

12 June 2020

Vanessa Benitez
MMA Architects

Sent via email: vanessa@mmaarchitects.com.au

Dear Vanessa

Re: Port Macquarie Cinema Complex Development Application - Review of Submissions

Planet Warriewood own a vacant site at Park Street/ Warlters Street in Port Macquarie (the Site) which is approximately 5,771sqm in area. The Site is within the Settlement City Precinct within the Greater Port Macquarie CBD. The Site is zoned B3 Commercial Core and has an FSR of 2:1 and building height controls of 11.5m, 16m and 19m under the Port Macquarie-Hastings Local Environmental Plan (2015).

Planet Warriewood submitted a development application (DA) to Port Macquarie-Hastings Council (Council) in 2019 for a four-storey commercial building that would accommodate the following uses:

- Cinema with nine screens (capacity for 1,191 seats reduced from 1,343 seats) to be operated by United Cinema, restaurant, function room and manager's residence;
- Gymnasium;
- Indoor recreation including indoor bowling facility;
- Food and drink premises including two ground level drive-through premises;
- Retail tenancies;
- Basement car parking with 153 spaces and 12 bicycle spaces.

The DA proposes a total of 11,433sqm GFA and is understood to be compliant with floor space ratio (FSR) and building height controls. The proposed uses are permissible in the zone.

The DA was accompanied by an economic impact assessment (EIA) prepared by AEC Group (AEC).

A number of submissions have been received with respect the DA and the submitted EIA.

Atlas Urban Economics (Atlas) is engaged by Planet Warriewood to:

- Review the EIA prepared by AEC.
- Review the submissions and key points raised on matters pertaining to economic impact.

We focus our review on the matters relating to demand and impact as raised in the submissions, in particular the submissions from Majestic Cinemas (which is accompanied by a report by Urbacity).

CLARIFICATION OF RELEVANT ECONOMIC CONSIDERATIONS

Prior to considering the issues raised in detail, we clarify the matters relevant to determining economic impacts. From a planning perspective, the economic impact of a proposed development within a centre is assessed on the overall impact it would have on that centre.

Potential trading impacts on individual businesses are a commercial matter of market forces and competition. Competition is beneficial for consumers as it facilitates new investment, drives business innovation, promotes price competition and enables choice.

While the issue of demand is not necessarily a planning consideration, the question of economic impact is underpinned by a question of need/ demand. From a planning perspective, considering the extent of demand is important insofar as it helps to understand the severity of potential impacts on centres overall and the overall role and function of Port Macquarie.

The issue for an economic impact assessment is whether the overall role and function of Port Macquarie would be improved by the proposed development. More particularly, if the proposed development would contribute to Port Macquarie becoming more appealing to shoppers, more competitive against other regional centres on the Mid North Coast, and if it would create a larger pool of potential shopper expenditure which existing and new businesses could access.

The Greater Port Macquarie CBD was adopted as the collective regional centre by Council following past strategic planning and technical investigations undertaken in 2004 which culminated in Council's Retail Strategy (2010). Following that, the Greater Port Macquarie CBD was defined as comprising the Port Macquarie CBD and the Settlement City.

The Settlement City Precinct Structure Plan (2009) identifies the Greater Port Macquarie CBD as the CBD and Settlement City Precinct. It recommends that both the Settlement City Precinct and CBD should be reinforced as nodes and mixed use functions, and better links established between the two. It notes the capacity of the Settlement Precinct to expand and cater for appropriate forms of mixed use development such as a restaurant/ entertainment, tourism accommodation, a promenade and new boat ramp. It provides that the Settlement City Precinct should be linked to the CBD by the foreshore and identifies a series of actions to strengthen physical accessibility between the two, so that together the two centres create a vibrant, activate and viable greater town centre.

SPECIFIC ISSUES RAISED

We summarise specific issues raised in the submissions in this section and provide comment. More detailed comment is provided in Table 4.

Inappropriate Position and Size

Submission

The location of the proposed development is inappropriate and the size of the cinema component is excessively large. There is insufficient demand for the additional cinema screens proposed.

There are no examples of regional areas with populations under 125,000 that have been able to sustain two mainstream cinemas in close proximity.

The national average of screens per capita for a regional area (and a city area) is just under 11,000 persons per screen. In the Port Macquarie region, the number of screens per capita is just under 12,000 and if the development proceeds, it would fall to below 5,000 persons per screen. As a result, the United Cinema may not be commercially viable and the existing Majestic Cinema may close if the development is approved.

This issue has been witnessed in other regional areas (e.g. in Orange and Coffs Harbour) where after a short period of price competition one or more of the cinemas closed.

Comment

We investigate number of screens per capita in various regions. We also investigate if there are examples of regional areas with populations under 125,000 that sustain two mainstream cinemas. The submitted EIA did examine some regions and benchmark provision of screens per capita.

The EIA observed a benchmark of circa 12,000 persons per screen in NSW and ACT by dividing the number of cinema screens by the 2018 population of NSW and ACT. It discussed the applicability of the state-wide benchmark to regional areas like Port Macquarie and concluded that a lower per capita rate was more appropriate. The given reason was because cities and metropolitan areas have a more diverse range of entertainment options, and therefore require a greater number of persons to support a cinema screen. The EIA concluded (and adopted) a benchmark of 10,000 persons per screen in its assessment.

We agree with the rationale of the EIA, that cities and metropolitan areas would require a greater number of persons per screen than the average state benchmark of 12,000 persons per screen. By implication, regional areas would require fewer persons per screen than the average state benchmark of 12,000. The adopted benchmark of 10,000 persons per screen however appears at the higher end of the range of the following regional examples in Table 1.

Table 1: Benchmarking Analysis (Persons per Screen), Select Regional Areas (2016-2019)

LGA/ Cinema (Screens)	Year	Estimated Resident Population (ERP)	ERP Growth per Annum (Decline)	Persons per Screen
Coffs Harbour (7)	2016	74,670	1.3%	10,667
BCC Cinema (5)	2017	75,552	1.2%	10,793
Majestic Sawtell (2)	2018	76,480	1.2%	10,926
	2019	77,277	1.0%	11,040
Tweed (13)	2016	93,742	1.6%	7,211
Hoyts (5)	2017	94,909	1.2%	7,301
Cinema Kingscliff (2)	2018	96,018	1.2%	7,386
BCC Cinema (6)	2019	97,001	1.0%	7,462
Lismore (4)	2016	44,122	(0.2%)	11,031
BCC Cinema (4)	2017	43,930	(0.4%)	10,983
	2018	43,803	(0.3%)	10,951
	2019	43,692	(0.3%)	10,923
Orange (5)	2016	41,210	0.9%	8,242
Orange Odeon (5)	2017	41,501	0.7%	8,300
	2018	42,000	1.2%	8,400
	2019	42,451	1.1%	8,490
Kempsey (4)	2016	29,431	0.2%	-
Majestic Kempsey (4)	2017	29,550	0.4%	-
	2018	29,633	0.3%	-
	2019	29,745	0.4%	7,436
Port Macquarie (7)	2016	80,073	1.4%	11,439
Majestic (5)	2017	81,441	1.7%	11,634
Laurieton (2)	2018	83,062	2.0%	11,866
	2019	84,525	1.8%	12,075

Source: Atlas research

We make the following observations from the benchmarking analysis in Table 1.

- The analysis reveals a range of 7,400 persons to 11,000 persons per screen in 2019 as follows:
 - Coffs Harbour and Lismore - circa 11,000 persons per screen in 2019.
 - Tweed, Orange and Kempsey - 7,400 to 8,400 persons per screen in 2019.
 - Port Macquarie falls outside the range - 12,100 persons per screen in 2019.
- Of the LGAs examined, annual population growth of at or above 1.0% is observed with the exception of:
 - Lismore (which experienced negative growth over the observed period); and
 - Kempsey which has more modest population growth (<0.5% per annum).

Based on the foregoing benchmarking analysis, screen provision per capita at Port Macquarie would appear to be low compared to the other regional areas examined. This indicates it is currently undersupplied from a screen perspective.

Table 1 benchmarks population against total screens in the respective local government areas. The limitation to this is that seating capacity can vary significantly by screen (some with as few as 50 seats and some with as many as 300 seats). Therefore, the number of screens **should not** be the only measure of cinema provision.

We test the observations of the analysis in Table 1 by benchmarking cinema provision by the number of seats in Table 2.

Table 2: Benchmarking Analysis (Persons per Seat), Select Regional Areas (2016-2019)

LGA/ Cinema (Seats)	Year	Estimated Resident Population (ERP)	ERP Growth per Annum (Decline)	Persons per Seat
Coffs Harbour (1,223)	2016	74,670	1.3%	61.1
BCC Cinema (1,035)	2017	75,552	1.2%	61.8
Majestic Sawtell (188)	2018	76,480	1.2%	62.5
	2019	77,277	1.0%	63.2
Tweed (1,427)	2016	93,742	1.6%	65.7
Hoyts (519)	2017	94,909	1.2%	66.5
Cinema Kingscliff (65)	2018	96,018	1.2%	67.3
BCC Cinema (843)	2019	97,001	1.0%	68.0
Lismore (4)	2016	44,122	(0.2%)	49.3
BCC Cinema (4)	2017	43,930	(0.4%)	49.1
	2018	43,803	(0.3%)	48.9
	2019	43,692	(0.3%)	48.8
Orange (792)	2016	41,210	0.9%	52.0
Orange Odeon (792)	2017	41,501	0.7%	52.4
	2018	42,000	1.2%	53.0
	2019	42,451	1.1%	53.6
Kempsey (657)	2016	29,431	0.2%	-
Majestic Kempsey (657)	2017	29,550	0.4%	-
	2018	29,633	0.3%	-
	2019	29,745	0.4%	45.3
Port Macquarie (933)	2016	80,073	1.4%	73.9
Majestic (683)	2017	81,441	1.7%	75.2
Laurieton Plaza (400)*	2018	83,062	2.0%	76.7
	2019	84,525	1.8%	78.1

*not verified (capacity adopted from submission)

Source: Atlas research

We make the following observations from the additional benchmarking analysis in Table 2:

- The analysis reveals a rate of 45.0 to 68.0 persons per seat in 2019 as follows:
 - Coffs Harbour and Tweed - 63.2 to 68.0 persons per seat in 2019.
 - Lismore and Kempsey - 45.3 to 48.8 persons per seat in 2019.
 - Port Macquarie falls outside the range - 78.1 persons per seat in 2019.
- While the benchmarking analysis in Table 1 indicate Coffs Harbour and Lismore have fewer screens per capita, the analysis in Table 2 shows cinema provision (on a seat basis) in Lismore has more seats per capita.

The analyses therefore reinforce why screen benchmarking should be from **both** a screen and seats basis.

The observations for Port Macquarie are consistent (both on a screen basis and a seat basis), in that cinema provision per capita in Port Macquarie is low compared to the other regional areas examined.

The low cinema provision in Port Macquarie has been exacerbated in recent years by population growth of 1.4% to 2.0% per annum. The observed rate of population growth in Port Macquarie is stronger than that in the other regional areas examined.

Conclusion

We agree with the EIA's approach of distinguishing cinema provision by metropolitan areas (cities) and regional areas, not adopting the state-wide average of 12,000 persons per screen. We consider this is a reasonable approach that reflects the greater diversity of entertainment options in metropolitan cities and therefore the greater population numbers required to support cinema provision.

The benchmarking analysis in Table 1 and 2 however suggests the benchmark rate adopted by the EIA may have been conservative at 10,000 persons per screen, representing the upper end of the observed range in Table 1. Though, benchmarking by screen-only does not necessarily provide full context.

Table 3 applies forecast population in Port Macquarie to 2036 (Forecast.id) to analyse cinema provision (by screen and by seats) assuming the Proposal were developed and operational by 2026.

Table 3: Analysis of Cinema Provision with Proposed Development, Port Macquarie (2019-2036)

LGA/ Cinema (Seats)	Year	Estimated Resident Population (ERP)	Avg. Growth per Annum (Decline)	Persons per Screen	Persons per Seat
Port Macquarie (2,176)	2019	84,525		12,075	78.1
Majestic (683)	2021	86,183	1.0%	12,312	79.6
Laurieton Plaza (400)*	2026^	92,240	1.4%	5,765	40.6
United Cinema (1,191)	2031	98,123	1.2%	6,133	43.2
	2036	103,993	1.2%	6,500	45.7

* not verified (capacity adopted from submission)

^United Cinema assumed operational, additional 9 screens and 1,191 seats

Source: Atlas, Forecast.id

The analysis in Table 3 shows that cinema provision on a persons per screen basis falls to between 5,700 persons and 6,500 persons per screen in 2026 to 2036. This is lower than the benchmark rates observed in Table 1.

Benchmarking according to screen only can be misleading when there are small cinemas (like Laurieton Plaza) that offer a more intimate setting with lower seat capacity per screen. It is therefore necessary to also view cinema provision on a persons per seat basis.

The analysis in Table 3 shows that post-completion of the development (assumed to occur by 2026), cinema provision per seat falls from 78.1 persons per seat in 2019 to 40.6 persons per seat in 2026, rising to 45.7 persons per seat in 2036. The ratios of 40.6 to 45.7 persons per seat are below the benchmarks observed in Table 2.

Based on the analysis in Tables 1, 2 and 3, our analysis leads to a conclusion there is sufficient demand at present and to 2036 to support additional screens. Forecast population growth from 2021 to 2036 is in excess of 1.0% per annum. We note this does not account for increased cinema visitation or tourist patronage of cinemas.

Another method of establishing demand (and any over or under-provision of cinemas) is by examining trading data (i.e. reported Box Office earnings). Cinemas that are trading above average levels can be indicated to be operating in an environment that is under-supplied. Conversely, cinemas that are trading below average levels could be operating in an environment that is over-supplied. That said, under-trading cinemas do not always indicate over-supply. A cinema may be underperforming as it is not competitively positioned or comprise a poor offer, not due to an oversupply situation. Equally, a cinema could be trading at much higher levels due to its offer (e.g. recliner seats, IMAX, etc.). The submitted EIA (in Table 3.3) examined trading data, indicating relative cinema performance. The reasons for cinema performance are complex to isolate.

The submission raises concerns about the commercial viability of the proposed United cinema and impacts and implications for the Majestic Cinema. It raises the possibility that should the Majestic close and the proposed United cinema also close, that Port Macquarie would be left with no cinemas, which would be a poor outcome. This is a speculative argument which could be made for any new development as there is always a risk that businesses may close.

Competitive forces are in the public interest as they encourage investment, promote business efficiency, stimulate innovation and force businesses to adapt to stay relevant. They should be viewed positively. We do not consider this issue a material economic consideration.

Other Observations

Coffs Harbour and Tweed LGAs have resident populations of under 125,000 persons (77,300 and 97,000 persons in 2019 respectively) and each accommodate two cinemas, with three cinemas in Tweed.

Rockingham is located about 50km south of Perth CBD and has since 2013 accommodated ACE Cinemas (8 screens, 2,000 seats) and United Cinemas (6 screens, 931 seats). The Rockingham LGA resident population was just under 120,000 in 2013 which supported both cinemas (equivalent to 8,500 residents per screen or 40.7 residents per seat).

Our research suggests that in Orange, the Australia 4 cinema (a historic cinema) closed in 2010 as its owners who also operated the newer Odeon 5 wanted to focus on the success and strong patronage at the Odeon 5. User feedback at the time indicates that the newer Odeon 5 provided a “nicer cinema experience” compared to the Australia Cinema. Our research further suggests that the Odeon 5 brand replaced the Metro Cinemas which closed in 2008 following a dispute between the Metro Cinema owners and the owners of the site/ building which it occupied. It does not appear that the closure of the Australia 4 historic cinema or the Metro Cinemas was inevitable due to the opening of a new cinema. We do however note the cinema closures occurred more than 10 years ago when population numbers were lower than current.

In Coffs Harbour an Event cinema closed, leaving a BCC Cinema. Both brands are owned by Event Hospitality and Entertainment Limited and it is our understanding that this closure occurred sometime in the early 2000's (some 15 years ago) when population numbers were lower than current.

Economic Impact

Submission and Comment

The submitted EIA contains incorrect assumptions and data points which render the findings unreliable. Modelling by Urbacity indicates insufficient demand for the additional cinema screens proposed.

The submission takes issue with statements and figures used in the submitted EIA. Analysis using assumptions and data will always open to debate given the variety of approaches that can be used. In the final analysis, it is the economic impacts to a centre as a whole that are material to the development application.

The submission notes incorrect commentary with regard cinema attendance numbers and trends, diversity of entertainment options and quality of public transport, as well as the role of Port Macquarie in servicing other LGAs' cinema needs. We examine this in detail in Table 4 and identify whether they have a material impact on the findings of economic impact.

This section discusses the aspects of the identified issues that could have a bearing on the findings of economic impact.

- **Benchmarking of Revenue of Coffs Harbour and Majestic Port Macquarie**

The sum of three years' box office revenue (2016-2018) in BCC Cinema in Coffs Harbour is approximately \$8.03 million while the sum of the same in the Majestic Cinema in Port Macquarie is approximately \$7.95 million. The submission notes that the two revenue totals are within 1% of each other and therefore it is not correct to conclude that the Majestic trades strongly compared to other cinemas is incorrect.

We agree that on an overall basis the revenue totals are within 1%. We also note that the cinema capacity of BCC Cinema is 50% larger (5 screens and 1,035 seats) compared to Majestic Cinema (5 screens and 683 seats). Observing that their performance is comparable is akin to concluding that two restaurants with similar revenue but of different capacities are trading at similar levels.

- **Inclusion of other LGAs**

The submission makes the point that Kempsey and Taree should not be included in the demand assessment as they are each served by local cinemas. The submission report (by Urbacity) notes that tourism patronage at the Majestic Cinema is approximately 7%. We note the Majestic Cinema has recently opened in Kempsey, its operators identifying that prior to its opening Kempsey residents were travelling to Port Macquarie or Nambucca (The Macleay Argus, 17 April 2018).

We therefore consider it a reasonable assumption that residents from smaller centres travel to regional cities like Port Macquarie to have their higher order needs met (like from Kempsey). However, escape expenditure from other LGAs into can only be definitively quantified through expenditure and visitor surveys and transaction data (e.g. credit cards).

For the purposes of isolating tourist visitation, our analysis in Tables 1 and 2 only considers the primary catchment, i.e. the resident population of Port Macquarie.

- **Comparison between Port Macquarie and Coffs Harbour**

The submission identifies the EIA has erroneously included Majestic Nambucca Heads in the benchmarking of Coffs Harbour and excluded Laurieton Plaza in the benchmarking of Port Macquarie. Our analysis in Tables 1 and 2 **excludes** the number of screens and seats at Majestic Nambucca Heads and **includes** the screens and seats at Laurieton Plaza.

The exclusion of patronage from other LGAs and adjustment for Majestic Nambucca Heads and Laurieton Plaza from the benchmarking reduces the demand assessment of the submitted EIA. Our benchmarking analysis (on resident population only) indicates current cinema under-provision in Port Macquarie, both on a screen and seat per capita basis. This means there is sufficient demand to support additional cinema provision that will offset negative trading impacts on existing cinemas.

The submission raises concern about the competitive impact on the Majestic Cinema, stating that the impact is unacceptable. We note that competitive impacts on individual businesses are not a material planning consideration, rather it is the impact on the centre overall that matters. Increased competition between businesses is considered to be in the public interest.

Impact on the CBD

Submission

The proposed development would mean that the Settlement City Precinct competes with Port Macquarie CBD.

Comment

The Greater Port Macquarie CBD was adopted as the collective regional centre by Council following strategic planning and technical investigations undertaken in 2004 which culminated in a retail strategy in 2010. Following that, the Greater Port Macquarie CBD was defined as comprising the Port Macquarie CBD and the Settlement City.

Competition between individual business is a private matter. Competition provides the opportunity for existing businesses to adapt and improve their offer. Competition is thus beneficial for centres and for shoppers as it provides choice and is in the public interest.

The submissions refer to the Settlement City and the Port Macquarie CBD as though they are separate centres. It is our understanding that Port Macquarie-Hastings Council has adopted the Greater Port Macquarie CBD (incorporating the Port Macquarie CBD and Settlement City Precinct) as the primary regional centre following past strategic planning investigations. Since that time, planning has not treated the Macquarie CBD and Settlement City Precinct separately.

Table 4 considers the points raised in the submission in greater detail.

Table 4: Specific Response to Key Issues Raised

Issue Raised	Atlas Comment
1. Inappropriate Position and Size	
1.1 Public open space is a better use for the Site	The Site is zoned for B3 Commercial Core uses in the adopted LEP. The LEP is a proxy for the type of development that is in the public interest, given the extensive work, rigorous assessment and public consultation that informs it. The best use of the site from a public interest perspective is that which accords with the B3 zoning. The suggestion that the site is better used for public open space is a personal view.
1.2 Development is too large for Port Macquarie's population, it runs the risk of becoming a "white elephant" and may not be commercially viable	It is the responsibility of the applicant to ascertain whether the proposed development is commercially viable, given they are funding it and taking the risk. The issue of commercial viability and development feasibility are not planning considerations.
1.3 Cinemas and bowling alleys require significant capital to build meaning that the Majestic Cinema will be unable to improve its offer to compete	<p>This issue is a matter of private competition between individual businesses. If a business cannot access the capital expenditure needed to compete with other businesses it is not the role of the planning system to protect them. Doing so would stifle new investment, limit the ability for new businesses to increase the range of goods and services provided in an area and ultimately be detrimental to the public interest.</p> <p>From a planning perspective, the economic impact of any proposed development within a centre should be assessed based on the impact that it has on the offer overall. Impact on individual businesses is private, not a matter of public interest that the planning system represents.</p>
1.4 The proposal would create too many cinema screens for the area	<p>Assumptions and the application of data are open to debate, there is often not a right or wrong answer and thus all prudent analysts can do is use their best judgement to determine what approaches and assumptions should be used.</p> <p>The Urbacity Report appears to advocate using nationwide average cinema screens per person in the demand assessment (page 14, Table 4) but also suggests that national cinema investment trends are not applicable in Port Macquarie given its regional location (page 9).</p> <p>Going back to first principles, the purpose of an EIA is to assist in determining the economic case for the proposed development.</p> <p>Our analysis in Tables 1 and 2 suggest Port Macquarie is currently under-provided for in terms of cinema capacity, which is measured by cinema screen and seating capacity. Despite this, the issue of whether enough demand exists is a matter for the market and the commercial operator.</p> <p>Demand is relevant insofar as it has implications for the impact of proposed development on centres. In this case, the Majestic Cinema and the proposed cinema are both in Port Macquarie regional centre which is represented by the Greater Port Macquarie CBD.</p>
1.5 The proposed development will ultimately result in the closure of one or more of the cinemas	The benchmarking analysis does not suggest that closure of one or more of the cinemas is inevitable. Indeed, the viability of cinemas (as with any business) is subject not only to the demand/ supply environment but is equally driven by their competitive positioning and offer. A failure by any business to 'meet the market' could result in adverse and fatal trading impacts even in an under-supplied environment.
1.6 If the Majestic Cinema closed and then the new development was unviable and also closed, the Port Macquarie region would have no cinemas at all	<p>This is conjecture. This argument could be made for any new development as there is always a risk that businesses may close.</p> <p>Competitive forces are in the public interest as they encourage investment, promote business efficiency, stimulate innovation and force businesses to adapt to stay relevant. They should be viewed positively. This issue is not a material economic consideration.</p>

Issue Raised	Atlas Comment
2. Economic Impact	
2.1 Incorrect attendance numbers have been used	The statistics quoted by the submitted EIA appears part of its commentary and have no implications on the findings, given that demand is calculated by population per screen not the number of visits per year.
2.2 It is inaccurate to say that 2017 saw the joint highest ever cinema admissions	The submission states that the statement made by the EIA that 2017 cannot be referred to as having the “joint” highest Australian cinema attendance on record because it is comparable to four attendance statistics on four other occasions. This is could be a misunderstanding of the word “joint” which can refer to two or more instances of the same event according to the Oxford English Dictionary, not just two identical events. This has no bearing on the findings of the demand assessment.
2.3 The trend to larger seating is inaccurate	The submission states that the trend towards larger seats and IMAX-style screens is not relevant in a regional setting. The EIA explores national cinema trends which this trend is. Though it is for the market to decide if there is enough localised demand for this product. If national trends have not yet manifest themselves in regional areas it does not necessarily follow that the product offering should not be delivered there. This would in effect limit the range of services available for residents and would not be a good public policy outcome.
2.4 Laurieton screens have not been included in the demand assessment	Laurieton contains two screens and is estimated to have 250 seats. The EIA noted it is situated 33km from Port Macquarie in a small centre that lacks a significant concentration of retail and service operators capable of attracting people from a large catchment. Our review tests the implications of <i>including</i> Laurieton Plaza in the analysis.
2.5 The number of cinema screens has been contracting not growing	Cinema screens are one measure of cinema capacity. In some locations there could be consolidation into fewer screens, each with larger seating capacity. We note the operators of Majestic Cinema in Kempsey are of the view that Australia is “the biggest moviegoing nation in the world” with cinemas evolving and more cinemas being built in metropolitan areas than for a long time (The Macleay Argus, 17/4/2018).
2.6 Port Macquarie does not have a lack of amenity diversity	Port Macquarie provides a diverse range of entertainment options at present. The proposed development would add to that diversity by creating new options not currently provided for.
2.7 Port Macquarie does not service Taree and Kempsey for cinema provision	Port Macquarie is defined in the North Coast Regional Plan as one of four regional centres. By definition and reflective of its retail offer it serves a large catchment which includes Taree and Kempsey. These centres have some local cinema provision, but residents will still travel to Port Macquarie to undertake higher order retail and leisure activities. This fact is acknowledged in the Retail Strategy Review (2015).
2.8 Benchmarking cinema seats is hard to reconcile	Benchmarking provides an indication of demand and is logically used as a means of assessing cinema capacity. Benchmarking cinema solely screens can be misleading and skew the observations if the number of seats per screen varies widely.
2.9 Seat comparison between Port Macquarie and Coffs Harbour is inaccurate	The submitted EIA erroneously included Majestic Nambucca Heads in the benchmarking of cinema provision. We exclude the capacity of this cinema in benchmarking analysis in Tables 1 and 2 (earlier discussed).
2.10 Jobs would be redirected to the new development rather than being new jobs	There could be some job redirection from existing businesses. It is unlikely that all jobs would be redirected jobs as many of the uses proposed are not currently provided in Port Macquarie. The proposed development would help induce expenditure otherwise non-existent.

Issue Raised	Atlas Comment
2.11 Inaccurate description of Majestic Port Macquarie as a traditional cinema	This would appear to be a matter of descriptive opinion and has no bearing on the findings of the demand assessment.
2.12 Competitive impact on Majestic Cinema is unacceptable	Competitive impacts on individual businesses are not a material planning consideration, rather it is the impact on the centre overall that matters. Increased competition between business is considered to be in the public interest.
2.13 Public transport connectivity to Port Macquarie is poor and should not be described as “good”	This would appear to be a matter of opinion. In any case, public transport connectivity is a matter of relativity and Port Macquarie CBD is comparatively better connected than other locations in the LGA. This issue is not a material economic consideration.
2.14 Cinema provision in Port Macquarie and Coffs Harbour is not comparable	As the two nearest regional centres, the offer at Port Macquarie should be considered against Coffs Harbour. The issue of cinema provision should be considered in the context of screens as well as in the context of seats, providing a more fulsome context of capacity.
3. Effect on the CBD	
3.1 The proposed development would mean that the Settlement City precinct competes with Port Macquarie CBD	<p>The submission is right to consider the relationship between Settlement City and CBD. Planning policy guidance is the appropriate guide as to this relationship, in this regard, both Settlement City and the CBD form part of the Greater Port Macquarie CBD which is a proxy for the Port Macquarie regional centre. Both have B3 zones which are intended for higher order retail and services.</p> <p>The ‘Greater Port Macquarie CBD’ was conceived and adopted by Council in 2010 following technical investigations as part of strategic planning for the regional centre, designating the Settlement City Precinct and CBD to collectively form the Port Macquarie regional centre. Indeed the Port Macquarie-Hastings Retail Strategy Review (2015) maintains and reinforces the principle and structure of the Greater Port Macquarie CBD.</p> <p>The proposed development would bring a range of retail and leisure facilities to Port Macquarie that would not otherwise be provided there, leading to the opportunity for jobs and investment. It is expected to strengthen Port Macquarie’s offer to shoppers and tourists post-development and more readily compete with other regional centres on the Mid North Coast. This is expected to lead to higher shopper visitation rates, making available a greater pool of spending which existing and new businesses can tap into. This would positively benefit the Greater Port Macquarie CBD including the CBD.</p>
3.2 The closure of the Majestic Cinema would “spell the death knell” for the Ritz Centre	<p>From a planning perspective, economic impact is only relevant in terms of impact of the overall performance of a centre. Impacts on individual businesses within a centre are not a material consideration as these are private matters of competition. It is conjecture that the Majestic Cinema and the Ritz Centre would close as a result of the proposed development.</p> <p>Market forces and competition stimulate innovation and provide choice. If the Ritz Centre did close, which we consider unlikely, it would represent an opportunity to create new retail or service offering to serve residents. This could lead to a more competitive offer compared to the no development scenario. This issue is not a material economic consideration.</p>

Source: Atlas

GENERAL OBSERVATIONS

The Majestic submission is based primarily on the Urbacity report. The Urbacity report provides a detailed rebuttal to much of the statistical data and assumptions which informed the submitted EIA.

We make some general observations on the manner in which the Urbacity report critiques the submitted EIA.

Inherent Biases

It is evident from the language and approach adopted in the Urbacity report that it is inherently biased, rather than being a balanced critique. For example, the Urbacity report frequently uses subjective language which has no place in an impartial, evidence-based assessment such as “Unfortunately, proof has been sacrificed...” (page 13, our emphasis) and “The AEC report frustratingly only shows...” (page 15, our emphasis). Biases such as these revalue and undermine its findings.

Selective Use of Data

The Urbacity report appears to use data selectively. For example, it advocates using Australia-wide average cinema screens per person in the demand assessment (page 14, Table 4) but elsewhere it argues that national cinema investment trends are not applicable in Port Macquarie given its regional location (page 9). Selective use of data means the review is inconsistent.

Misunderstanding of Issues

Much of the discussion is focused on commentary and data that is not material to the submitted EIA findings. For example, the Urbacity report states it is inaccurate to say that 2017 saw the “joint” highest ever Australian cinema submissions as there were four other years with comparable admissions. Quite apart from the misunderstanding that “joint” can refer to two or more instances of the same event according to the Oxford English Dictionary, not just two identical events, this has no bearing on any aspect of the demand modelling or impact assessment.

Many of the issues raised have no impact on the findings of the EIA (outlined in detail in Table 4).

CONCLUSION

The proposed uses are consistent with the B3 Commercial Core zoning which applies to the Site. It forms part of the Greater Macquarie CBD, a proxy for the Port Macquarie regional centre which is the primary location for higher order retail and leisure activities.

Primary Catchment and Cinema Provision

Our benchmarking analysis of the primary catchment (i.e. on **resident population only**) indicates current cinema under-provision in Port Macquarie, both on a screen and seat per capita basis. Continued population growth will further exacerbate this shortfall. This means there is sufficient demand from population growth alone to support additional cinema provision that will offset negative trading impacts on existing cinemas.

In the planning hierarchy of centres, Port Macquarie and Coffs Harbour are regional cities, with Kempsey and Laurieton identified as major towns. Regional cities provide for the majority of growth and employment opportunities and are the major centres of focus for state and regional services. Town centres have more limited trade areas and are reliant on regional cities for higher order services, retailing and employment (Hill PDA, 2015).

Therefore, all things being equal, cinema provision in Port Macquarie and Coffs Harbour would require fewer residents in their primary catchment than say Kempsey or Laurieton. This is because regional cities draw from a secondary catchment beyond the local catchment, with residents from smaller centres travelling to the regional cities for higher order activities and services.

Benchmarking cinema provision by screens alone can be misleading (as the analyses in Tables 1 and 2 demonstrate). Older-style cinemas such as the Laurieton Plaza offer a more intimate setting with fewer seats per screen. We therefore consider it necessary to consider both screens **and** seats when benchmarking against resident population in a primary catchment.

Post completion of the proposed development, Port Macquarie’s primary catchment (on resident population) at 40.6 residents would be just below that of Kempsey’s primary catchment at 45.3 residents. We note Kempsey has the most cinema seats per capita of the regional areas examined.

Port Macquarie however, by virtue of its regional city status has a much larger tourism economy than Kempsey and also has the ability to draw visitation from a broader secondary catchment, which will contribute to cinema patronage and overall demand. Its primary catchment metrics at 40.6 residents is therefore not necessarily representative of its total catchment potential. As the city grows in population, Port Macquarie's primary catchment metrics are expected to rise to 43.2 residents by 2031 and to 45.7 residents by 2036. This would be comparable to those observed in Lismore and Rockingham.

Competitive Impact

The submission raises concern about the competitive impact on the Majestic Cinema, stating that the impact is unacceptable. We note that competitive impacts on individual businesses are not a material planning consideration, rather it is the impact on the centre overall that matters. Increased competition between businesses is considered to be in the public interest.

The Majestic Cinema draws box office revenue that is comparable to the BCC Cinema in Coffs Harbour, despite the BCC Cinema having 50% more seating capacity. This strong performance suggests there is scope in the Port Macquarie market for additional cinema provision.

The submissions cite cinema closures in Orange and Coffs Harbour and cautions Port Macquarie will suffer the same fate should the United Cinemas be developed and allowed to operate. We note that competitive impacts between businesses are matters of private interest. Nevertheless, our research suggests the closures of cinemas in Orange and Coffs Harbour occurred some 10 years and 15 years ago respectively when resident populations were much smaller. We further note the circumstances of the cinema closures in Orange (Australia 4 and Metro Cinemas) appear to be due to a range of factors including the desire by Box Office Promotions (the owner of both Australia 4 and Odeon 5) to focus on the evident success of Odeon 5 and tenant/ landlord dispute in the case of Metro Cinemas. Being a historic cinema, Australia 4 required capital investment to position it in the contemporary market. From our research it does not appear that the opening of one cinema resulted in the closure of the other.

It is important to note that cinemas (like any business) perform poorly for a number of reasons. It may be not competitively positioned to meet market expectations or comprise a poor offer, not due to an oversupply situation. Equally, a cinema could be trading at much higher levels due to its offer (e.g. recliner seats, IMAX, etc.) despite operating in a competitive environment. The success or failure of businesses is underpinned by their ability to remain competitive, to 'read the market' and invest wisely to ensure their offer remains relevant.

The submission raises concerns about the commercial viability of the proposed United cinema and impacts and implications for the Majestic Cinema. It raises the possibility that should the Majestic close and the proposed United cinema also close, that Port Macquarie would be left with no cinemas, which would be a poor outcome. This is a speculative argument which could be made for any new development as there is always a risk that businesses may close.

Competitive forces are in the public interest as they encourage investment, promote business efficiency, stimulate innovation and force businesses to adapt to stay relevant. They should be viewed positively. We do not consider this issue a material economic consideration.

Planning Hierarchy of Centres

The 'Greater Port Macquarie CBD' was conceived and adopted by Council in 2010 following technical investigations as part of strategic planning for the regional centre, designating the Settlement City Precinct and CBD to collectively form the Port Macquarie regional centre.

In our view the Settlement City and CBD were consolidated by Council into the Greater Port Macquarie CBD and it is therefore appropriate that they be treated as a singular Port Macquarie regional centre.

Yours sincerely

Atlas Urban Economics

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