

ATTACHMENT 2

MacroPlan Dimasi Report: 8 March 2016

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The General Manager
Singleton Council
PO Box 314
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Attention: Julie Wells
Via email: jwells@singleton.nsw.gov.au

DA150/2015 – 1 GLASS PARADE, HUNTERVIEW: RESPONSE TO FOODWORKS SUBMISSION DATED 15 JANUARY, 2016. RESPONSE TO LATE SUBMISSION.

Macro Plan Dimasi has reviewed the late submission by FoodWorks provided to Council and the JRPP, and has provided the following responses by way of clarification:

Singleton Heights Shopping Village & Potential Impacts

- The submission provided by FoodWorks is really only concerned with potential trading impacts on one retailer – i.e. Foodworks. As per Section 79C of the Environmental Planning and Assessment Act 1979 (EP&A Act), consent authorities are required to consider the economic impact of a proposed development. This consideration however, is to be applied to the impacts on planning policy objectives and defined retail centres. Competition, or trading impacts, on individual traders is regarded as a private matter, and thus beyond the scope of that consideration under the Act.
- In the above context the examples cited by FoodWorks in its submission are not relevant as they are examples of impacts from new development on individual FoodWorks store sales across various towns in Australia.
- Estimated trading impacts on a “centre” are used as a means to determine the overall impact on the role, function, vitality and viability of a centre. If an individual retailer were to close (which we do not expect to be the case of the FoodWorks at Singleton Heights), there would be no grounds to refuse the application on economic grounds, provided the role and function of the centre remains intact, particularly if a significant increase in retail facilities is the net result.
- Notwithstanding the above, the FoodWorks store locations demonstrating high levels of impacts, cited in the table on page 2, are not directly comparable to the situation in Hunterview. The FoodWorks store at North Singleton is only small, at 421 sq.m, with a proportion of the floorspace within the store operating essentially as a newsagency. Five of the nine examples are larger stores (i.e. 800 sq.m and above), which would

contain a much greater range of food and grocery items than the 421 sq.m store at North Singleton, and thus would be more directly competitive to new supermarket developments.

- For three of the four smaller stores (i.e. less than 800 sq.m), the new competitive stores in the locality were between 1,600 sq.m and 1,900 sq.m indicating a small surrounding catchment which is a different environment from the Hunterview proposal.
- The locations cited are small, regional towns/localities with immediate populations of around 2,000 – 5,000 persons. There are two exceptions. Gracemere (QLD) which is a suburb of Rockhampton - with around 10,000 persons and Leopold - which is a suburb of Geelong, with around 11,000 persons.
- For all of the locations listed, the existing FoodWorks stores were providing the only local supermarket/convenience option in these towns – with full-line supermarkets either non-existent or a significant distance away (e.g. Nambucca Heads is 10-11km from FoodWorks Macksville, Nowra is 20km from FoodWorks Culburra Beach). This is unlike Hunterview, where FoodWorks provides a top-up shopping option, with most supermarket trips directed towards the four supermarkets in the Singleton CBD. The distance to the Singleton CBD is such that a shopping trip is inconvenient, but not avoided.
- Additional competition in these towns provided residents with additional choice and reduced travel distances for shoppers who were clearly leaving these towns to undertake larger shopping trips.
- The customer survey data may indeed show that a solid proportion of persons may be located close to new Woolworths but there are many other attractors that will continue to draw residents towards the FoodWorks anchored centre – including nearby schools, child care, sporting facilities and particularly the medical centre. There are also new residential subdivisions that will be closer to FoodWorks.
- FoodWorks states that the Singleton Heights Shopping Village provides the only supermarket north of the river and that its trade area would fall within the Woolworths trade area. The FoodWorks store is not really a supermarket, rather a small foodstore/convenience shop that would serve a small localised trade area, so logically its trade area would be a sub-set of the proposed full-line Woolworths supermarket's trade area. In this context, the FoodWorks store only attracts a very small market share of the proposed Woolworths supermarket's main trade area, with

more than 95% of supermarket expenditure escaping to retailers elsewhere. This is because the store provides a very limited range of items and means that the store is clearly not meeting the surrounding community's needs – because virtually all of the retail expenditure generated by this population is escaping the surrounding area and is directed towards the Singleton CBD.

- The MacroPlan Dimasi report shows that the proposed development would only capture around 20% of the available retail expenditure generated by residents in the defined main trade area, meaning 80% would be directed to other retail assets across Singleton.
- In summary, the planning system seeks to encourage, not restrict competition, provided it is not detrimental to other centres. The FoodWorks store forms part of the larger Singleton Heights Shopping Village, which also contains a 215 sq.m Medical Centre – which is a key activity generator to the centre. Even with some reduced trading levels at the FoodWorks store, we do not expect the range of services and vitality of the Singleton Heights Shopping Village to be affected to any great extent.
- As discussed earlier, the trading impacts on the FoodWorks store itself are a private issue and the broader net community benefits that could be realised from the proposed Woolworths Hunterview development are what should be considered when determining its appropriateness.

Proposed Centre Sales Potential

- Woolworths does not report its supermarket sales per sq.m of gross lettable area in its annual reports, only its performance per sq.m of 'trading area'. Therefore Foodworks figure of \$11,500 per sq.m is an estimate. Based on an average sales per sq.m rate of \$15,700 per sq.m with around 25 - 30% of floorspace is attributed to back of house, we estimate the average trading levels of Woolworths supermarkets to be \$11,000 - \$11,500 per sq.m. This variation is not a material issue though.
- The main issue with adopting an average (of \$11,500 per sq.m), is that an average trading level represents an average across all established Woolworths stores across Australia. There are obviously many stores that trade above average and many stores that trade below average. This average accounts for the trading performance of supermarkets in metropolitan cities, which accommodate more than 70% of Australia's population, yet tend to have much lower rates of supermarket provision per capita than regional areas – where sites are more readily accessible, population densities are considerably lower and land values/rents are cheaper – which means lower trading levels are required to achieve similar store profitability percentages.

- Similarly, the average of \$11,885 per sq.m quoted for single supermarket based shopping centres is a national average, but is particularly influenced by trading levels in metropolitan locations.
- We estimate the overall average trading levels per sq.m for all supermarkets across Australia including standalone stores and all types of operators (including Coles, Aldi, IGA and other independents) to be around \$9,500 - \$10,000 per sq.m in 2014/2015.
- We consider the estimated sales level per sq.m of \$9,500 per sq.m to be appropriate in the context of the above, given the store's location in a regional locations the existing store network in the Singleton CBD and having regard to the estimated market shares of the available main trade area retail expenditure modelled in the MacroPlan Dimasi's EIA.

Centre Impacts

- The FoodWorks submission provides an adjusted impacts analysis based on the erroneous assumption from the previous section. The adjusted analysis suggests that because – in FoodWorks opinion – sales per sq.m would be \$11,500 per sq.m rather than \$9,500 per sq.m, then all impacts would therefore be around 20% greater than those modelled in the MacroPlan Dimasi's EIA.
- This analysis is not considered relevant in the context of our explanation earlier that a trading level of \$9,500 per sq.m is appropriate. In any case, this analysis shows that impacts are not expected to be anywhere near the 30% – 50% that FoodWorks postulates in the early part of its submission, and would be less than 10% as per FoodWorks own calculations.
- Finally, as mentioned earlier, the direct competitive impacts on one store are not considered to be a relevant planning matter, particularly in the context of the significant increase in local retail/supermarket facilities that will result from the proposed Woolworths development at Hunterview.

Economic Downturn:

- The economic downturn issue has already been raised previously and has been addressed in MacroPlan Dimasi's EIA. We reiterate that the proposed supermarket development will help to create jobs (both permanent and temporary construction jobs). This, in our view, is even more of a reason to encourage such development – as it will provide an immediate/short-term boost, setting the foundations for the longer term recovery.

- The new supermarket development would be provided to serve residents for the next 50 - 60 years, i.e. a long term investment. Over this timeframe the Singleton economy will go through several businesses cycles.
- Expenditure on supermarket shopping tends to be very inelastic to income levels. Households with lower incomes may eat at home more often, and tend to spend similar amounts on supermarket retailing to wealthier households, that may allocate much higher proportions of their annual budget to eating out and other discretionary retailing.

Zone Objectives

- There is no B2 Local Centre zone in the Singleton LEP (2013), which means that the B1 zone is the zone in which neighbourhood/suburban retail development is expected to occur in Singleton. This zone is flexible enough to accommodate the proposed development, because the proposed development is small scale (4,462 sq.m) in comparison with the retail offer in the Singleton CBD 36,000 sq.m.
- The eight examples of out-of-town development that have been listed in the submission are misleading. In several of these cases the new development has been in the form of large shopping centre developments out of town (e.g. Orana Mall in Dubbo (which is larger than 20,000 sq.m); Highlands Marketplace in Mittagong (more than 16,000 sq.m); Kempsey Marketplace (large Woolworths and Big W), or are not really out-of-town, rather edge-of-town.
- The proposed development in the B1 Neighbourhood Centre zone would result in a significant increase in net community benefits, in particular for residents in northern Singleton. The positive impacts - which include a local full-line supermarket for residents in northern Singleton, increased competition and choice for local residents, reduced travel times/distances (time/cost savings), reduced pollution, reduces risks of crashes (due to less km's on road), job creation and investment in the local community, far outweigh the negative impacts, which include - trading impacts on some retailers/businesses at Singleton Heights Village and trading impacts primarily on incumbent supermarkets in the Singleton CBD.

Retail Oversupply

- The NSW Draft Centres Policy (2009) states that it is for the market for determine demand for new retail floorspace and the role of the planning system to regulate its size and location. It is not the role of the planning system to question that, rather to consider the implications from a centres hierarchy and economic impact perspective.

- The FoodWorks submission postulates that there would be an over-supply of supermarket floorspace across the whole Singleton region. However it does note that *"...in isolation the North Singleton region may appear to be in need of additional supermarket..."*
- Even if a floorspace oversupply situation were to result across the whole Singleton region (as contended by FoodWorks), this is immaterial to the permissibility of the proposed development given that overall net economic impact would be positive as demonstrated in the MacroPlan Dimasi EIA. Furthermore, the issue of supermarket provision is not so much about the aggregate provision of facilities, rather the appropriate distribution of such facilities. There is a significant under-supply (i.e. no supermarket) in northern Singleton (noting the FoodWorks is a small foodstore/convenience shop) and these residents are considerably disadvantaged.
- Notwithstanding the above, the issue of retail oversupply has already been raised in a previous submission which MacroPlan Dimasi addressed in its EIA. The MacroPlan Dimasi EIA indicated that the provision of supermarket retail per 1,000 residents in many other regional NSW towns is more than it is currently in Singleton.
- The FoodWorks submission opines that there would be little left to share for the FoodWorks and existing supermarkets in the CBD were the proposed Huntview supermarket to open. Our analysis shows that the proposed development would only capture around 20% of the available retail expenditure generated by residents in the defined main trade area, meaning 80% would be directed to other retail assets across Singleton.
- Furthermore, the FoodWorks store only attracts a very small market share of the current main trade area at present, with more than 95% of supermarket expenditure escaping to other retailers. This means that the store is clearly not meeting the surrounding community's needs – because virtually all of the retail expenditure generated by this population is escaping the surrounding area and is directed towards the Singleton CBD.

Conclusion

- Many of the issues raised in the late submission by FoodWorks are addressed in our economic impact assessment already, while some of the issues raised are not matters for planning authority to consider when making a decision as to the appropriateness of a new retail development.

- The FoodWorks submission is presented from the perspective of one retailer (i.e. FoodWorks) and the potential loss of sales turnover which that particular retailer might absorb as a result of the new Woolworths development at Hunterview.
- The direct competitive impacts on one store are not considered to be a relevant planning matter, rather the impacts on the vitality and viability of the centres hierarchy in a locality, and the net addition/loss of facilities should be considered by an approval authority to determine whether a development is appropriate.
- There will be a significant increase in local retail/supermarket facilities that will result from the proposed Woolworths development at Hunterview, *even if* the small 421 sq.m FoodWorks store was to close/relocate (which we do not expect will be the case).
- The positive impacts - which include, increased competition and choice for local residents, reduced travel times/distances (time/cost savings), reduced pollution, reduces risks of crashes (due to less km's on road), job creation and investment in the local community, far outweigh the negative impacts, which include - trading impacts on some retailers/businesses at Singleton Heights Village and trading impacts primarily on incumbent supermarkets in the Singleton CBD.
- Finally, an effectively functional retail hierarchy should contain an array of centres serving different shopping needs. Residents in the defined trade area in northern Singleton presently have to travel to Singleton CBD to undertake the main grocery shopping trips. The contention in the FoodWorks submission, i.e. that the proposed development should be located in the CBD, would do nothing to overcome this issue of a localised lack of supermarket facilities.

Yours sincerely



James Turnbull

Senior Manager, Retail

MacroPlan Dimasi

ATTACHMENT 3

AEC Group Report

15 March 2016

Marc Lucas
Woolworths Limited

Sent via email: mlucas3@woolworths.com.au

Dear Marc,

RE: PEER REVIEW OF ECONOMIC IMPACT ASSESSMENT OF PROPOSED RETAIL DEVELOPMENT AT HUNTERVIEW

AEC Group (AEC) have been engaged by Woolworths to carry out an independent review of an Economic Impact Assessment (EIA) to facilitate a proposal for a retail development at Hunterview by MacroPlanDimasi dated November 2015.

The EIA pertains to a proposed development of a site on the corner of Bridgman Road and Glass Parade/Pioneer Road, Hunterview (the Site) into a 4,463sqm shopping centre anchored by a 3,780sqm Woolworths supermarket. The proposed development is situated in the suburb of Hunterview, 3km north of Singleton CBD. The Site is subject to a B1 Neighbourhood Centre zoning under the Singleton Local Environmental Plan 2013 (the LEP).

This desktop Review tests the strength/robustness of the EIA from first principles by considering:

- The appropriateness of the methodology used in light of best practice guidelines and the intended purpose of the EIA.
- Policy requirements.
- The validity of the data sources used.

Spot checking of the data and calculations is also undertaken to test for accuracy. As a result of the above process, the Review considers the extent to which the outcomes and conclusions of the EIA are justifiable from an economic perspective.

The EIA is reviewed section by section with a summary that outlines the findings and any resulting implications for the proposal in this context.

STRATEGIC PLANNING CONTEXT

Section 1.3 of the EIA considers the Singleton LEP 2008 and the Singleton Land Use Study and Hirst Consulting Report 2007.

Based on our desk-top examination the Site is governed by the Singleton LEP 2013, not the Singleton LEP 2008 as referenced in the EIA. That said, the objectives of the B1 Neighbourhood Centre accord with those stated in the EIA. The EIA provides a fair summary of the Singleton Land Use Study.

The main implication we drew from the local planning review is that the principle of retail development on the Site is established, i.e. that it is an appropriate location for a new centre.

The EIA does not acknowledge Section 79C of the *NSW Environmental Planning and Assessment Act 1979*. This requires consent authorities to consider the economic impacts of a proposed development as part of the approvals process. Economic impacts include impacts on planning policy objectives and defined centres but exclude competition or trading impact on individual retailers which is a private impact.



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The EIA does not consider the *NSW Draft Centres Policy 2009* (DPI, 2009). This policy has remained in draft form since its publication and does not formally constitute government policy. Despite that, the NSW Department of Planning and Environment (DPE) has consistently used it as a basis for planning decisions. In the absence of any other guidance from State government on the approach for assessment commercial development proposals, we consider that it should remain a key planning policy consideration.

The NSW Draft Centres Policy sets out principles for assessing the acceptability of commercial development proposals. It states that it is for the market to determine demand for retail development, with the role of planning authorities to regulate its location and scale. It requires that new retail development is delivered within a centres hierarchy framework. The hierarchy should be flexible, allowing existing commercial centres to grow and new centres to form over time in response to demand.

When assessing new commercial proposals the NSW Draft Centres Policy requires that economic impacts are considered. This includes trading impact on existing commercial centres. New development that would threaten the centres hierarchy by jeopardising the role or function of existing commercial centres is contrary to policy. Beyond the overall impact of a development on the role or function of a centre, trading impacts on centres and individual retailers are a matter of competition and not a material economic consideration.

IMPLICATIONS FOR PROPOSAL

The implications of the Review of the strategic policy and above discussion points are:

- The Site is an appropriate location for a new retail centre.
- The NSW Draft Centres Policy provides guidance on how to assessing commercial and retail planning proposals. Despite not being formerly adopted, it remains the most up-to-date advice issued by the DPE on this matter and the guidance within it is relevant.
- Trading impact on individual retailers within an existing centre is not a material planning consideration when assessing development proposals. Impact on the overall role and function of a centre is a material consideration.
- It is for the market to determine the need for proposed retail development, with the role of planning authorities to regulate its location and scale.

TRADE AREA

The EIA defines a trade area based on:

- The relative attraction of the proposed development;
- Proximity and attractiveness of the other competitive centres;
- Accessibility by public and private transport; and
- The presence of any physical barriers.

This is a valid methodological approach.

The full-line supermarket would be the anchor for the proposed development. It would be the main attractor for future customers. Most residents in Primary Trade Area (PTA) would be likely to use it as their main food shopping destination. Residents in the Secondary North and West Trade Areas (SNWTA) would use the centre regularly, but have easier access to competing facilities in Singleton CBD and Muswellbrook. As a result, the proposed centre would capture a smaller proportion of retail expenditure from residents in the SNWTA.

The proposed development would still capture some expenditure from residents living outside of the MTA, but at a lower level compared to the PTA and SNWTA. On this basis, the Main Trade Area (MTA) defined in the EIA is reasonable.

POPULATION AND SOCIO-DEMOGRAPHICS

The approach applied towards estimated existing (2015) population and future growth is reasonable and its results are considered valid. The MTA population is estimated at 12,510 in 2015 and is projected to reach 14,950 by 2031. The majority of the MTA population resides in the PTA.

The EIA assesses the socio-demographics of the MTA based on the 2011 ABS Census of Population and Housing which is the most appropriate source. It finds that:

- Per capita and household incomes in the MTA are greater than the non-metropolitan NSW average.
- MTA residents are, on average, younger than the non-metropolitan NSW average.
- Home ownership in the MTA is comparable to the non-metropolitan NSW average
- Residents in the MTA are predominately Australian-born.
- The MTA is dominated by families with children with a greater proportion of such households compared to the non-metropolitan NSW.

The EIA reasonably concludes based on the above that the MTA contains affluent, predominately young family households compared to non-metropolitan NSW.

RETAIL EXPENDITURE CAPACITY

The EIA uses Marketinfo data to estimate the level of retail demand in the MTA. This is an accepted retail expenditure source in the industry. The base date for the Marketinfo data has not been provided although the EIA escalates it to 2014/15 dollars.

The average annual growth rates applied to expenditure estimates are supportable. These comprise average population growth and real growth combined. Accordingly, the total MTA retail expenditure calculated in the EIA would appear to be accurate.

IMPLICATIONS FOR PROPOSAL

The implications of the Review of the section on trade area are:

- The defined PTA, SNWTA and MTA are reasonable.
- The EIA has accurately assessed the existing population and socio-demographic characteristics of the MTA, as well as future population growth.
- Estimated retail expenditure in the MTA is accepted based on the validity of the population estimate and the use of Marketinfo data to estimated retail expenditure.

COMPETITION

Section 3 of the EIA provides an assessment of existing and proposed competition for the proposed development. Assessing the competitive context is necessary to understand the:

- Role and function of the proposed development in the commercial centres hierarchy.
- Trade area of the proposed development.
- Demand for the proposed development.
- Potential impact of the proposed development on existing commercial centres.

The EIA identifies the major commercial centres in the vicinity of the Site. It sets out their existing retail offer as well as other uses which the centres provide, allowing an understanding of their role and function within the centres hierarchy.

IMPLICATIONS FOR PROPOSAL

The EIA demonstrates a good understanding of the retail environment within which the proposed development would operate. It has accurately identified the main competitive centres for the proposed development.

RETAIL POTENTIAL

RETAIL FLOORSPACE DEMAND

The EIA assesses retail floorspace demand in the MTA. It does this by applying various assumptions to the total retail expenditure generated in the MTA to reflect the amount which a supermarket could capture. A retail turnover density (RTD) is applied to the total available expenditure in order to estimate floorspace demand or supermarket gap. Demand is compared to existing supply to determine the residual or net demand. This methodology is sound.

The EIA applies a retention rate of 75% to the total supermarket related expenditure generated by residents within the MTA to estimate demand. In other words, it assumes that of the total supermarket-related expenditure generated by residents of the MTA, three-quarters will be available to support the proposed supermarket. We have two concerns with this assumption - the

lack of different retention rates for the PTA and SNWTA and the high level of PTA assumed retention.

Given the location of competitor facilities in this locality as explored above, the proposed development would capture a lesser proportion of expenditure generated in the SNWTA compared to the PTA. A lower retention rate for the supermarket expenditure generated by residents of the SNWTA should therefore be applied. Effectively the EIA assumes that the MTA is the PTA which defeats the purpose of defining separate trade areas, i.e. the PTA and SNWTA in the first place.

We feel a 75% capture rate in the PTA is too optimistic. Singleton CBD is a higher order centre with Woolworths, Coles, Supa IGA and Aldi as well as a range of other convenience and comparison retailers. The CBD is close to the PTA and easily accessible from it. Given the higher order role of the CBD, PTA residents can still be expected to visit it regularly for comparison goods shopping purposes even if a full-line supermarket were provided on the Site. The CBD would still offer more supermarket choice. Linked-trips to the supermarket facilities in Singleton CBD by PTA residents will still occur. We feel a more realistic capture rate of the supermarket expenditure generated in the PTA is in the order of 65%.

The table below applies lower retention rates to the supermarket expenditure generated in the MTA to consider what impact this would have on demand.

Table 1: Derived Retail Turnover Densities (RTDs)

	EIA (Table 4.1)	AEC Scenario Testing		
		70% retention	65% retention	60% retention
Total Supermarket Expenditure by MTA Residents (\$M)	57.2	57.2	57.2	57.2
MTA Containment Ratio	75%	70%	65%	60%
BTA Capture Rate	10%	10%	10%	10%
Total Available Supermarket Expenditure (\$M)	47.7	44.5	41.3	38.1
RTD @ \$9,500 increasing at 0.5% pa	9,643	9,643	9,643	9,643
Supportable Supermarket Floorspace (sqm)	4,943	4,614	4,284	3,955
Total Supermarket Supply (sqm)	4,201	4,201	4,201	4,201
Total Supermarket Gap (sqm)	742	413	83	-246

Source: AEC, MacroPlan (2015)

Lower retention rates would reduce supermarket demand. Our preferred assumption is a 65% retention rate from the PTA and significantly lesser retention in the SNWTA.

Premised on a 65% retention rate in the PTA and a lower rate in the SNWTA, the overall supermarket need is likely to fall between the 65% and 60% retention scenarios outlined above, i.e. between +83sqm and -246sqm of net supermarket floorspace demand in 2018 post-development. Even if the 'worst-impact' scenario of 60% retention were to eventuate, a modest amount of supermarket oversupply would result. This would be ameliorated by retail expenditure growth (concurrently from population growth) within a few years. Supermarket demand is demonstrable for the proposed development.

SUPERMARKET SUPPLY PER CAPITA

The EIA in Section 4.2 also assesses supermarket demand using an alternative method. It examines existing floorspace provision in other regional NSW towns per 1,000 residents and compares this to Singleton. This shows that Singleton contains less supermarket floorspace per capita both pre- and post-development is within the thresholds of the other listed NSW towns.

In our view this assessment should be treated with caution. The EIA says that towns with 20,000 and 50,000 residents have been selected for inclusion. However it is not clear why some NSW towns were selected and others discounted. For example, Richmond, Queanbeyan and Windsor all have a population of between 20,000 and 50,000 people but have been excluded from the comparative assessment. This may indicate selection bias.

It is also problematic comparing towns throughout NSW given that the trade areas served by each will be very different on account of their location, accessibility, proximity to other centres and the hinterlands which they serve. Many of the towns listed in Table 4.2 of the EIA may not be directly comparable to the proposed development. A rural town may have a relatively modest population within it but may serve a large, sparsely populated rural hinterland. Examining supermarket provision based on the population of the town in isolation and without considering the wider trade area will over-state the quantum of retail floorspace per person which it supports.

The NSW average data presented in Table 4.2 of the EIA indicates that the overall non-metro NSW average supermarket floorspace is 394sqm per 1,000 residents. This may be a more accurate comparison to use when seeking to apply this methodology. Comparing this to the 473sqm per capita existing in Singleton pre-development indicates that, based on this methodology, the area is over-supplied. This is likely to reflect the fact that Singleton CBD has a high quantum of supermarket related floorspace relative to the town's population.

As discussed previously, Singleton CBD serves a large trade area due to its higher order shopping offer. Supermarkets in the CBD are able to tap into this large trade area for customers as well. Supermarkets in the CBD therefore serve a significantly larger area than the urban extent of Singleton. Given this, the assessment in the EIA is misleading.

In light of the above issues, we place limited weight on the methodology and outcome of Section 4.2 of the EIA.

CASE STUDIES – SUPERMARKETS IN B1 NEIGHBOURHOOD CENTRE ZONES

The EIA provides examples of a number of large supermarkets which have been developed in B1 zoned land.

The B1 zoning which applies to the Site establishes that it is a suitable location for retail development. The NSW Draft Centres Policy promotes a flexible approach to commercial centres, meaning that centres should move up the hierarchy freely where this is justified. The centres hierarchy is not meant to be stagnant and restrict development. Instead it should be dynamic, allowing new centres to form and enabling existing centres to grow and expand over time to meet the needs of the populations which they serve.

The zoning of the Site is a planning matter outside the realms of the EIA. The purpose of the EIA is to consider the principle of proposed development. If that is established, whether the development is accommodated under the existing B1 zoning or via B2 Local Centre zoning is immaterial. All economic impacts associated with the proposed development would be identical in either case and there would be no change in the net economic impact. Given the NSW Draft Centres Policy and DPE's previous planning decisions in relation to it advocate flexibility, the requirement for a rezoning should not be a material consideration as to whether the proposed development is justified from an economic perspective.

SALES POTENTIAL

The EIA assesses the estimated turnover of the proposed development in 2018 at \$40m. This is derived by applying RTDs to the proposed floorspace. The RTDs applied are reasonable, although they have not been escalated by 0.5% per annum to account for real turnover growth. This is inconsistent with the approach used in assessing retail floorspace demand in Section 4 of the EIA. Accounting for real retail growth, the turnover of the proposed development in 2018 is \$40.6m. This minor increase will make no material difference to the impact assessment.

IMPLICATIONS FOR PROPOSAL

The implications of the Review of Section 4 of the EIA and the above comments are:

- The EIA does not distinguish between retention of supermarket expenditure within the MTA, assuming that the MTA is identical to the PTA. It has also allowed insufficient escape expenditure to reflect the presence of competitor retail facilities and in particular Singleton CBD. Adjusting the analysis to reflect these anomalies results in net supermarket floorspace demand of between +83sqm and -246sqm in 2018 post-development. This would be ameliorated by retail expenditure growth within a few years. Following which, supermarket demand is demonstrable for the proposed development.
- The supermarket per capita supply assessment should be treated with extreme caution due to:
 - Potential bias in selecting towns.
 - Significant differences in regional towns which makes direct comparison difficult.
 - The large trade areas which regional towns serve which extend well beyond their immediate townships.

In our view this assessment is unnecessary. The adjusted retail expenditure demand assessment indicates supermarket floorspace demand will be in broad alignment with the quantum of floorspace proposed. In any case, State planning policy indicates that it is for the market should determine whether there is sufficient need for retail demand, with planning regulating its location and scale.

- The case studies referenced in the EIA demonstrate examples where full-line supermarkets have been permitted in B1 zoned land. This is a planning consideration, not an economic impact consideration.

The purpose of the EIA is to consider the extent to which the proposed development is acceptable in economic impact terms. If it is deemed to be acceptable, and subject to the other requisite non-economic considerations, the planning system should seek to facilitate the development. Whether it is delivered on B1 or B2 zoned land is irrelevant to the overall economic principle of the development. The centres hierarchy should be flexible to allow centres to growth where warranted and is not intended to stifle new development.

- The turnover of the proposed development has been marginally underestimated. However it makes no discernible difference to the findings of the EIA.

ECONOMIC AND SOCIAL IMPACTS

TRADING IMPACTS

The EIA provides a fair summary of the purpose of assessing trading impacts. It correctly acknowledges that it is the impact on centres overall which is the pertinent matter, not the impact on individual retailers.

The methodology used to assess trade redirection from existing centres and retail facilities is robust. The estimated trading level of existing centres is reasonable, based on the derived average turnover per square metre rates as shown in Table 2 below.

Table 2: Average Centre RTD

	Turnover in EIA (\$M)	Floorspace (sqm)	Assumed RTD (sqm)
Singleton Heights	5.1	1,026	4,971
Singleton CBD	238.6	36,000	6,628
Singleton Square	140.0	20,500	6,829
Other Singleton CBD	98.6	15,500	6,361

Source: MacroPlan (2015)

The EIA does not provide a breakdown of vacant floorspace in each of the centres shown in Table 2. As a result, the assumed RTD calculations are applied to total floorspace including vacancy. As a result of this they will under-account for the assumed RTD figures for active floorspace. That said, even if these figures were increased to remove vacant floorspace they would remain within normal expected trading levels of centres of this size and location.

The distribution of trading impacts between existing centres and facilities presented in Table 5.2 of the EIA is reasonable. The majority of impacts fall on the facilities most comparable to that proposed, i.e. the supermarkets located in Singleton CBD. Singleton CBD and Singleton Heights will both experience a decrease in trade compared to 2015 trading levels once the proposed development is implemented in 2018. However, both centres appear to be trading well and would be able to absorb these impacts without their overall vitality or viability being affected.

Singleton CBD has a broad offer retail offer of which supermarkets form a part. The overall role of this centre as a sub-regional shopping centre would not change as a result of the trading impact identified. Beyond that consideration, impacts on individual retailers is not a material consideration. That said, no existing supermarkets are expected to close as a result of the proposed development. Supermarkets in the CBD would still attract trade from throughout the PTA of Singleton CBD even following the development of the proposed development.

Singleton Heights would not compete directly with the proposed development given that it has no full-line supermarket. It has a range of non-retail attractors which would not be impacted by the proposed development and which would still attract potential customers to the centre. It should still function effectively as a neighbourhood centre.

On the basis that the role and function of existing centres in the commercial centres hierarchy would not be threatened by the proposed development, the trading impacts are deemed acceptable from an economic impact perspective.

EMPLOYMENT, SOCIAL AND COMMUNITY IMPACTS

The EIA acknowledges a number of additional economic impacts from the proposed development. These relate to net additional employment during construction and post-development, multiplier effects from construction, greater choice, reduced travel times, easier accessibility to retail facilities, supporting the centres hierarchy and providing jobs close to home. All of these are valid benefits.

Given that trading impacts are considered to be acceptable, the additional competition which would eventuate from the proposed development is a significant economic benefit to the community. Competition forces retailers to work harder to attract trade. This could be through, for example, expanding their range, lowering their prices or undertaking refurbishment or improvement works to improve their in-store experience. All of these represent major positive impacts for residents.

Additional retail choice and easier access to shops are also important economic benefits. Allowing residents to access a range of facilities ensures that their need to travel is minimised. This yields a range of positive benefits including lowering traffic jams, noise and air pollution and lost travel time for shoppers.

Competition, choice and access all improve with more retail development. As trading impacts on centres in this case are acceptable, a net positive economic impact from a community perspective would eventuate from the proposed development due the impacts identified in this section of the EIA.

IMPLICATIONS FOR PROPOSAL

The implications of the Review of economic and social impact assessment are:



- The trading impact assessment is robust. It shows that trading impacts would not lead to the role and function of any existing centre being threatened as a result of the proposed development. This reflects the differing roles which the proposed development, Singleton CBD and Singleton Heights centres perform. On this basis we do not see any grounds to refuse the proposal due to impact on centres.
- A number of positive benefits would be delivered by the proposed development, including:
 - Ensuring competition in the retail sector;
 - Creating additional choice and more proximate access to retail floorspace;
 - Providing an investment stimulus with associated economic multipliers; and
 - Supporting net additional jobs during construction and in operations post-development.





Overall the proposed development would deliver a net positive community benefit. Residents will benefit more economically from this development proceeding rather than from the development being refused.

SUBMISSION RESPONSES

Section 6 of the EIA responds to a number of submissions pertaining to the proposed development. The main points raised in these submissions are below.

Table 3: Comment on EIA Responses

Point Raised	AEC Comment	Valid Economic Reason for Refusal
Lack of economic impact assessment	This EIA fulfils this requirement and, based on our peer review, would deliver a net positive economic impact for the community. The proposed development is not expected to lead to the vitality or viability of any existing centre being threatened to the extent that their role or function would be undermined. As a result the competition it would create should be viewed positively.	
Contrary to the objectives of the existing zone	This is a secondary issue to the EIA. Given that the proposed development would deliver a positive economic impact, planning policy should seek to facilitate it within the hierarchy, whether that is within the existing B1 zone or through a rezoning to B2. Either way, it does not affect the economic principle of the proposed development being acceptable.	

Point Raised	AEC Comment	Valid Economic Reason for Refusal
Contrary to the objectives of Singleton Land Use Strategy 2008 due to impacts on Singleton CBD	Impacts on existing centres would be acceptable in trading impact terms given that the role and function of centres would be unaffected. Therefore in our view there are no grounds on which to refuse the proposal due to trading impacts on centres.	
There is insufficient demand to justify the development/ it is of an excessive scale	State planning policy guidance advises that is not necessary for a retail proposal to demonstrate need, as it should be for the market to decide whether demand exists. In any case our peer review of the EIA indicates that, even once applied retention rates are lowered, the proposed development would result in a small floorspace would lead to only a small supermarket floorspace oversupply. This would be alleviated in the short term due to retail expenditure growth.	
Significant vacancies existing in Singleton CBD	The overall role and function of the centre would be unaffected by the proposed development. It is not expected to have a significant impact on vacancy either way, given the differing trade areas served by the proposed development compared to the CBD. The overall offer of the CBD would be undiminished and it would still attract shoppers from the MTA of the proposed development regardless.	
The economic downturn	Economies are cyclical and a short-term downturn is expected to improve in time. The proposed development represents a long-term commitment to the locality and should not be influenced by short-term economic fluctuations.	

Source: AEC, MacroPlan (2015)

IMPLICATIONS FOR PROPOSAL

The implications of the Review of the retail potential section are:

- The points raised in the submissions are addressed in the EIA and this peer review. We do not see any economic justification for refusing the proposed development based on these points.

SUMMARY AND CONCLUSION

This letter has undertaken a peer review of the EIA submitted with the proposed development of a full-line Woolworths supermarket and speciality retail floorspace in Hunterview. It has:

- Assessed the appropriateness of the applied methodology in light of best practice guidelines and the intended purpose of the EIA.
- Reviewed the EIA in the context of policy requirements for the development proposal.
- Considered the validity of the data sources used.
- Conducted spot-checking of the data and calculations against data to test for accuracy.
- Recalibrated data were necessary to test the findings in light of different assumptions considered more appropriate as set out in this peer review.

As a result of this process, in our view there is no justification to refuse the proposed development on the grounds of economic impact. Adverse impacts on existing centres could be accommodated without their role and function being affected. A range of positive benefits would eventuate from the proposed development which would deliver an overall net positive community benefit. From an economic perspective local residents will gain more from the proposed development proceeding than the proposed development being refused.

Please feel free to contact the undersigned should you require further clarification.

Yours sincerely

Esther Cheong

Principal - Property Economics & Valuations



P: 02 9283 8400

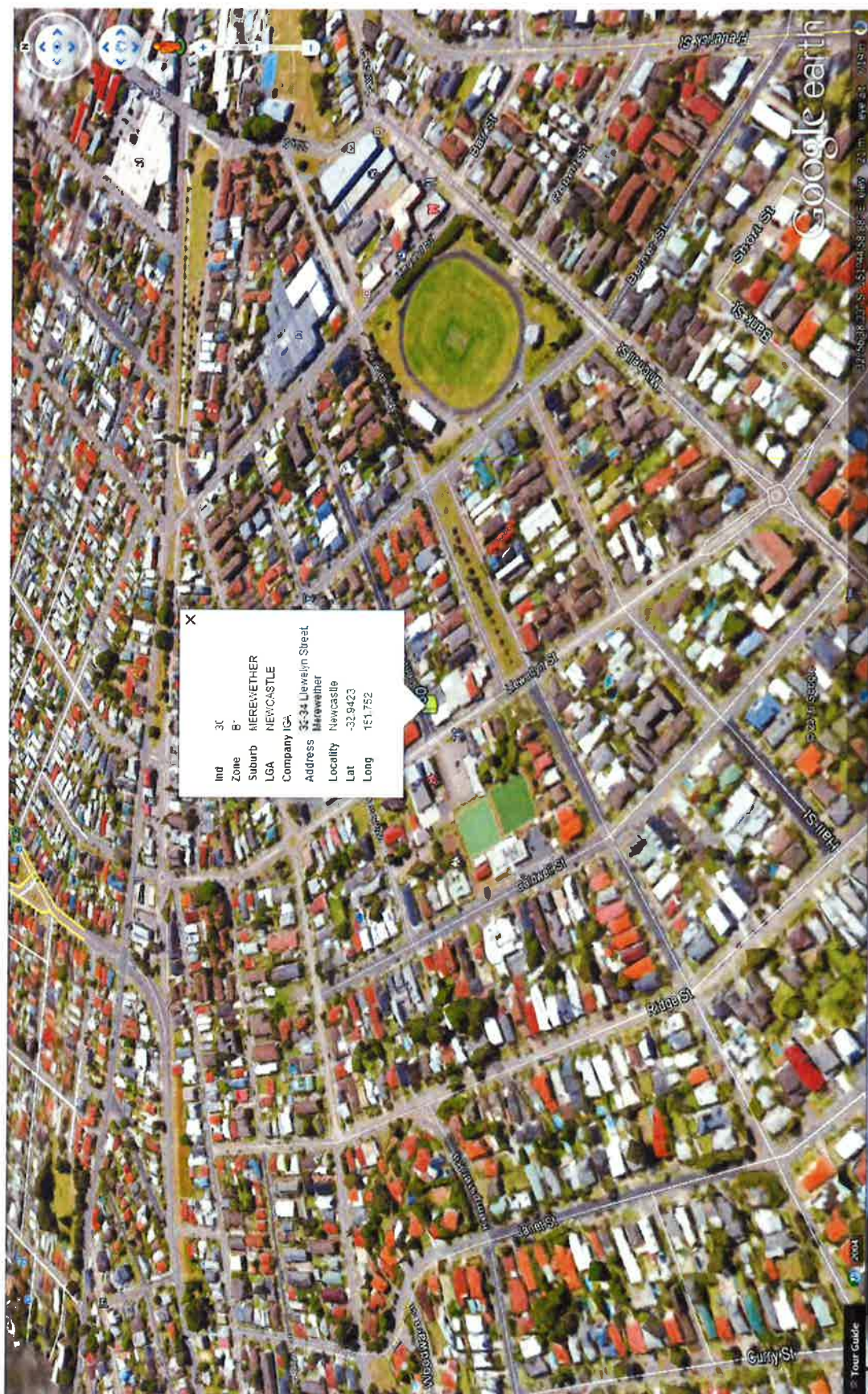
E: esther.cheong@aecgrouppltd.com



ATTACHMENT 4

Comparative Supermarket Study





X

Ind	30
Zone	B
Suburb	MEREWETHER
LGA	NEWCASTLE
Company	IGA
Address	35-34 Llewellyn Street, Merewether
Locality	Newcastle
Lat	-32.9423
Long	151.752



X

Ind52

ZoneB1

SuburbBOOLAROO

LGA LAKE MACQUARIE

Company IGA

Address 25 Main Road, Boolaroo

Locality Lake Macquarie

Lat-32.9522

Long151.623



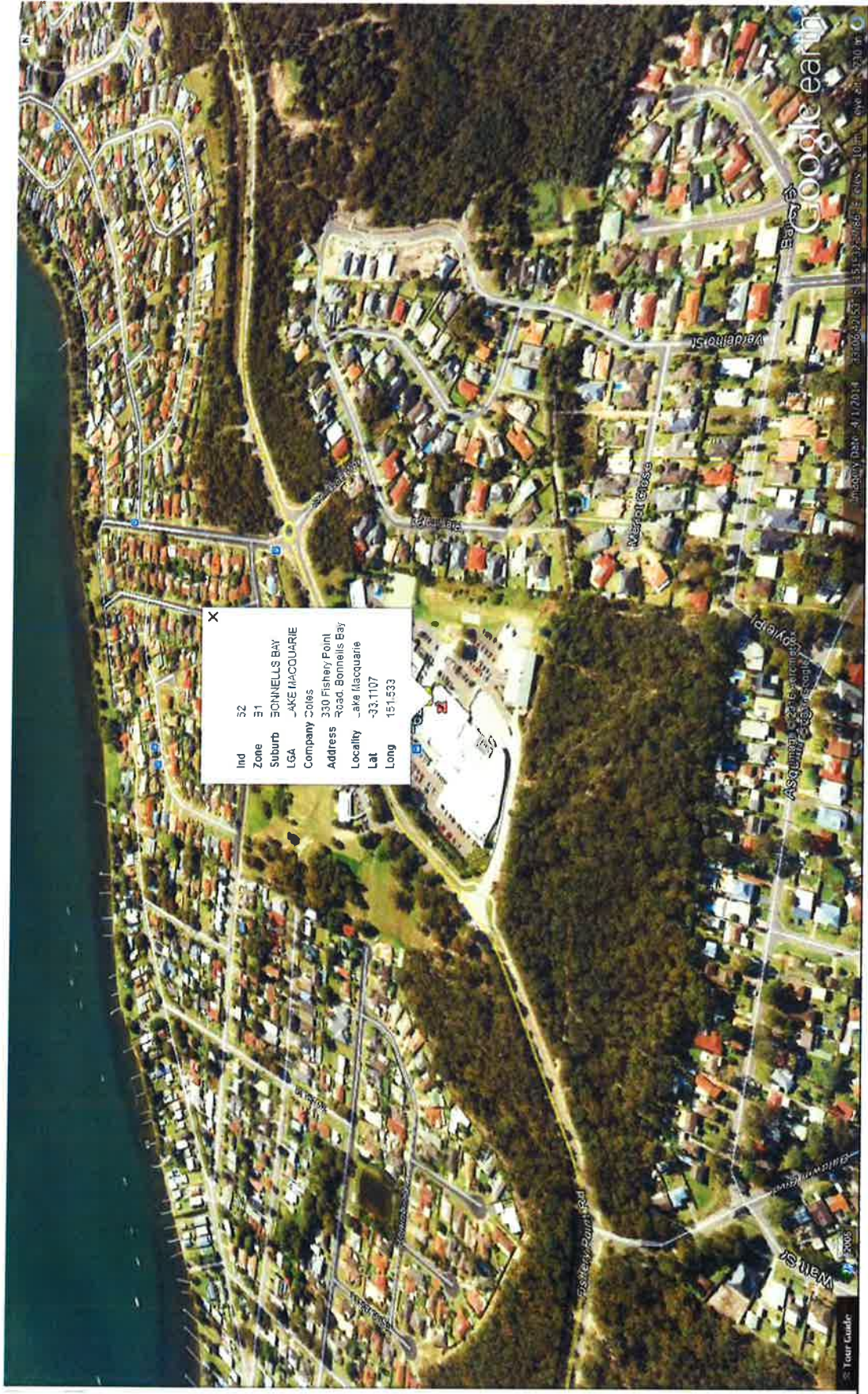


X

Ind	53
Zone	B1
Suburb	WANGI WANGI
LGA	LAKE MACQUARIE
Company IGA	
Address	226 Watkins Road, Wangi Wangi
Locality	Lake Macquarie
Lat	-33.0694
Long	151.589

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Google earth



X

Ind	52
Zone	31
Suburb	BONNELLS BAY
LGA	LAKE MACQUARIE
Company Codes	
Address	330 Fishery Point Road Bonnells Bay
Locality	La Macquarie
Lat	-33.1107
Long	151.533

Google earth

Imagery Date: 4/1/2014 23:06:22.533 E 151.5337866 E 33.1107 S 33.1107 S

© 2005



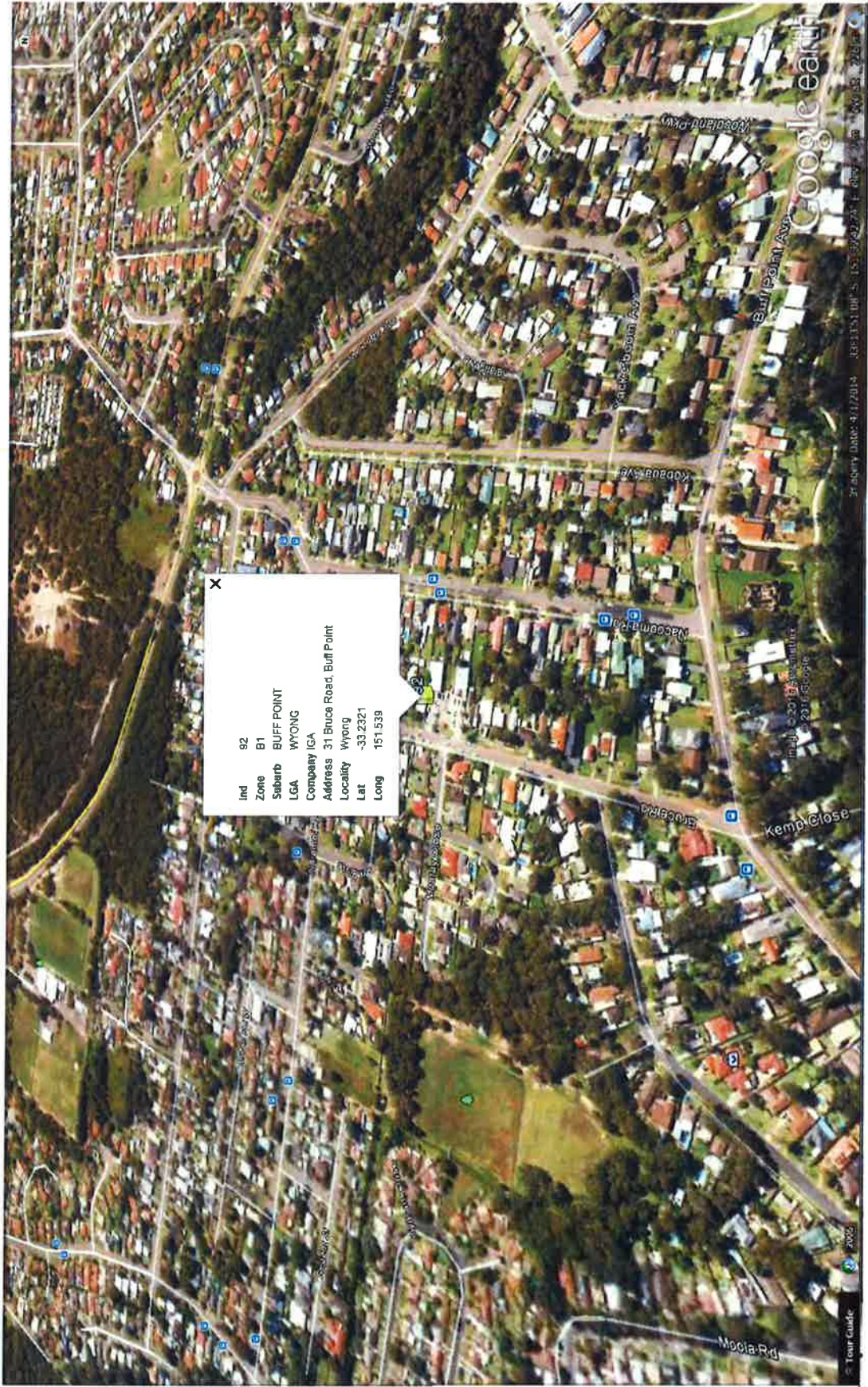
X

Ind	55
Zone	B1
Suburb	WOODRISING
LGA	LAKE MACQUARIE
Company IGA	
Address	84 Hayden Brook Drive, Borragui
Locality	Lake Macquarie
Lat	-32.9822
Long	151.606

Google earth

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Tour Guide 2005



X

Ind	92
Zone	B1
Suburb	BUFF POINT
LGA	WYONG
Company	IGA
Address	31 Bruce Road Buff Point
Locality	Wyong
Lat	-33.2321
Long	151.539



Ind	79
Zone	B1
Suburb	GREEN POINT
LGA	GOSFORD
Company	Coles
Address	Avoca Drive & Sun Valley Road, Green Point
Locality	Gosford
Lat	-33.4464
Long	151.373



X

Ind	129
Zone	B1
Suburb	KELSO
LGA	BATHURST REGIONAL
Company	IGA
Address	13 Marsden Lane
Locality	Kelso
Locality	Bathurst
Lat	-33.4057
Long	149.6

Google earth

Property Data: 11/21/2015 - 13/24/2016 N: -33.4057 E: 149.6060 Alt: 656 m - Street: 1437 km

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Tour Guide



Google earth

Longitude: 150.863333, Latitude: -34.636667, Altitude: 9 m, Eye Alt: 723 m

Tour Guide



X

Ind	144
Zone	B1
Suburb	BARRACK HEIGHTS
LGA	SHELLHARBOUR
Company IGA	
Address	9-25 Captain Cook Drive, Barrack Heights
Locality	Wollongong
Lat	-34.5581
Long	150.848

Google earth

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Tour Guide
Property data: 8/1/2014 34.558141°S 150.848171°E 1000 125m 653ft 723m
34° 55' 51.41" S 150° 50' 51.71" E
34° 55' 51.41" S 150° 50' 51.71" E
34° 55' 51.41" S 150° 50' 51.71" E



X

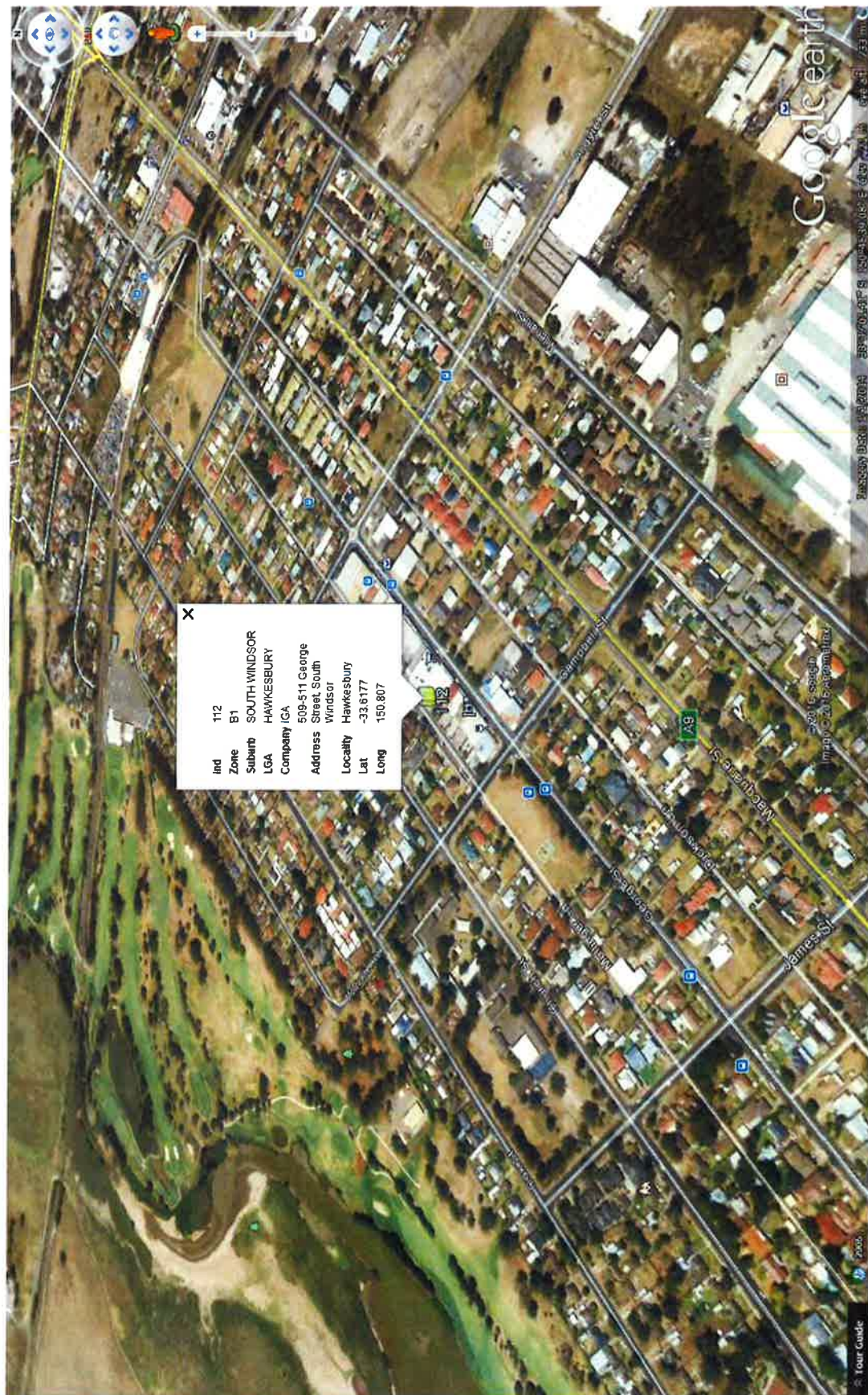
Ind	114
Zone	B1
Suburb	NORTH RICHMOND
LGA	HAWKESBURY
Company	Coles
Address	8-16 Riverview Street, North Richmond
Locality	Hawkesbury
Lat	-33.5818
Long	150.721

Google earth

Imagery date: 11/2014 13°34'54.24" S 150°41'15.04" E elev. 28 m eye alt. 738 m

5002

Tour Guide



X

Ind	112
Zone	B1
Suburb	SOUTH WINDSOR
LGA	HAWKESBURY
Company	ICA
Address	509-511 George Street, South Windsor
Locality	Hawkesbury
Lat	-33.8177
Long	150.807

ATTACHMENT 5

Revisions to Site Earthworks Plans