, strategic planning, urban planning, market research and analysis, financial modelling, retail analysis, property valuation, policy analysis, and more.

Note that the advice contained in this letter follows on from our previous peer review of the 'Narellan Town Centre: Retail Analysis' prepared by Deep End Services in August 2011. Our previous peer review (dated November 2011) concluded that:

*"In our view the rezoning can be justified in economic terms, given identified need in the local area and the proximity of the Subject Site to Narellan Town Centre. If the rezoning were to proceed, economic impact upon existing centres and in particular on Camden would need to be carefully considered and quantified once the final floorspace mix and timing or staging of development is known. The submission of an economic impact statement should be a requirement at the rezoning or DA stage... It should be mandatory that the applicant prepare an economic and social impact assessment and a sequential or net community benefit test in accordance with the Draft Centres Policy."*¹

The EIA is a response to these recommendations. Note that this letter focuses on examining the severity of the economic impact which would eventuate from the proposed expansion of Narellan Town Centre only. Our previous peer review has already established that the principle of rezoning this site to facilitate the development of additional retail floorspace is justified in demand terms.

Planning Policy

Our previous peer review (November 2011) undertook an analysis of the proposed development against State, sub-regional and local planning policies and it is not the intention of this letter to repeat these recommendations. Rather, this Section considers only the elements of the planning policy documents which are of direct relevance to economic impact considerations.

Draft Activity Centres Policy (April 2009)

The location of the proposed development site is such that it should be considered as forming part of Narellan Town Centre. Any adverse economic impact of the proposed development on existing retail facilities in Narellan Town Centre should be considered within the context of the overall impact on the trading level of the centre which would eventuate from the development (i.e. the turnover of the existing centre plus that of the additional retail floorspace).

The Draft Centres Policy requires that a Net Community Benefit Test (NCBT) be undertaken for all rezoning applications and this had not previously been completed by the applicant. A NCBT has been included in the EIA and the adequacy of this is reviewed in this letter.

We should note that the applicant has not sought to rectify the omission of a sequential site assessment as part of the EIA. The Draft Centres Policy states that all rezoning applications for out-of-centre sites must be accompanied by a sequential site assessment. The purpose of which is to demonstrate that there are no suitable or available sites to accommodate the proposed development within existing centres. Having said that, based on a desk-top examination of the zoned B2 Local Centre in Narellan Town Centre by Hill PDA, there appears to be limited opportunity to provide the proposed development elsewhere within the centre. Whilst the subject site is not located in the existing centre boundary, given limited opportunities to accommodate additional development within the existing centre boundary,

¹ Source: Narellan Town Centre – Independent Peer Review, Hill PDA (24 November 2011)

the subject site provides the next best location and therefore should be considered an extension of the existing centre.

Draft Competition SEPP (July 2010)

The Draft SEPP indicates that the commercial viability of a development may not be taken into consideration by a consent authority in determining DAs. It also states that the commercial viability of individual businesses is not a relevant planning consideration. Rather, it is the overall impact upon the extent and adequacy of local community services and facilities (i.e. the centre as a whole) which is the pertinent consideration from a planning perspective.

Draft South West Subregional Strategy (2007)

The Draft South West Subregional Strategy states that Narellan should complement rather than compete with Camden Town Centre and should avoid duplicating functions. As we previously advised the development of up to 88,000sqm of retail floorspace in an expanded Narellan Town Centre is likely to result in Narellan drawing trade at the expense of Camden Town Centre.

On this basis, the assessment of economic impact should pay particular attention to the impact upon Camden Town Centre. The scale of retail floorspace proposed at Narellan should be of an appropriate level that it would not duplicate or replace the role and function of Camden Town Centre, if it is to comply with the draft Strategy.

Employment Prospects for South West Sydney, Hill PDA (2008)

This document, which is not adopted as planning policy, recommends the growth of Narellan Town Centre as a complementary town centre to Camden. This again emphasises the need for the economic impact upon Camden to be carefully considered when assessing any proposed development at Narellan.

Critique of Retail Analysis

Hill PDA has undertaken a detailed critique of the assumptions contained within the EIA. These are explored on an individual basis below.

Trade Area

The trade area in the EIA remains unchanged from that provided in the Narellan Town Centre: Retail Analysis (2011). It comprises:

- Primary trade area of Narellan – Camden.
- Secondary North trade area comprising a number of precincts in the South West Growth Centre (SWGC).
- Secondary South catchment of Wollondilly towns and rural areas (comprising 80% of the Wollondilly Shire).

As noted in our previous advice we consider this trade area to be reasonable.

Population

In terms of the population projections, we note that the EIA states that the population in the Secondary North sector in 2006 is 2,200 persons and in 2011 it is 2,635 persons. In the previous report, the population in 2011 is stated as being 2,200 persons. It is not clear why this discrepancy has occurred.

Furthermore, we have checked the population assumptions in the EIA against the Forecast.id data referenced. It would appear that for the Secondary North trade area the Forecast.id projections are well below those of the EIA at 2017 and 2021. It is not possible to reconcile the data used in the EIA because the assumptions, and the source of these assumptions, have not been provided. Although full lot population estimates are provided, the assumed phasing of development to 2017 and 2021 has not been set out. Further information from the proponent would assist in determining whether these project forecasts for the Secondary North trade area are accurate.

It is also noted that based on our previous advice, it would be more prudent to show the population at 2016 rather than 2017. Stage 1 of the proposed development should be tested at 2016 (i.e. a full year after it has been completed).

It should also be noted that the 2011 ABS Census data has been published subsequent to the EIA. Analysis of the actual population for the trade area in 2011 differs from the estimated population as shown in the table below. Note, however, that as the trade area boundaries do not match census boundaries, 2011 ABS Census data has been apportioned as best as possible to the trade area and this may explain some of the differences.

Table 1 - Estimated verses Actual Population of the Trade Areas (2011)

Trade Area	2011 EIA*	2011 ABS Census	Difference
Primary	50,697	44,113	-6,584
Secondary North	2,635	2,280	-355
Secondary South	33,764	26,818	-6,946
Total	87,096	73,211	-13,885

* Narellan Town Centre - Economic Impact Assessment, Deep End Services (May 2012)

** ABS Census 2011

Household Retail Expenditure

The EIA sources household retail expenditure from a mixture of Marketinfo 2006/07 and Deloitte Access Economics data. We have compared this to our household expenditure data, which is sourced from Marketinfo 2009, and find it to be consistent. This approach differs from the previous floor area per capita rate methodology used in the Retail Analysis (2011), of which we were critical.

We agree that the spending potential of residents of the Secondary North trade area will increase over time reflecting the new provision of housing in this area which is likely to attract more affluent residents.

Although not explicitly stated in the EIA, from the data presented it appears that a real retail expenditure growth rate of 0.8% per annum has been used. In our view this is relatively modest and compares to a rate of 1.2% currently used by Hill PDA and which has been derived from tracking the historic trend since 1986.

Total Spending

Total retail spending is derived by multiplying per capita expenditure by population estimates. In reviewing the EIA we consider that the 2011 population estimates should be lower (based on the 2011 ABS Census which indicates a lower population) which in turn lowers available expenditure, but this would be mitigated to some extent by the higher real retail growth rate of 1.2% per annum that would be utilised by Hill PDA. That said, if resident expenditure is lower than forecast this will manifest in lower centre turnovers in 2011 and beyond.

The EIA does not provide an updated assessment of floorspace supply verses demand and therefore expenditure generated by residents in this context is only to inform the estimated turnover of centres.

Existing and Planned Centres

The floorspace data used in the EIA has been based on a combination of published data sources (Property Council of Australia Directory, Shopping Centre News) and floorspace surveys undertaken by Deep End Services in May and June 2012. We have compared these results to those derived from the Hill PDA database and these are broadly within a range of +/- 10%.

Generally we agree with the assessment and timing of proposed developments presented in the EIA, although our view is that the planned centre at Spring Farm is likely to comprise a larger component of retail floorspace than has been assumed in the EIA. This has been adjusted in our gravity models (see below).

We note that no allowance has been made for an increase in retail floorspace at Picton.

2011 Sales

The estimated turnover of existing centres in the EIA differs markedly from those quoted in the previous Retail Analysis (2011). To some extent this may reflect the more up-to-date data on existing floorspace which has been used. We concur with the turnovers of Mt Annan, Thirlmere, Claymore, Kearns, Raby and Rosemeadow, however in our view:

- The turnover of Narellan has been underestimated. Narellan Town Centre alone recorded a turnover of \$223.96m for the October 2010 to September 2011 period as sourced from Shopping Centre News (SCN) Little Guns (2011). By comparison the EIA estimates that without additional floorspace the turnover of the centre would be \$201.1m in 2016/2017, which is well below the 2010/2011 SCN turnover despite the growth which can be expected between 2011 and 2017.
- The turnover of Camden has been overestimated. Previously in the Retail Analysis it was \$95.4m which was deemed too low by Hill PDA, however we consider \$135.9m to be too high and above benchmark rates for similar sized "main street" shopping centres. In our view the turnover of the Camden is likely to be around \$110m which is consistent with our previous advice. Its performance is more likely to be the average for older main street centres.
- We believe that Harrington Plaza has a higher turnover than the \$21m assumed in the EIA. We estimate the turnover of this centre to be \$29m in 2011 consistent with our previous advice.

- Our estimated turnover levels for Picton and Tahmoor are slightly different from the EIA, however this is not a concern.
- Eagle Vale Marketplace has a higher reported turnover than the level assumed in the EIA at \$63.3m for the August 2010 to July 2011 period as sourced from SCN Mini Guns (2011).

We should note that trading data for Narellan Town Centre indicates that it's currently performing very well. The centre:

- Achieved a sales to floorspace level of \$8,278/sqm in 2010/11, being 23% above the median of \$6,748/sqm.
- Was ranked 23 out of 103 similar sized centres (of between 20,001sqm and 45,000sqm) nationally as recorded by SCN.
- Has increased its turnover by \$12.69m or 6% compared to the 2009/2010 period.

Economic Impact Assessment

Rather than examining the projected future sales and impacts derived in the EIA individually, Hill PDA has prepared bespoke gravity models to quantify the potential impacts.

The EIA states that the proposed Stage 1 would be developed in 2015 and Stage 2 in 2020. The economic impacts are then tested at 2017 and 2021 respectively.

In our view it is appropriate to test the economic impacts a year after opening, once the development has reached a settled pattern of trading. Therefore, Stage 1 should be tested at 2016 rather than 2017 given that the EIA states that the first phase will be completed by the end of 2015 (page 10 of the EIA). Testing the economic impact at 2017 allows for an extra year of growth and therefore under-estimates the extent of any impacts identified.

Our assessment of economic impact uses 2016 and 2021 as the test years.

Turnover

As a starting point, it is first necessary to calculate the turnover which would eventuate from the proposed development. The table below applies target turnover rates to the proposed floorspace to calculate the turnover of the proposed development in 2016 and 2021. Note that our target turnover rates include growth of 0.6% per annum reflecting the historic trend since 1986.

Table 2 - Narellan Town Centre: Marginal Turnover of the Proposed Development in 2016 and 2021

Retail Store Type	Total Additional Floorspace (sqm)**		Target Turnover (\$/sqm)***			Total Turnover (\$m)	
	2016	2021	2011	2016	2021	2016	2021
Coles	2,102	2,102	9,500	9,788	10,086	20.6	21.2
DDS* 1	6,200	6,200	4,000	4,121	4,247	25.6	26.3
DDS 2	5,500	5,500	4,000	4,121	4,247	22.7	23.4
Depart. Store	0	12,000	3,000	3,091	3,185	0.0	38.2
Mini-Majors	8,500	10,500	5,000	5,152	5,308	43.8	55.7
Specialties	10,363	15,463	5,500	5,667	5,839	58.7	90.3
Total	32,665	51,765				171.3	255.1

* DDS – discount department store.

** Source: Narellan Town Centre – Economic Impact Assessment, Deep End Services (May 2012)

*** Source: Various including ABS Retail Survey 1998-99, Shopping Centre News

Note: Target turnover levels are forecast to increase at a rate of 0.6% per annum above the CPI rate in line with the historic trend

The EIA does not calculate the additional turnover directly related to the additional floorspace proposed. However, based on the data presented in the EIA (Tables 14 and 15) we calculate this to be around \$175m in 2017 and \$272m in 2021 (i.e. more than that quantified by Hill PDA).

The main reason for the differing turnovers is a result of differing assumptions regarding target turnover rates used in the EIA and by Hill PDA. The difference is also partly explained by:

- Our turnover is calculated at 2016 rather than 2017.
- The EIA does not incorporate an allowance for target turnover increases to reflect the historic trend. As real retail growth has been allowed for in the EIA, target turnover growth should also be allowed for.

Gravity Modelling

To test the reasonableness of the economic impacts derived in the EIA, Hill PDA has prepared bespoke gravity models to consider the impact at 2016 and 2021. The main principles in the gravity model are that:

1. Like for like stores compete with one another. That is a grocery/ food retailer will compete with existing grocery/ food retailers in the locality, and likewise with specialty stores.
2. The level of redirected expenditure from a centre is directly proportional to the turnover of that centre. Hence more expenditure will be drawn from a centre that has higher trading levels.
3. The level of redirected expenditure from a centre is indirectly proportional to the distance from the subject site in terms of drive time. This is based on the premise that shoppers will try to minimise distance, time and travel costs when travelling to undertake shopping – particularly “chore” shopping (predominantly for food, groceries and other regular items).
4. Impacts of trade and business related sales are not included in the gravity models. Trade related expenditure is likely to be redirected from a wide variety of destinations, many of which are wholesale and trade warehouses located in industrial areas. As such, they have not been included here.

Note that the floorspace data has been derived from that provided in the EIA except for Liverpool and Campbelltown-Macarthur centres, where Hill PDA data has been used.

The EIA states that the impact on existing retailers in Narellan will be minor – \$0.4m loss in retail sales (-3.7%). We believe this to be hugely underestimated. Experience shows that when large centres expand average turnover per square metre levels fall significantly. We believe the loss on existing retailers in Narellan will be much higher – as high as \$50m or more – at least 15% if not 20% loss in sales. Clearly there is some duplication of retail store types with an expanded Coles supermarket and another two DDSs.

Whilst 20% loss in retail sales is significant this would not be grounds for refusal. Current trading levels suggest that Narellan can sustain a 20% adverse impact. Also the impacts on the existing traders would be viewed as a matter of competition between traders within the same centre if the proposal is viewed as an extension to the existing centre.

Nevertheless to test a high impact scenario on the other centres we have deliberately reduced the impacts on the existing retailers in Narellan. This means higher levels of trade need to be redirected from other centres in the locality. The impacts are summarised in the tables below.

Impact in 2016

The gravity model below models the impact of the proposed extension in 2016.

Table 3 - Retail Impact of Narellan Town Centre in 2016 (\$m 2010)

	1	2	3	4	5	6	7	8	9
Retail Centre	Distance from Subject Site (mins)	Approx. Retail Floor Space (sqm)	Turnover in 2011 (\$m)	Turnover in 2016 without Proposal (\$m)	Turnover in 2016 with Proposal (\$m)	Immediate Shift in Turnover (\$m)	% Shift in Turnover in 2016	Shift in turnover 2011 to 2016 (\$m)	% Shift in turnover 2011 to 2016
Proposed Centre					171.4	171.4			
Narellan TC		31,800	224.0	262.2	247.7	-14.4	-5.5%	23.8	10.6%
Total Centre		31,800	224.0	262.2	419.2	157.0	59.9%	195.2	87.2%
Camden	7.0	23,000	110.0	119.1	103.5	-15.6	-13.1%	-6.5	-5.9%
Harrington Plaza	5.0	3,600	29.0	33.9	29.1	-4.8	-14.3%	0.1	0.4%
Mount Annan	6.0	13,600	117.6	131.1	116.5	-14.6	-11.2%	-1.1	-1.0%
Thirlmere	33.0	2,800	12.2	13.9	13.7	-0.2	-1.4%	1.5	12.6%
Picton	23.0	9,550	60.0	70.2	68.5	-1.7	-2.4%	8.5	14.2%
Tahmoor	32.0	21,700	90.0	101.8	99.3	-2.5	-2.5%	9.3	10.4%
Turner Road	5.0	11,200	39.1	42.6	42.6	0.0	0.0%	3.4	8.8%
Campbelltown	13.0	127,300	527.0	570.5	543.7	-26.8	-4.7%	16.7	3.2%
Macarthur Square	12.0	75,200	537.3	581.7	526.4	-55.3	-9.5%	-10.9	-2.0%
Rosemeadow	16.0	7,350	55.0	59.5	57.6	-1.9	-3.2%	2.6	4.8%
Keams	14.0	1,200	6.7	7.1	6.9	-0.2	-3.3%	0.2	2.7%
Raby	15.0	1,450	8.3	8.8	8.5	-0.3	-3.4%	0.2	2.5%
Claymore	15.0	1,350	6.8	7.2	7.0	-0.2	-3.3%	0.2	2.7%
Eagle Vale	16.0	6,650	63.3	67.2	65.0	-2.2	-3.2%	1.7	2.7%
Spring Farm	7.0	-	-	42.8	38.4	-4.4	-10.2%	-	-
Oran Park	6.0	-	-	60.9	51.8	-9.1	-14.9%	-	-
Other Localities						-17.1			
TOTAL		337,750	1,886.3	2,180.7	2,197.8	0.0	0.8%	221.2	16.5%

1 Drivetime in minutes derived from Googlemaps.

2 Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA Floorspace Surveys.

3 Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.

4 Allows for population growth (variable for each centre) and real growth in retail spend per capita of 1.2% per annum in line with historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).

5 The turnover of localities following the proposed development. The forecast turnover of the proposed development is distributed between localities based on distance and size.

6 Immediate shift in turnover. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).

7 Immediate percentage shift is shift in turnover divided by the turnover in 2011 without the development proceeding.

8 This is the shift in turnover from 2011 to 2016 after the opening of the new development.

9 This is shift in turnover from 2011 to 2016 divided by the based turnover in 2011.

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

Based on this measure no centres will experience a strong impact – that is greater than 15% loss in trade. Five centres are expected to experience moderate to strong impacts (10% to 15% loss in trade). These centres are Oran Park, Camden, Harrington Plaza, Mount Annan and Spring Farm. Impacts on the remaining centres are expected to be below 10% and within acceptable normal competitive range. The centres with moderate to strong impacts are now considered.

- Oran Park will experience an impact of -14.9% or \$9.1m loss in trade. Oran Park will be a new centre in 2016 and we have assumed that it would trade at benchmark levels. An impact of this level would not jeopardise its commercial viability given the extent of population growth in its trade area beyond 2016.
- Harrington Plaza will experience an impact of -14.3% in trade or -\$4.8m. Although this is a relatively strong impact, Harrington Plaza is a well performing centre and can absorb this level of impact without its viability being jeopardised.
- Camden Town Centre will experience an impact of -13.1% in trade or -\$15.6m. Camden is currently performing similar to older strip centres but well below sub-regional centres indoor centres (as defined by PCA) and hence is more vulnerable to adverse impacts of this level. However, the centre can expect to experience some growth in the expenditure captured over the 2011 to 2016 period as a result of real expenditure growth and population growth in its trade area. This is discussed below.
- Mount Annan which will experience an impact of -11.2% or -\$14.6m. This centre is currently trading strongly at above benchmark levels and therefore can sustain an impact of this level.
- Spring Farm which will experience an impact a little over -10.2% loss in trade or -\$4.4m. This will be a new centre with a dedicated residential trade area and could sustain this level of impact.

These are point in time impacts only – the difference between the “do nothing” scenario and the scenario of expansion of Narellan Town Centre. It is also necessary to consider the growth in trade which these centres can expect between 2011 and 2016 and consider the identified point in time impacts in this context. As shown in columns 8 and 9 of Table 3, three centres are expected to experience negative growth in their trading levels between 2011 and 2016 following expansion of Narellan. These are Camden, Mount Annan and Macarthur Square. Macarthur Square and Mount Annan are trading above benchmark levels and the impacts being below 5% shift in trade from 2011 to 2016 are considered insignificant. The strongest impact will be on Camden with a shift in trade of 6% which is considered low. Within this context, we consider that the economic impacts of the proposed development are acceptable.

Again we reiterate that we believe the EIA has grossly underestimated the impacts on existing retailers in Narellan and that as much as \$50m or more would be redirected from them. Under this scenario the impacts on the above mentioned centres would be lessened. Camden would return to its 2011 trading levels by 2017 and all other centres would enjoy some growth in trade.

Notwithstanding this, we should note that the proposed development may adversely impact upon the chances of investment being secured for Camden Town Centre. In particular, with Narellan having all three discount department stores, the potential for a further DDS to be provided in Camden is likely to be limited.

Impact in 2021

The gravity model below models the impact of the proposed extension in 2021.

Table 4 - Retail Impact of Narellan Town Centre in 2021 (\$m 2010)

	1	2	3	4	5	6	7	8	9
Retail Centre	Distance from Subject Site (mins)	Approx. Retail Floor Space (sqm)	Turnover in 2011 (\$m)	Turnover in 2021 without Proposal (\$m)	Turnover in 2021 with Proposal (\$m)	Immediate Shift in Turnover (\$m)	% Shift in Turnover in 2021	Shift in turnover 2011 to 2021 (\$m)	% Shift in turnover 2011 to 2021
Proposed Centre Narellan TC					255.0	255.0			
		31,800	224.0	306.9	287.9	-18.9	-6.2%	64.0	28.6%
Total Centre		31,800	224.0	306.9	543.0	236.1	76.9%	319.0	142.4%
Camden	7.0	23,000	110.0	128.9	109.8	-19.1	-14.8%	-0.2	-0.1%
Harrington Plaza	5.0	3,600	29.0	39.7	33.7	-6.1	-15.3%	4.7	16.0%
Mount Annan	6.0	13,600	117.6	146.2	128.7	-17.5	-12.0%	11.1	9.4%
Thirlmere	33.0	2,800	12.2	14.4	14.2	-0.2	-1.6%	2.0	16.5%
Picton	23.0	9,550	60.0	74.6	72.6	-2.0	-2.6%	12.6	21.0%
Tahmoor	32.0	21,700	90.0	115.2	111.7	-3.5	-3.0%	21.7	24.1%
Turner Road	5.0	11,200	39.1	152.6	152.1	-0.5	-0.3%	113.0	289.0%
Campbelltown	13.0	127,300	527.0	617.7	583.5	-34.1	-5.5%	56.5	10.7%
Macarthur Square	12.0	75,200	537.3	629.8	556.4	-73.3	-11.6%	19.1	3.6%
Rosemeadow	16.0	7,350	55.0	64.5	62.2	-2.2	-3.5%	7.2	13.2%
Keams	14.0	1,200	6.7	7.5	7.3	-0.3	-3.5%	0.6	8.7%
Raby	15.0	1,450	8.3	9.4	9.0	-0.3	-3.7%	0.7	8.5%
Claymore	15.0	1,350	6.8	7.7	7.4	-0.3	-3.5%	0.6	8.8%
Eagle Vale	16.0	6,650	63.3	71.3	68.8	-2.5	-3.5%	5.5	8.8%
Spring Farm	7.0	-	-	44.9	40.1	-4.8	-10.7%	-	-
Oran Park	6.0	-	-	118.2	88.4	-29.8	-25.2%	-	-
Gregory Hills	8.0	-	-	44.9	40.9	-4.0	-9.0%	-	-
Leppington	13.0	-	-	95.5	85.4	-10.1	-10.5%	-	-
Other Localities						-25.5			
TOTAL		337,750	1,886.3	2,689.7	2,715.2	0.0	0.9%	574.2	43.9%

1 Drivetime in minutes derived from Googlemaps.

2 Various including Shopping Centre News, PCA Shopping Centres Directory, Hill PDA Floorspace Surveys.

3 Various including Shopping Centre News, PCA Shopping Centres Directory, Shopping Centre Annual Reports, Urbis Retail Averages, Other Consultancy Reports and Hill PDA Estimate.

4 Allows for population growth (variable for each centre) and real growth in retail spend per capita of 1.2% per annum in line with historic trend since 1986 (Hill PDA Calculation from ABS Retail Sales, population estimates and CPI indexes).

5 The turnover of localities following the proposed development. The forecast turnover of the proposed development is distributed between localities based on distance and size.

6 Immediate shift in turnover. This is difference between the development and the do nothing options (i.e. Column 4 minus Column 5).

7 Immediate percentage shift is shift in turnover divided by the turnover in 2011 without the development proceeding.

8 This is the shift in turnover from 2011 to 2021 after the opening of the new development.

9 This is shift in turnover from 2011 to 2021 divided by the based turnover in 2011.

In the high impact scenario three centres are expected to experience a strong or significant impact of over 15% being Oran Park, Harrington Plaza and Camden.

The impact on Oran Park is strong at an estimated -25.2% or -\$30m. Under normal circumstances this level of impact would be expected to adversely jeopardise the performance of a centre to the extent where its viability may be impacted. However, Oran Park will grow to accommodate some 50,000sqm floorspace when fully developed and is located within an area set to accommodate a significant increase in population. In light of this we consider this high level of impact to be sustainable by the centre.

The impact on Harrington Plaza is -15.3% or -\$6.1m. As noted previously, this centre performs well and is expected to benefit from population and real retail spend growth in the trade area over the 2011 to 2021 which will mitigate the point in time impacts projected.

Camden is forecast to experience a point in time impact of -14.8% or a \$19.1m loss of trade. In our review the centre could accommodate this level of impact without jeopardising its role or commercial viability. However as previously stated it is unlikely that any significant investment in the centre could be secured over the 2011 to 2021 period as a result.

A number of other centres are expected to experience impacts within the "moderate to high" (10% to 15%) and "low to moderate" (5% to 10%) range. These centres are:

- Mt Annan (-\$17.5m or -12.0% loss of trade). This level of impact could be absorbed by Mt Annan in light of its strong trading performance and the growth in trade it can be expected to experience over time.
- Macarthur Square (-\$73.3m or -11.6%). Current (2011 based) data indicates that the centre is trading a per square metre rate which is broadly comparable to similar sized centres in Australia (\$6,665/sqm, compared to the median of \$6,758/sqm²). In the context of this and of the projected total trading level of this centre in 2021 post-development (\$556m) an impact of this magnitude is sustainable.
- Spring Farm (-\$4.8m or -10.7%). Assuming that the centre trades at benchmark levels once it is developed in 2014/15, the levels of impact identified in 2016 and 2021 would be sustainable.
- Leppington (-\$10.1m or -10.5%). Retail facilities in Leppington would be at an early stage of development in 2021, and given the quantum of floorspace which will be developed in this centre (which is a Planned Major Centre) these levels of impact would be sustainable without prejudicing its commercial viability.
- Gregory Hills (-\$4.0m or -9.0%). This centre will be developed in 2016/17 and will predominantly serve a localised trade area in the newly built surrounding residential suburb. The vitality of the centre would not be threatened this level of impact.
- Campbelltown (-\$34.1m or -5.5%). This is a low level of impact in the context of the projected turnover of the centre in 2021 post-development (\$584m) this level of impact would not jeopardise the commercial viability of the centre.

We should note that over the 2011 to 2021 period all centres, with the exception of Camden, will experience an increase in their trading level even with the expansion of Narellan in the manner proposed. Camden Town Centre will experience a modest decline equivalent to just 0.1% of its current trading level.

We should reiterate that this is based on a high impact scenario within which the impact on existing retailers in Narellan is expected to be modest. In our view the impact on existing retailers in Narellan will be much greater than allowed for in our modelling, which will equate to a correspondingly lower impact on the other centres listed in the gravity model.

² Source: Shopping Centre News Big Guns 2012

Impact beyond 2021

The impacts of the proposed expansion of Narellan Town Centre on existing and planned centres in the surrounding area would diminish over time, as real expenditure and population growth increase the quantum of household expenditure available to be captured by retail centres.

The EIA does not model the economic impacts of the proposed development on centres which would be developed post-2021 (e.g. Catherine Field and Catherine Field North). Although the proposed development would have no impact on these centres in 2021 it could still adversely jeopardise their commercial viability beyond this point in time by capturing expenditure which would otherwise be available to support the new centres.

Notwithstanding this, Catherine Field and Catherine Field North would both be Town Centres, and the proposed development (as stated in our previous advice) would make Narellan perform a Major Centre type role (i.e. the centres would be performing different roles in the hierarchy). Given the level of population growth anticipated in the SWGC the development of Catherine Field and Catherine Field North would be viable even with the proposed expansion at Narellan.

With respect to Leppington, the economic impacts of the proposed development identified are sustainable. However as noted in our previous advice the development of a Myer store at Narellan would jeopardise the potential for a further store within Leppington, to Leppington's detriment. However, the commercial success of Leppington does not depend on the provision of a Myer store and trading impacts on individual retailers are not a planning concern (Competition SEPP).

EmploymentPermanent Employment Creation

We note that there appear to be a number of mathematical errors in the calculations of job numbers presented in Tables 19 and 20 of the EIA (e.g. supermarket jobs, non-retail jobs, specialty floorspace jobs do not add up).

Table 5 over the page recalibrates the data presented in Tables 19 and 20 concerning direct employment and compares these estimates to those derived by Hill PDA. Please note that this is for indicative purposes only given that the data presented in the EIA relates to Full Time Equivalent (FTE) jobs whereas that provided by Hill PDA represents full and part time jobs.

Table 5 - Direct Employment Creation Post Development

Retail Store Type	Additional Floorspace		Employment Ratio		Jobs Supported 2016		Jobs Supported 2021	
	2016	2021	EIA*	Hill PDA**	EIA*	Hill PDA**	EIA*	Hill PDA**
Coles	2,102	-	22.7	21.3	92	99	-	-
DDS 1	6,200	-	83.3	45	74	138	-	-
DDS 2	5,500	-	83.3	45	66	122	-	-
Depart. Store	-	12,000	83.3	45	-	-	144	267
Mini-Majors	8,500	2,000	100.0	30	85	283	20	67
Specialties	10,363	5,100	16.4	30	632	345	311	170
Non-retail	5,591	900	23.3	25	240	224	39	36
Total	32,665	20,000	-	-	1,190	1,211	514	539

* Full Time Equivalent. ** Full and Part Time.

Table 5 indicates that the EIA quantifies less jobs being supported than Hill PDA. However, Hill PDA estimates relate to full and part time jobs whereas the EIA refers to FTE. Currently one part time job equates to 0.5 of a full-time job. Assuming that half the employees in the proposed floorspace would be part-time, which reflects the more flexible nature of retail employment, this would equate to around 909 FTE jobs by 2016 and 403 FTE jobs in 2021 based on Hill PDA's estimates. Therefore employment would be lower than that calculated in the EIA.

We have not sought to quantify the indirect jobs supported by the proposed development but we acknowledge that the proposed development would support additional employment indirectly.

Construction Employment

The EIA indicates that the proposed development would cost in the order of \$233m. Based on our current economic multiplier and employment generation data (derived from a variety of sources including ABS Australian National Accounts: Input-Output Tables 1996-1997, Rawlinsons and IBIS World), we estimate that the proposed development would result in:

- Production induced effects of \$211m.
- Consumption induced effects of \$224m.
- Total economic effects of \$668m (capital input, production and consumption induced effects combined).
- 1,168 job years supported directly³.
- 911 job years through production induced effects.
- 2,721 job years through consumption induced effects.
- 4,800 job years in total (direct, production and consumption induced effects).

Our direct job year calculations are higher than those estimated in the EIA, although economic multipliers eventuating from the proposed development have not been quantified in the EIA.

We should note that the multiplier effects are national and not necessarily local. The ABS states that *"Care is needed in interpreting multiplier effects; their theoretical basis produces estimates which somewhat overstate the actual impacts in terms of output and employment. Nevertheless, the estimates illustrate the high flow-on effects of construction activity to the rest of the economy. Clearly, through its multipliers, construction activity has a high impact on the economy."*

Net Community Benefit Test

The Draft Centres Policy (2009) stipulates that a NCBT is required to accompany rezoning applications for Council consideration prior to this submission to the Department of Planning and Infrastructure through the Gateway test.

The requirements of an NCBT are that it evaluates the external costs and benefits of the proposal to the community, and should be assessed against a base case or cases (i.e. retaining the existing zoning or locating the development on appropriately zoned land in a centre).

³ Note: A job year is one full time job for one full year

In reviewing the NCBT we note that the EIA has omitted to consider the following:

- The level of available (or potentially available) floorspace in existing centres and, if any, why it cannot be used for the purposes proposed in the rezoning proposal.
- Infrastructure cost implications.
- Evaluation of the external costs and benefits of the proposal (i.e. the externalities) (Hill PDA emphasis).
- Whether the amended LEP is likely to create a precedent or create or change the expectations of the landowner or other landholders.
- Whether existing public infrastructure (roads, rail, utilities) is capable of servicing the proposed site.
- The extent of pedestrian, cycle and public transport access now or in the future.
- The impact on amenity in the location and in the wider community.
- Whether the public domain will improve.

We should also note that the NCBT should acknowledge both positive and negative benefits to the community which would eventuate from a proposed development, then form a view as to the net community benefit. The EIA only considers positive benefits. In our view, the main positive attributes of the scheme include:

- The economic impacts of the proposed development would be capable of being absorbed by existing and planned centres without jeopardising their commercial viability.
- Additional choice for residents of the trade area and reducing their need to travel.
- Price competition.
- Supporting jobs and economic growth in Camden LGA.
- Additional employment and economic multipliers impacts.
- Pedestrian links between the existing and proposed developments to encourage foot traffic.

Negative aspects include:

- Reduced potential for investment in other centres in the trade area particularly Camden.
- Loss of for redevelopment for alternative employment generating uses.
- Increased pressure on road network around Narellan Town Centre.

Based on the balance of positive and negative impacts of the proposed development, in our view the proposed development would deliver a net community benefit.

Summary and Conclusions

Our peer review has shown that:

- The EIA has not undertaken a sequential test as required by the draft Activity Centres Policy.

- The trade area used in the EIA is appropriate although we have some concerns about the accuracy of the population data used to inform the modelling which we believe may be over-estimated. 2011 ABS Census data providing actual population projections can now be used which provide a more accurate assessment of current and future population levels.
- The household retail expenditure data used is reasonable, although it is likely that the EIA has over-estimated the amount of expenditure available given our concerns regarding population projections.
- Our estimates on 2011 sales of existing centres differ somewhat from those used in the EIA for some centres.
- The EIA assesses impact at 2017 rather than 2016, contrary to our previous advice.
- Hill PDA's estimate of turnover of the proposed development in 2016 of \$171m is slightly lower than the applicant's estimate of \$175 in 2017.
- Hill PDA's estimate of turnover of the proposed development in 2021 of \$255m is also slightly lower than the applicant's estimate of \$275m.
- In our view the EIA has significantly under-estimated the economic impact of the proposed development on existing retailers in Narellan which we consider would equate to a loss in the order of \$50m to \$60m in sales in 2016 (15-20%). In doing so it has over-estimated the impact on other centres in the surrounding area. We note that, given the current strong performance of the centre, this level of impact would be sustainable and in any case the impacts should be viewed as a matter of competition between individual traders within the same centre and would not be a relevant matter for consideration.
- The bespoke gravity models compiled by Hill PDA tested a "high impact" scenario at 2016 and 2021 (i.e. a scenario in which impacts on Narellan Town Centre are deliberately reduced to an insignificant level). A range of impacts are recorded against existing centres however in our review none are so significant that the commercial viability of any centre would be jeopardised. In other words, the centres would be able to sustain the levels of impact forecast in the high impact scenario and nearly all centres will continue to experience growth in trade between 2011, 2016 and 2021 regardless.
- With regard to Camden, if the proposed extension were to proceed its trading levels would decline but by 2021 would be comparable to their 2011 level. The proposed development may impact upon opportunities for significant new retail investment in the centre including a DDS (given that all three DDSs would be represented in Narellan), but nevertheless the impacts would not threaten its viability. However this is based on a high impact scenario which we view as unlikely to eventuate- we consider a more likely scenario is a greater impact on existing retailers in Narellan and a lesser impact on other centres, including Camden.
- The proposed development would support a range of new jobs in Camden LGA both during the construction process and post-development. It would also secure investment in the economy.
- An assessment of the positive and negative aspects of the proposed development indicates that it would provide a net benefit to the community in our view.

Should you have any questions, please do not hesitate to contact us in our Sydney office on 02 9252 8777.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adrian Hack', with a stylized, cursive script.

Adrian Hack
Principal, Hill PDA

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