12 September 2016

Mr Gary White
Chief Planner, Department of Planning and Environment
23-33 Bridge Street
SYDNEY NSW 2000

Dear Gary,

Retail Expert Advisory Committee - PIA Submission

The Planning Institute of Australia (NSW) appreciates the opportunity to engage with the Committee on aspects of the planning system which constrain the retail industry’s establishment and operations, as well as the economic and social value created via sound retail and centres planning policy.

As noted in the SGS (2011) retail barriers report\(^1\), most Australian jurisdictions adopt centres policies which focus activity generating retail in existing or planned centres across a range of scales. Locating major retail remote from centres is difficult to progress through the planning system. This can be a regulatory barrier for would-be market entrants. The question is whether these constraints on competition are both warranted and efficient. PIA argues that in most cases the external costs associated with a diluted hierarchy of centres (below) are greater than the potential benefits of improved choice and lower price for consumers.

- increased vehicular use and reduced public transport use and accessibility
- reduced community access to a focussed hub of amenities
- foregone opportunities for urban intensification focussed around the amenity of high activity centres anchored by retail uses
- loss of business synergies associated with clustering

PIA supports the critical role of the planning system in getting the balance right; such that the productivity and community values of successful centres are supported with the least impact on healthy retail competition. A focus simply on driving down prices and access for consumers needs to be balanced with proper consideration of the social costs of dilution of CBD functionality as a venue for not only commercial activity for also as a meeting place and centre for community discourse and events. This is particularly so in smaller regional town centres where there are no alternative service

\(^1\) An Evaluation of Planning Systems - Barriers to Entry for Grocery Retailing, July 2010, SGS Economics
centres - and where the context is different from metro areas. Food, drink and personal services have come to the fore as traditional main street players are under pressure.

The experience of Tamworth and Armidale\(^2\) in sustaining activity in their CBDs is exemplary. Opportunities for out-of-centre retail mall expansion have been redirected into available sites near their CBDs. This has to a large extent invigorated the town centres, enabled hospitality business growth and improved access to services and amenity of these regional centres.

PIA has provided an overview of our position in Attachment A (interim response), we have included specific advice in the table below alongside the Retail Expert Advisory Committee Terms of Reference.

<table>
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<tr>
<th>Terms of Reference</th>
<th>PIA Advice</th>
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<tr>
<td>1. Assessing the opportunities and constraints of the existing planning framework for retailers, in particular: a) SILEP retail definitions b) SILEP zones and their application c) other policy/provisions impede retail opportunities</td>
<td>State Centres Planning Policy and Regional Strategic Planning: Regional Plans, A Plan for Growing Sydney and District Plans should give spatial expression to state policy on centres and retail location included in a SEPP on centres. This would improve line of sight between LEPs and State policy. Retail in Industrial Zones: Hardware, building supplies and garden centres are now explicitly allowed in IN zones under the SILEP, this is appropriate due to the nature of the use of these premises being industrial in character. However the definition of hardware is problematic and should not be used to include general retail in industrial areas. (The same comment is relevant to bulky goods retailing below). The permissibility of some forms of bulky goods retailing in IN zones has impacted on the availability and affordability of industrial land for employment and urban services uses. At present NSW councils can insert bulky goods retailing as permissible uses in IN1/IN2 and B6 zones. The District Plan / Regional Plan and a clear State Centres Policy should control the circumstances where this may be appropriate either spatially or using criteria (ie a ‘net community benefit test’ – see below). The Victorian model of allowing general retail (including supermarkets up to 1800m2) in industrial zones is not supported as the retail can displace activity from accessible centres and deny those centres the amenity needed to support mixed use growth. Only low key neighbourhood retail to support the industrial area is appropriate.</td>
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<td>2. Identify how retail could be better accommodated within existing or new centres or other localities.</td>
<td>Retail Land Supply and Strategic Planning: Regional and local structure planning needs to inform LEPs to set aside adequate capacity for retail and commercial growth. This should be supported by regular forecasts of demand for retail floor space on a regional and district basis, and monitoring supply.</td>
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<th><strong>Planning Institute of Australia</strong></th>
<th><strong>Leading effective planning for people and places</strong></th>
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<td><strong>planning.org.au</strong></td>
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Regional structure planning should determine locations for new centres to accommodate long term retail growth. Given the nature of retail competition amongst major supermarkets, it would be good practice to plan additional capacity for several competitors in centres.

EPIs should not prohibit large supermarkets operating in local catchments or small centres as long as adequate capacity is still available for other retail. Centres should be expected to grow and change in status and position in the centres hierarchy. As a consequence, the inclusion of any retail floorspace limits would need to be clearly justified in the relevant strategic plan.

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<th>3. Identify economic, social and environment impacts of supporting increased retail development outside of existing centres, and possible solutions to resolve or mitigate those impacts.</th>
<th><strong>Regional Structure Planning for New Centres:</strong></th>
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<td></td>
<td>The role and growth opportunities for centres should be included in Regional Plans. Alternative proposals for out-of-centre retail should only be considered as opportunities for new centres – not as isolated retail independent of the growth and change pressures of an area.</td>
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**Community Benefit Test for Out-of-Centre Retail:**
Where spatial planning is not available, criteria for deciding whether out of centre retail is appropriate should apply. The SGS (2010) review includes a sequential test suitable for NSW situations in Section 5.5. It is based on three steps: strategic fit, community benefit and place quality. The community benefit test should be nested within a district or regional centres policy - and based on:

- the capacity of the proposal to add to overall retail service in the region (competition and choice) including addressing shortfalls or weaknesses in the retail network as identified in the policy
- the capacity to deliver quality spaces and places for retail trade and community interaction
- the capacity to strengthen community identity and social sustainability in other ways, including improvements in skills and employment outcomes
- maintenance or improvement in sustainable customer travel and retail distribution patterns
- the test should be transparent and the logic able to be tested by the community

**Place Making:**
Out-of-centre retail development has the potential to become the anchor of a new mixed use centre over time. Successful centres require ongoing attention to amenity, accessibility and the nature of the public domain. This requires ongoing investment and potential development contributions.

4. Identify opportunities to facilitate entry for new, and expansion of existing, competitors.

**Pro-active Land Assembly:**
In areas where there is a critical deficit of retail capacity that the market is unable to address, a district or regional plan could consider actions to assist in the assembly of retail sites by public investment via land development agencies such as UGNW or the specific council.

**Gaming and land withholding:**

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3 An Evaluation of Planning Systems - Barriers to Entry for Grocery Retailing, July 2010, SGS Economics
State retail policy should (and does) ensure that submissions on development proposals and gateway proposals by retail competitors not be anti-competitive. The issue of retail competitors withholding land from development (land banking) is problematic and difficult for the planning profession to resolve – financial incentives via development contributions and rates could be explored were this to be identified as a significant constraint.

5. Identify future demands from the changing nature of retailing eg. increased online shopping.

Regular Strategic Planning Review:
A key challenge for planners is the time and effort taken in putting in place land use planning controls versus the very rapid evolution of retail and other commercial activities and their changing land use needs. Retail planning policy needs to be regularly refreshed. Regional and local structure planning needs to inform LEPs to set aside adequate capacity for retail and commercial growth. This should be informed by regular forecasts of demand for retail floor space on a regional and district basis, and monitoring supply. This process should be guided by the Greater Sydney Commission – or Councils with DPE assistance in regional NSW.

Online retail:
The planning needs for online retail are becoming more apparent. Major retailers and distributors operate out of large warehouse buildings with similar logistical needs to current freight operators in industrial areas. There are many small ventures offering specialist goods on line from homes, small warehouse units as well as shops – the operating environment for retail is becoming more and more complex but not totally unpredictable in retail demand studies.

There is anecdotal information from PIA members that the far greater consumer choice offered online is harming retail performance of discount department stores in some regional centres. However, there is also growth in the café, hospitality and specialised local product market.

Membership retail:
Membership retailers (ie Costco) are essentially high activity large shops and should be located where their activity benefits centre performance or in identified regional clusters with a business zone.

In conclusion, the structuring role of centres for a socially and economically sustainable city or town is heavily dependent on focusing retail activity in centres.

PIA support regulation that effectively reinforces the advantages of successful and liveable centres but notes opportunities to reduce unnecessary barriers. Our key recommendations for Advisory Committee consideration are:

1. Development of an overarching State Centres and Retail Planning Policy – promoting the critical role of retail in stimulating activity to support successful mixed use centres.
2. District and Regional Plans to include a spatial structure which responds to retail supply and demand evidence and identifies and plans for new centres and existing centre growth.
3. District and Regional Plans to include a sequential test for out of centre retail based on strategic fit, net community benefit and place quality.
4. Continue to keep supermarkets out of industrial zoned areas via the SILEP.
5. Review the definitions of hardware and bulky goods retailing to ensure that general retail creep into industrial areas is avoided.

I would be happy to discuss our submission with you and the Advisory Committee, I am contactable via 9045 3014, or through John Brockhoff, PIA’s stakeholder representative on 0400 953 025.

Yours sincerely,

[Signature]

Marjorie Ferguson
President, PIA NSW
Attachment A: Interim PIA Submission

Regulation of the location of retail activity in favour of centres is appropriate as it addresses a negative externality of dispersed retail activity on excessive car use and less successful centres.

Retail is usually the most important generator of activity for centres. Vital centres offer the amenity to support a mix of high value uses including business and community services, higher intensity housing and serve as a hub for mass transit networks. Focussed retail activity is also important for regional NSW centres to ensure that joined up retail trips serve to invigorate the use of centrally located community facilities and public places.

Focussing retail activity in centres increases the benefits to:

- community amenity – enabling comparison shopping and access to concentrated clusters of shops and community facilities (with more equitable) accessible by mass transit
- economy productivity and agglomeration – as a focus for the co-location of business services
- promotion of healthy cities – by providing a destination with a wider range of options to access the shopping precinct including by walking, cycling, vehicular and public transport (refer Healthy Places and Spaces, PIA Policy)

PIA supports continuing planning system regulation to focus retail in business related zones.

A net community benefit test approach is appropriate for the consideration of out-of-centre retail proposals.

Enabling of dispersed general retail uses in industrial areas has the potential to diminish the contribution of retail activity towards successful mixed use centres (ie Victorian model) and compromise the amenity and productivity of our centres. This is a distinct advantage of Sydney’s centres. Dispersal of retail in industrial lands can distort land values and impact on the capacity and function of industrial lands to deliver urban services.